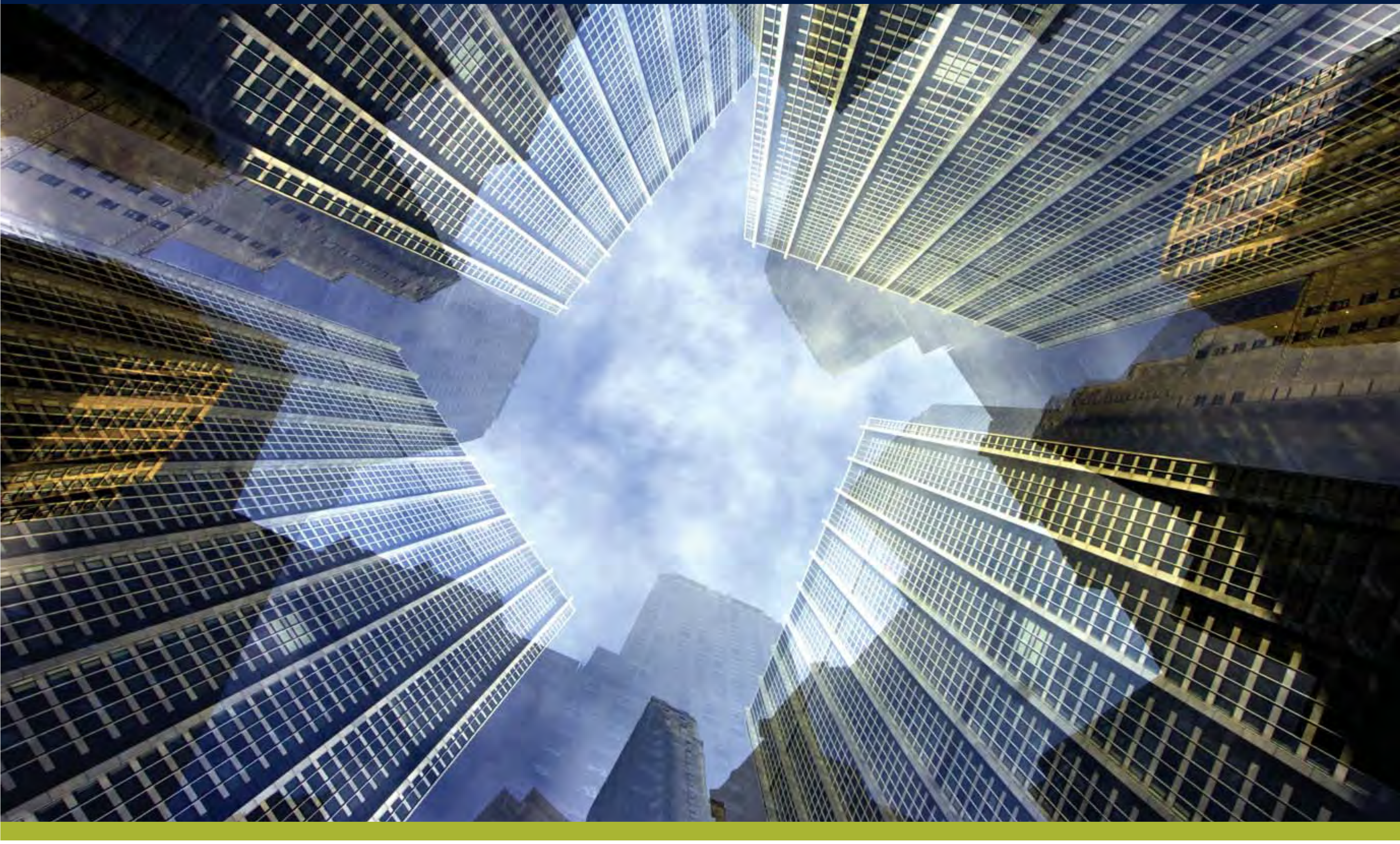
3i Group plc
Report and accounts

2009



Contents

Directors' report

Pages 1 to 79, comprise the Directors' report and pages 80 to 90 comprise the Directors' remuneration report, both of which are presented in accordance with English company law and the liabilities of Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

This Annual report and accounts may contain certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). 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.

Annual and half-yearly reports online
To receive shareholder communications electronically in future, including your annual and half-yearly reports and notices of meetings, please go to: **www.3igroup.com/e-comms** to register your details.

Further information

You will see these symbols used throughout this report. They point you towards further information either within the report or on our website. We hope you find them useful.

Information in this report

Information online

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Overview

Pages 01-12

An overview of our business and our performance for the year to 31 March 2009.

Our business

We are a mid-market private equity business.

Our focus is on buyouts, growth capital and infrastructure.

We invest across Europe, Asia and North America.

Market conditions

Conditions for private equity investment and realisations have been the most challenging for some time. A liquidity crisis, which spread through the banking system during 2008, undermined confidence in the capital markets and led to a broader economic slowdown in most of the world's major economies, as well as a significant reduction in mergers and acquisitions activity.

3i has been affected in three ways – through the fall in asset values, by the lack of liquidity available from the stressed banking sector, and by the fall in underlying economic demand for goods and services.

Further information on page 15.

Our priorities

Our immediate priorities, having further strengthened our balance sheet, are to generate increased value from the Group's portfolio and prepare 3i to take full advantage of the opportunities that will emerge.

Longer term, our strategy continues to be to invest in high-return assets; grow our assets, including external funds; extend our international reach; use our balance sheet and resources to develop existing and new business lines; and to continue to build our strong culture of operating as one company across business lines, geographies and sectors.

Further information on page 8.

Overview

Key financial data

Year to/as at 31 March	2009	2008
Investment activity		
Investment	£968m	£2,160m
Realisation proceeds	£1,308m	£1,742m
Net divestment/(investment)	£340m	£(418)m
Returns		
Gross portfolio return	£(2,206)m	£1,041m
Gross portfolio return on opening portfolio value	(36.7)%	23.9%
Total return	£(2,150)m	£792m
Total return on opening shareholders' funds	(53.0)%	18.6%
Dividend per ordinary share	6.3p	17.0p
Portfolio and assets under management		
Own balance sheet	£4,050m	£6,016m
External funds	£3,969m	£3,776m
Total assets under management	£8,019m	£9,792m
Balance sheet		
Gearing	103%	40%
Diluted net asset value per ordinary share	£4.96	£10.77

Portfolio value by business line as at 31 March	2009	2008
Buyouts	£1,467m	£2,025m
Growth Capital	£1,574m	£2,366m
Infrastructure	£371m	£501m
Quoted Private Equity ("QPE")	£171m	£142m
Smaller Minority Investments ("SMI")	£153m	£244m
Venture Portfolio	£314m	£738m
Total	£4,050m	£6,016m

Chairman's statement

"We believe that the actions being taken to reinforce 3i's financial strength give your Company the time to manage its well-diversified portfolio to maximise value for shareholders, and position us to take advantage of well-priced opportunities in the upturn."

During the year to 31 March 2009, 3i's net asset value per share fell from £10.77 to £4.96, in sharp contrast to the strong returns of the previous five years. The most rapid economic downturn in 3i's history, the dislocation of capital markets and the collapse of mergers and acquisitions activity all undermined the value of our portfolio. It also led to a significant increase in the leverage on our balance sheet, which itself magnified our negative return.

The largest single element of the decline in the value of our investments is due to the fall in quoted market multiples used to value most of our unrealised investments. While the prices at which we have been able to realise investments have been depressed by the collapse in mergers and acquisitions activity that accompanied the credit crunch, we still achieved an average 5% uplift to opening value on the £1.3 billion of realisations during the year.

However, in these highly uncertain economic times, we believed that we should again review our approach to the valuation of our portfolio. Two examples of this are the decisions the Board has taken to carry no assets at cost at 31 March, and to value the non-core SMI and Venture portfolios at the level of expected proceeds.

The disposal of a number of assets in these portfolios, together with the decision to bring 3i's Quoted Private Equity business back on to our balance sheet, are amongst the actions that have been taken to improve the Group's financial position since the appointment of Michael Queen as Chief Executive on 28 January 2009. The decline in asset values drove our gearing to 103% at the year end, and the Board therefore asked Mr Queen to set a high priority on the reduction of debt. Today's announcement of a rights issue is a further important step on the road to his objective, which is to bring 3i's net debt down to about £1 billion over the next 12 to 15 months.

The £732 million underwritten rights issue approved by the Board will enable 3i to strengthen its balance sheet. It will also provide flexibility and further capacity for 3i to manage existing assets for value over time and invest in new opportunities as they arise.

The Company paid an interim dividend of 6.3p per share on 7 January 2009 for the year to 31 March 2009. The Board has decided, in the light of the Group's financial results for the year and the proposed rights issue, not to recommend a final dividend for the year ended 31 March 2009. For the year to 31 March 2010 the Board intends to pay a total dividend at least as high in aggregate as the amount paid in respect of the year ended 31 March 2009 (£24 million), and remains committed to the principle of paying an increasing dividend thereafter.

The appointment of Michael Queen followed the decision of the Board to put in place a Chief Executive who would take 3i through the challenges of a deep and potentially prolonged recession and focus on rebuilding the Company's financial strength. His predecessor, Philip Yea, did a great deal to lead and develop 3i through the previous years of growth, for which I would like to express the Board's thanks. In view of Michael's successful stewardship of Growth Capital and launch of 3i's Infrastructure funds, the respect with which he is held in 3i and his deep knowledge of the private equity industry, the Board decided that he was the outstanding candidate to succeed Philip Yea.

Other Board changes during the year include the appointment of Julia Wilson as Finance Director. Julia, who knows 3i well as she first joined us as Deputy Finance Director, is currently on maternity leave and her operational responsibilities are being ably managed by Stephen Halliwell, Chief Financial Officer of 3i's Infrastructure business line, and Ian Nolan, who has been appointed to the Management Committee as Managing Partner, Investments.

The Board was also strengthened during the year by the appointment of a new non-executive Director, Richard Meddings, the highly-respected Finance Director of Standard Chartered Bank, who brings further valuable expertise to our discussions.

At the end of 2008-09, the Deputy Chairman, Oliver Stocken, reached nine years on the Board. Robert Swannell has therefore taken over the role of Oliver as Senior Independent Director and Chairman of the Audit and Compliance Committee. I would like to take this opportunity to thank both of them for their wisdom and support during this challenging year.

I closed my statement in May 2008 by warning of great uncertainty as to the impact of the credit crunch, energy prices and raw material costs on economic activity, and as to whether these pressures could be managed by the world's monetary authorities without precipitating recession or a sharp rise in inflation. It is now painfully clear that they could not avoid a deep recession; whether governments will manage to calibrate policy to avoid the subsequent pitfall of inflation remains to be seen. No economic forecasts can currently be relied on, but we believe that the actions being taken to reinforce 3i's financial strength will give your Company the time to manage its well-diversified portfolio to maximise value for shareholders, and position us to take advantage of well-priced investment opportunities when the upturn comes.

Baroness Hogg
Chairman
8 May 2009

At a glance

3i provides shareholders with quoted access to private equity returns. Investments are made with capital from the Group's own balance sheet and from funds which the Group manages or advises for others, on which it earns fees.

Business lines

as at 31 March (£m)

Buyouts

	2009	2008
Own balance sheet	**1,467**	2,025
External funds	**2,312**	2,594
Total	**3,779**	4,619

Growth Capital

	2009	2008
Own balance sheet	**1,574**	2,366
External funds	**157**	183
Total	**1,731**	2,549

Infrastructure

	2009	2008
Own balance sheet	**371**	501
External funds	**1,287**	712
Total	**1,658**	1,213

Business model

Buyouts

Market focus: leading mid-market transactions, with an enterprise value of typically up to €1bn.

Geographic focus: Europe and Asia.

Funding model: investments made by a combination of funds managed by 3i and 3i's own balance sheet.

Value creation: working with our portfolio to systematically deliver step improvements in performance.

Growth Capital

Market focus: minority investments of typically between €25m and €150m in established, profitable and typically international businesses.

Geographic focus: Europe, Asia and North America.

Funding model: investments to date made from own balance sheet.

Value creation: working with our portfolio to systematically deliver step improvements in performance.

Infrastructure

Market focus: investing in infrastructure assets principally in transportation, utilities and social infrastructure.

Geographic focus: UK, continental Europe, India and North America.

Funding model: investments made by funds managed and advised by 3i as well as from 3i's own balance sheet.

Value creation: working actively with portfolio companies to systematically deliver step improvements in performance.

Current market

Buyouts

- Mergers and acquisitions activity subdued due to economic uncertainty and limited availability of credit.
- Corporates focusing on core activities.
- Debt for new transactions constrained.
- Investment activity levels significantly lower than previous year.

Growth Capital

- Constrained debt financing markets for high-growth companies.
- IPO markets and corporate partnering opportunities limited.
- Growth plans on hold for many businesses.
- Investment activity levels lower than previous year.

Infrastructure

- Fundamentally an attractive market with replacement of existing infrastructure in developed economies and building of new infrastructure in developing economies.
- Typically more resilient than other asset classes.
- Debt available but reduced availability and on less favourable terms.

Performance

Financial performance (£m) year to 31 March 2009

	Buyouts	Growth Capital	Infrastructure
Investment	519	343	50
Realisation proceeds	494	461	117
Realised profits	255	(66)	(20)
Unrealised value movement	(995)	(1,029)	(62)
Portfolio income	62	60	32
Gross portfolio return	(678)	(1,035)	(50)
Gross portfolio return	(34)%	(44)%	(10)%
Fees receivable from external funds	45	1	26

Opportunity for 3i

Buyouts

- To take investment opportunities generated by 3i's network as and when markets recover.
- Potential for our existing portfolio to generate greater value as M&A markets and the general economy recover.

Growth Capital

- To invest in high growth companies requiring capital to grow internationally.
- Recent volatility likely to produce a preference for equity over debt.
- Potential for additional value creation through increased acquisition activity in the portfolio.

Infrastructure

- To build a significantly larger asset management and advisory business which capitalises on inherent market growth and 3i's network and resources.

P20 for more information on Buyouts

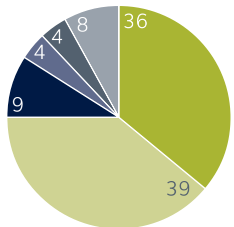
P25 for more information on Growth Capital

P30 for more information on Infrastructure

A focused and diversified business

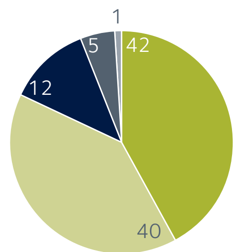
Porfolio by business line (%)
(Total portfolio value £4,050m) as at 31 March 2009

- Buyouts
- Growth Capital
- Infrastructure
- QPE
- SMI
- Venture Portfolio



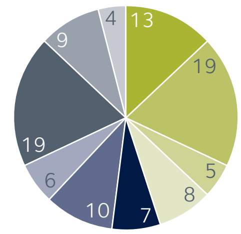
Portfolio by geography (%)
as at 31 March 2009

- UK
- Continental Europe
- Asia
- North America
- Rest of World



Portfolio by sector (%)
as at 31 March 2009

- Healthcare
- Business Services
- Media
- Consumer
- Financial Services
- Technology
- Oil, Gas and Power
- General Industrial
- Infrastructure
- QPE



Non-core activities

Quoted Private Equity

	2009	2008
Own balance sheet	**171**	142
External funds	**202**	269
Total	**373**	411

The recommended acquisition of the assets of 3i Quoted Private Equity plc by 3i Group plc, which completed in April 2009, resulted in five portfolio companies in the 3i Quoted Private Equity plc portfolio being transferred to the 3i Group plc Growth Capital business line from that date.

- Realisations, although more difficult to achieve in more challenging M&A and economic markets, continue to be made.

Financial performance (£m)
year to 31 March 2009

Investment	3
Realisation proceeds	–
Realised profits	–
Unrealised value movement	26
Portfolio income	–
Gross portfolio return	26
Gross portfolio return	18%
Fees receivable from external funds	3

- To release capital from this portfolio for use elsewhere in the Group.

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for more information on QPE

SMI

	2009	2008
Own balance sheet	**153**	244
External funds	**–**	–
Total	**153**	244

This consists of 3i's older smaller minority investments, managed by a separate team.

The intention is to continue to realise this portfolio.

- Although M&A markets are subdued, the market for secondary venture assets has remained open, as evidenced by the level of realisations.

Financial performance (£m)
year to 31 March 2009

Investment	–
Realisation proceeds	27
Realised profits	4
Unrealised value movement	(68)
Portfolio income	11
Gross portfolio return	(53)
Gross portfolio return	(22)%
Fees receivable from external funds	–

- To release capital from this portfolio for use elsewhere in the Group.

P32
for more information on SMI

Venture Portfolio

	2009	2008
Own balance sheet	**314**	738
External funds	**11**	18
Total	**325**	756

This consists of 3i's portfolio of early and late-stage technology investments, made before 31 March 2008.

The intention is to continue to realise this portfolio.

- Asset price deflation, lack of liquidity in the banking sector, contraction in M&A activity and a general economic slowdown have all affected 3i's market.

Financial performance (£m)
year to 31 March 2009

Investment	53
Realisation proceeds	209
Realised profits	(110)
Unrealised value movement	(312)
Portfolio income	6
Gross portfolio return	(416)
Gross portfolio return	(56)%
Fees receivable from external funds	–

- To release capital from this portfolio for use elsewhere in the Group.

P32
for more information on the Venture Portfolio

Group

	2009	2008
Own balance sheet	**4,050**	6,016
External funds	**3,969**	3,776
Total	**8,019**	9,792

3i's objective is to generate returns through a combination of:

- realised and unrealised growth in the value of assets held by the Group
- portfolio income and fees from the funds that it manages or advises.

3i is differentiated through:

- the combination of its business lines, sectors, geographical resources and network
- its active partnership style of investing
- its approach to corporate responsibility.

Financial performance (£m)
year to 31 March 2009

Investment	968
Realisation proceeds	1,308
Realised profits	63
Unrealised value movement	(2,440)
Portfolio income	171
Gross portfolio return	(2,206)
Gross portfolio return	(37)%
Fees receivable from external funds	75

- To invest on a highly selective basis as economies recover.
- To generate increased value from the Group's portfolio.
- To increase the Group's competitive advantage.
- To grow its assets under management.

Our strategy and priorities

Achieving our ambitions depends upon a clear strategy, ensuring that we measure our progress towards reaching our strategic goals and taking account of the key risks involved and how they change. Here is a summary of where we are today.

Strategy	Priorities	
Invest in high-return assets Delivering our return objectives across the cycle depends upon making high-quality investments and managing our portfolio well.	**To take a highly cautious approach to new investment.**	**As we start the new year** To capitalise on 3i's strengths and market access and remain highly selective in our investment choices.
Grow our assets and those we manage on behalf of third parties Combining growth in assets with our approach to making and managing investments enables us to protect and grow shareholder value.	**To support our portfolio through a difficult period and to maintain our approach to communicating with shareholders and the investors in our funds.**	**As we start the new year** To use 3i's market access to ensure that we take opportunities to invest and raise funds as they arise.
Extend our international reach, directly and through investing in funds International expansion provides diversity, competitive advantage and delivers significant added value to our portfolio companies.	**To focus on our existing markets and align our resources to the market.**	**As we start the new year** To continue with our current geographical focus.
Use our balance sheet and resources to develop existing and new business lines 3i's permanent capital base provides the platform and resources to protect value and to grow.	**To conserve our capital and reduce our net debt.**	**As we start the new year** To further strengthen our balance sheet so that we can take advantage of opportunities as they emerge.
Continue to build our strong culture of operating as one company across business lines, geographies and sectors Every aspect of our activity depends upon our people, the strength of their relationships and the way they work together.	**In a challenging environment and through a period of reorganisation, to ensure that we maintain our high levels of staff engagement.** **To manage a major reduction in staff whilst preserving our strong culture.**	**As we start the new year** To build on our high level of staff engagement and reinforce our "One 3i" approach.

The key Group financial performance measures are:

	2009	2008
Total return	**(53.0)%**	18.6%
Gross portfolio return	**(36.7)%**	23.9%
Cost efficiency	**3.0%**	5.0%
Gearing	**103%**	40%
Net assets value movement	**(5.64)**	1.94

Cost efficiency metric is net operating expenses over opening portfolio value.

NAV movement stated before dividends and other distributions to shareholders.

Risks

Performance

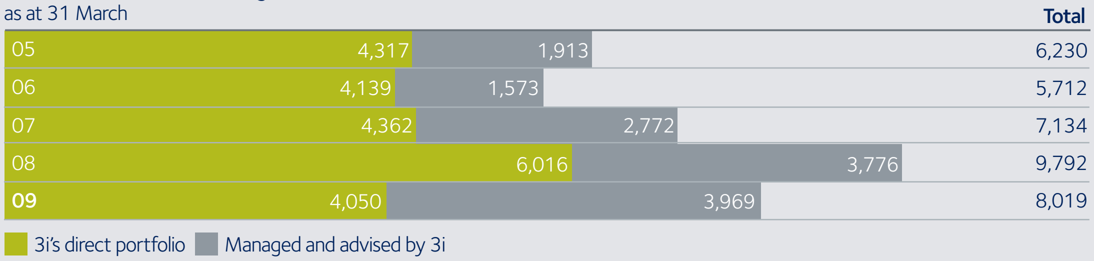
Any further deterioration of economic conditions and/or financial instability in volatile markets.

Gross portfolio return by year (%)
year to 31 March

	Gross portfolio
2005	16.7
2006	24.4
2007	34.0
2008	23.9
2009	(36.7)

Any further deterioration in economic conditions that affects our portfolio and/or inhibits the appetite of potential investors.

Growth in assets under management (£m)
as at 31 March



Any further economic deterioration and/or political shocks in any of the countries where 3i has a presence.

The opportunity cost of missing opportunities to develop in areas where 3i has potential.

Portfolio value by geography
as at 31 March

	2009 £m	**2009**	2008 £m	2008	2007 £m	2007	2006 £m	2006
Continental Europe	**1,618**	**40%**	2,573	43%	1,894	43%	1,923	47%
UK	**1,719**	**42%**	2,250	38%	1,792	41%	1,736	42%
Asia	**491**	**12%**	679	11%	373	9%	167	4%
North America	**209**	**5%**	497	8%	283	7%	307	7%
Rest of World	**13**	**1%**	17	–	20	–	6	–
Total portfolio value	**4,050**	**100%**	6,016	100%	4,362	100%	4,139	100%

Any further worsening of economic conditions which impacts our portfolio value and our balance sheet and consequently our capacity to develop.

Assets under management by business line
as at 31 March

	2009 £m	2008 £m	2007 £m
Buyouts	**3,779**	4,619	3,410
Growth Capital	**1,731**	2,549	1,687
Infrastructure	**1,658**	1,213	854
QPE	**373**	411	20
SMI	**153**	244	407
Venture Portfolio	**325**	756	756
	8,019	9,792	7,134

Retention and motivation of key employees in the current economic environment.

Employee engagement
The 2009 staff survey showed a high level of engagement, with a score of 85% (2008: 84%).

High scores from questions which test employee engagement have a direct positive impact on employee retention and productivity.

Corporate responsibility
– We are a member of the Dow Jones Sustainability Index.
– We are one of Business in the Community's top 100 Companies that Count.
– We reduced our CO_2 emissions by 11% in the year.

Chief Executive's statement

"While the operating environment remains very challenging I have great confidence in 3i's intrinsic strengths."

Having spent over 20 years at 3i, it is a great honour to have been appointed Chief Executive. 3i is one of the leading global private equity businesses with great brand strength, established business franchises, a strong network, and excellent people. My immediate priority is to ensure 3i performs to its potential through the current downturn and is well placed to use its strong market position to take advantage of the opportunities that will be available as the global economy starts to recover.

Market environment

This has been a very difficult year. The sub-prime mortgage crisis spread during the year to a broader liquidity crisis affecting all financial institutions. Significant capital raising by banks during summer 2008 failed to stop the downward momentum, leading to the failure of Lehman Brothers and government rescues of other financial institutions in most developed economies.

Multiple interventions and stimulus packages have failed to stop most western countries experiencing their sharpest downturn in economic activity since the 1930s. India and China, while continuing to grow, have done so at much slower rates than in recent years.

This environment has resulted in significant asset price deflation, with values of financial assets falling particularly sharply. 3i has been affected in three ways – through the fall in asset values, by the lack of liquidity available from the stressed banking sector, and by the fall in underlying economic demand for goods and services.

Activity in the private equity industry has fallen to the lowest level since 1997 with £87 billion invested in Europe during 2008 – this is a fall of 59% on the previous year. Fund raising has also slowed down and this will have a significant impact through the next few years with 2009 expected to be the lowest year for fund raising for a decade.

Performance

Total return of (53.0)% (2008: 18.6%) was mainly the result of valuation falls as a result of valuing assets using multiples derived from quoted markets, portfolio performance and realised losses on the sale of non-core assets and the impact of leverage.

During the year, we have been highly selective in the investments we have made, investing £968 million and adding 10 new companies to the portfolio. This level of investment is under half that of the previous year.

Realisations have also fallen, but at £1.3 billion (compared with £1.7 billion in 2008), this demonstrates that, even in the toughest economic conditions, there is considerable liquidity in the 3i portfolio.

The number of companies in the portfolio has continued to fall to 376 from 487 last year, as we continue to increase our investment focus to a smaller number of larger investments.

Assets on the Group balance sheet fell from £6,016 million last year to £4,050 million at 31 March 2009. The value of assets that 3i manages on behalf of third parties increased from £3,776 million to £3,969 million, resulting in total assets under management at the year end of £8,019 million (2008: £9,792 million).

Michael Queen
Chief Executive
8 May 2009

Each of our core business lines was impacted by valuation falls and, as a result, each produced negative returns in the year. Despite this overall performance, there were encouraging aspects. We achieved an overall uplift of 5% on opening values on assets that we sold, despite selling into declining markets. Income from external funds grew in the year from £60 million to £75 million as we saw the benefit of a full year's fee income from the 3i India Infrastructure Fund. We also saw a small net positive contribution to returns from earnings in the underlying portfolio. This reflects the fact that while many companies are seeing falls in turnover and profits, others are still seeing the opportunity to grow market share or take advantage of growth in specific subsectors.

Strategy and short-term priorities

Since becoming Chief Executive, my main priorities have been to ensure 3i is financially robust and operationally agile to both withstand the downturn and be ready to take advantage of investment opportunities when the economy recovers.

Our core strategy, as outlined on page 8, remains valid, though timing and implementation will naturally alter to take account of economic conditions and reshaped priorities.

We remain committed to maintaining our international network, investing in Europe, Asia and North America as this remains an important strength of our business model.

Looking forward, we will concentrate on Buyouts, Growth Capital and Infrastructure as the three business lines where we have clearly differentiated products and, as a result, can build a sustainable competitive advantage.

Our decision to stop investing in new venture capital assets was based on inconsistent returns and an inability to scale this type of investing. Similarly, the accelerated sale of our remaining SMI assets reflects the need to focus on those business lines where we can achieve improved capital productivity.

We have also announced the decision to acquire the assets and business of 3i Quoted Private Equity plc and, subsequent to the year end, following a board recommendation, shareholders of that company have voted in favour of this proposal. The original idea behind 3i QPE was sound, ie that 3i could bring private equity skills to bear on listed companies. Unfortunately, the listed vehicle through which this was delivered was trading at a significant discount to net assets, resulting in 3i shareholders suffering a double discount to the underlying value of assets. This activity has now been absorbed within our Growth Capital business, although it is unlikely much new investment in listed stocks will take place in the near future.

Since the mid-1990s, 3i has managed external capital alongside its own balance sheet capital. Currently, 51% of investment assets are on balance sheet and 49% are managed or advised. Over the next few years, we intend to manage a higher proportion of capital on behalf of third parties such that, over time, the proportion held on balance sheet will fall to between 25% and 33%. I do not envisage this resulting in a fall in assets on balance sheet, but the majority of future increases in assets will not require additional shareholder capital. This will give 3i significant advantages in broadening the potential pool of capital available for investment. It will also provide shareholders with less volatile returns as a higher proportion of returns will be in the form of asset management and performance fees.

3i has experienced a period of expansion both internationally and by business line over the past five years. This, inevitably, increases cost. During the year, we have taken the opportunity to review our cost base and have identified cost savings of circa 15% through re-engineering certain processes, outsourcing and consolidating parts of our office network. Over the next year, we will continue this process and, in order to do this and meet the changing market environment, I have made a number of changes to the senior team.

In an investment business, particularly when in a bull market, experience is often an undervalued asset. I am very fortunate that on the Management Committee, Jonathan Russell, Guy Zarzavatdjian, Paul Waller, Ian Nolan and I have all worked together for over 20 years. A common understanding of what makes a good investment and experience of previous downturns is key to future prospects.

Ian Nolan was appointed Managing Partner, Investments, in what is a new role for 3i – Chief Investment Officer. Ian will be responsible for ensuring consistent quality and rigour in all investment decisions and that a consistent approach is taken across business lines.

Since the year end, Chris Rowlands has retired. Chris made a huge contribution to 3i, both in establishing our Growth Capital business and, as the Head of our Asia business, building our business in Asia. Everyone at 3i thanks him and wishes him every success in the next phase of his life.

Denise Collis, who was responsible for Human Resources, has left the Company since the year end. I would like to thank her for her support over the past few years. Kevin Dunn has taken over responsibility for Human Resources in addition to his existing responsibilities. Robert Stefanowski has joined the Company from GE Capital and is now responsible for North America and Asia. Bob brings great experience and rigour to this role.

Following my appointment as Chief Executive, Cressida Hogg has taken over my previous position as Managing Partner, Infrastructure. Cressida has been largely responsible for building this business since it was started four years ago.

As noted in the Chairman's statement, Julia Wilson was appointed Finance Director during the year. She is currently on maternity leave and her operational responsibilities are being covered by a combination of Ian Nolan and Stephen Halliwell (Chief Financial Officer of 3i's Infrastructure business line).

These changes enable 3i to move forward in a challenging environment. A combination of experience, external challenge and a leaner organisational structure will enable faster, more consistent decision making to both deal with current conditions and prepare for the future.

Given the economic challenge and more difficult investment environment, I would like to thank all 3i staff for the huge commitment shown during the year. Our most recent staff survey highlights a high level of engagement.

Balance sheet management

Periods such as these are a significant test of any business strategy, risk management and control environment. I am encouraged that the investment discipline within our business lines has held up well and our active portfolio management is helping many businesses to ensure they will survive and prosper. We could not, however, escape the impact of significant falls in portfolio values on the overall level of gearing. As a consequence, gearing has risen to 103%. Looking forward, it is clear that financial risk needs to be reduced and borrowing should fall significantly over the next few years.

Our through-the-cycle gearing target of 30% to 40% has been significantly exceeded as asset values fell sharply in the second half of the year. Given that market movements are outside of our control, we will also target an absolute level of net debt. Our current objective is to reduce net debt from £1.9 billion to about £1.0 billion over the next 12 to 15 months.

The rights issue announced today, will make a significant impact on achieving this objective. Adjusting the balance sheet at 31 March 2009 for the impact of this capital, together with the impact of the 3i Quoted Private Equity plc transaction, will result in pro forma gearing of 42% and net debt of £1.1 billion.

Assets denominated in currencies other than sterling have historically been hedged using a combination of currency borrowings and short-term derivative contracts. In recent years, the use of short-term contracts increased. During the year, the cost of rolling over these contracts increased to such an extent that the Board decided to rely solely on currency borrowings as the hedging strategy.

In the short term, 3i is therefore only partially hedged through the use of matching borrowings and will be exposed to potential foreign exchange fluctuations. In order to reduce this exposure, the Board will review the introduction of a more comprehensive hedging strategy as a priority.

Outlook

Looking forward, we face an uncertain macroeconomic landscape. We are approaching this uncertainty by adopting a conservative financing strategy but preparing 3i to take advantage of the upturn.

The steps that have already been taken to boost balance sheet strength and liquidity through the rights issue and sales of non-core assets mean 3i is well funded.

Our three core businesses are also well placed to see excellent investment opportunities once it becomes clear the global economy is recovering.

Equity for private companies will be in short supply and our Growth Capital business with its international reach is one of the few significant investors that can fill this gap.

Many countries are now looking to the private sector to finance infrastructure investment, which is seen as a means of revitalising developed economies. We are well placed in Europe, North America and India to provide this capital.

We can also be confident that as the recovery becomes established, companies will re-define what are core and non-core activities. From previous cycles, we can see that this stimulates mergers and acquisitions activity, providing opportunities for the Buyouts business.

While the operating environment remains very challenging, I have great confidence in 3i's intrinsic strengths which will help it weather the difficult times while remaining alert to seize the opportunities that undoubtedly lie ahead.

Business review

2

Pages 13-32

A review of our main activities and principal markets, our key financial performance measures and our performance against them.

Introduction to the Group

The key Group financial performance measures are:

Total return	Gross portfolio return
2009: (53.0)%	2009: (36.7)%
2008: 18.6%	2008: 23.9%

Cost efficiency	Gearing
2009: 3.0%	2009: 103%
2008: 5.0%	2008: 40%

Net assets value movement*
2009: £(5.64)
2008: £1.94

*Growth in NAV is stated before dividends and other distributions to shareholders.

The key non-financial performance measures are:

Employee engagement	Environmental impact*
2009: 85.0%	2009: 8,428 CO_2 (tonnes)
2008: 84.0%	2008: 9,309 CO_2 (tonnes)

*Tonnes per year equivalent emissions.

The key business line performance measures are:

- Gross portfolio return
- Portfolio health
- Long-term IRRs by vintage

Performance data for each business line can be found on pages 22, 27 and 31.

3i is a mid-market private equity business focused on buyouts, growth capital and infrastructure, investing across Europe, Asia and North America.

We invest from our own balance sheet and also with funds that we manage or advise on behalf of others.

Total assets under management at 31 March 2009 were £8.0 billion (2008: £9.8 billion), including £4.0 billion (2008: £3.8 billion) advised or managed on behalf of third parties.

The Group's total return is fundamentally driven by the realised and unrealised returns we generate from our portfolio, the fees we generate from advising or managing external funds and the costs of operating the business.

3i has a diverse portfolio by business line, geography and sector and this is described further on pages 6 and 7. Detailed descriptions, performance data and commentaries for each business line, together with case studies of the most significant investments, can be found on pages 20 to 36.

Buyout investments are made through managed funds, the latest of which is Eurofund V, a €5 billion fund including 3i's co-investment of €2.8 billion. Growth Capital investments are made directly from 3i's balance sheet. Infrastructure investments are made either through 3i Infrastructure plc, in which 3i has a 33.3% shareholding, the $1.2 billion 3i India Infrastructure Fund, to which the Group has a $250 million commitment, or directly from the Group's balance sheet.

During the year, the Group increased its focus on its core activities and took the decision to absorb its Quoted Private Equity business line into the Growth Capital business line. 3i also decided to accelerate the disposal of the non-core SMI and Venture portfolios. At 31 March 2009, the core Buyouts, Growth Capital and Infrastructure portfolios, which comprised of investments in 177 companies (2008: 213), represented 84% (2008: 81%) of total portfolio value. The total number of companies in the portfolio as at 31 March 2009 was 376 (2008: 487).

3i's strategy and near-term priorities, along with a summary of our progress, the key risk factors involved and the statistics relating to our performance with respect to each element of this strategy is set out on pages 8 and 9.

A key component of 3i's business model is our approach to corporate responsibility and to risk management. Detailed reports on these important topics are provided on pages 53 to 64 and 47 to 52 respectively.

P6 to 7
for further information on our portfolio diversity

P8 to 9
for further information on our strategy and priorities

P20 to 36
for further information on our business lines

Market conditions

Conditions for private equity investment and realisations have been the most challenging for some time. A liquidity crisis, which spread through the banking system during 2008, undermined confidence in the capital markets and led to a broader economic slowdown in most of the world's major economies, as well as a significant reduction in mergers and acquisitions activity.

In addition to having a significant impact on portfolio valuations, these conditions had an effect on the levels of private equity investment, realisations and fund raising activity in Europe, Asia and North America, the regions of most importance to 3i. The market data referred to below for the final quarter of calendar year 2008 demonstrates how pronounced these effects were.

Levels of investment in almost all categories of private equity investing were significantly lower in 2008 than the previous year. Data from unquote" shows that overall European private equity investment fell by 59% to €87 billion in calendar year 2008 from 2007's record €198 billion. Investment in the final quarter to December 2008 at €8 billion was 74% lower than the year before.

European mid-market buyout investment, defined by unquote" as deals between €160 million and €1.65 billion, at €39 billion was less than half the amount in 2007. European growth capital investment was 7% higher than in 2007. However, 67% of this was in the first half of the year and only $1.3 billion was invested in the final quarter.

According to the Asian Venture Capital Journal, new private equity investment in "Asia Pacific", which includes the three main areas in which 3i is active (India, China and South East Asia) fell 38% in 2008, despite a rise of 8.2% in China. In India, which represents 3i's largest activity in the region overall, investment was down 38%.

The capital markets of most importance to 3i relate to the quoted markets for equities and the availability of debt finance. Despite major interventions by governments to protect the banking sector and to improve liquidity in the banking system, there was a collapse in confidence in public equity markets in the autumn of 2008. Falls in the FTSE 250, FTSE Euro MidCap, S&P 400 MidCap and Nikkei 225, over the year to 31 March 2009, were consistent at 36%, 38%, 36% and 35% and were also accompanied by levels of significant volatility.

In this environment, the capital markets became almost closed to new listings. Ernst and Young compiled statistics for 2009 IPOs in Europe, the US and Asia Pacific record 50 deals globally in Q1 2009 raising a total of $1.4 billion (2008: 251 and $41.2 billion), an 80% decrease in activity. The Q1 2009 saw the number of IPOs completed at its lowest level since Q1 2003 and was dominated by activity in Asia (72% market share), with EMEA and North America making up 20% and 8% respectively.

The availability of debt in the leveraged finance market also sharply contracted. Standard & Poor's LCD Euro Stats reported new issue volume of just €1 billion during the first quarter of 2009, a 12 year record low.

Mergers and acquisitions activity was also affected. Europe targeted M&A totalled $182 billion in Q1 2009, down 42% from the previous year and the lowest activity level since Q3 2004.

Pricing of transactions was difficult in a market where there was lower visibility of earnings and few transactions from which to benchmark.

Fund raising by private equity firms also slowed during the year. Data from preqin, however, shows that as a result of a strong first half, the aggregate capital raised by private equity funds at $554 billion in 2008 only declined by 11% from the 2007 record level of $624 billion. Buyout funds at $216 billion were responsible for half of the non-real estate fund raising in 2008 and were responsible for six of the largest 10 fundraisings in the year, which collectively accounted for $67 billion.

The Infrastructure fund raising environment, however, remained attractive, as demonstrated by fundraising for the infrastructure asset class of $30 billion globally over the 12 months to April 2009, (preqin data).

Detailed descriptions of the conditions for each of our Buyouts, Growth Capital and Infrastructure businesses are contained within the reviews on pages 20 to 32.

P22, 27 & 31
for further information on our business line performance data

P20 to 32
for further information on Buyouts, Growth Capital and Infrastructure

Group investment policy

3i's investment policy, which as a closed ended investment fund it is required to publish, is as follows:

– 3i is an investment company which aims to provide its shareholders with quoted access to private equity returns. Currently, its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds across Europe, Asia and North America. 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. In addition, although 3i does not set maximum exposure limits for asset allocations, no more than 15% by value of 3i's portfolio can be held in a single investment.

– 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.

When the Company published its investment policy in its Annual report and accounts for the year to 31 March 2008, the Board also stated that it then considered it appropriate to operate with an optimum gearing ratio within a 30% to 40% range across the cycle. In light of the current dislocation in the debt markets and the substantial changes occurring and expected in the pricing and availability of debt finance, the Board intends to reconsider the appropriateness of this optimum range for the Group's gearing ratio in due course when markets are more settled. Furthermore, given that market movements are outside the Company's control, the Board will also target an absolute level of net debt, in addition to the optimum gearing ratio referred to above. If a material change to the investment policy is considered appropriate, the Board would seek the approval of shareholders for such a change.

3i's investment approach

Our approach to investing has evolved over many years and is driven by our belief that our reputation with whom we work is a key factor in our future success. 3i's investment track record is fundamental to our reputation, as are our values which are set out in our corporate responsibility report on page 53. These, together with the key Group financial and non-financial performance measures set out on page 14 and the individual performance objectives of our staff, drive the behaviour and actions on which our performance and reputation depend.

We further strengthened our model of combining business line expertise with geographic and sector knowledge and resources in the year, with an acceleration in the development of our "Active partnership" model and the appointment of a Managing Partner, Investments. This role is to ensure consistency of approach across our business lines, sectors and geographies, as well as to maximise the use of best practice and investment strategy.

Other aspects of our investing approach include our Active partnership programme which is key to achieving the step increases in portfolio performance which drive returns, our Business Leaders Network which provides access to high quality business leaders around the world, our debt advisory team which has been especially helpful in the environment of the last year and our open and transparent approach to conducting business. A brief description of each of these activities is provided below.

Active partnership

Creating value through effective portfolio company management is at the heart of any private equity firm's performance, and never more so than in the current economic climate.

Over the last two years, we have taken a long-standing 3i philosophy of supportive investing and codified it into a rigorous methodology for effecting business change. It is an approach that we believe to be genuinely differentiated in terms of scale, rigour and effectiveness.

Our "Active partnership" approach builds upon 3i's traditional high engagement with the boards and management teams of our portfolio companies. We believe that superior performance is achievable by focusing on the key functions and value drivers within a portfolio company and then striving to make these functions "best in class". This is delivered in practice by drawing upon the knowledge and experience we have developed across our portfolio and our ability to access a wide range of expertise from within and outside of our portfolio.

The programme operates in each of our Buyouts, Growth Capital and Infrastructure business lines, geographic regions, and investment professionals are formally trained to identify potential performance improvement opportunities.

Success depends upon a targeted needs analysis for each portfolio company which is then followed up through facilitated knowledge-sharing and peer group learning between other portfolio companies, our Business Leaders Network and those in the broader 3i network. Examples of this have included lean operations, sales force effectiveness, communications and human resources management.

P14
for further information on our performance measures

P54
for further information on our core values

Business Leaders Network

3i's Business Leaders Network (BLN) is a network of entrepreneurs, non-executive and executive directors, CEOs, CFOs and project consultants with whom 3i maintains active contact. The location and sector experience of these individuals are broadly aligned to 3i's international network and the sectors within which it wishes to invest.

The network is a valuable resource for 3i. Members of the network provide assistance and know-how which help the business line teams identify investment opportunities and perform due diligence. Members of the BLN may also give 3i access to operational and market expertise. 3i may introduce members of the network to its portfolio companies, and on occasion appoint them to portfolio company boards, where 3i believes their expertise and contacts can add value for the portfolio company and, ultimately, to the value of 3i's investment.

Our Business Leaders Network team manages the relationships with members and potential members of the network to ensure that the composition of the network meets 3i's business requirements and is aligned to 3i's investment strategy. The composition of the network therefore changes over time. They also provide advice on recruitment to portfolio company boards, either using the network or working with external executive search agents with whom the team maintains relationships.

Debt Advisory team

3i's in-house banking team was formally established in 2005, creating a centre of excellence within 3i for best practice and market knowledge on arranging and managing debt for 3i's portfolio companies. The team also provides an additional source of value by working with the Group's Treasury team who manage the Group's banking relationships.

Investment approach for the year to 31 March 2009

In a market characterised by considerable uncertainty, 3i's approach has been to conserve capital, increase the focus on core activities, achieve efficiency gains and prepare the business to take advantage of the investment opportunities which we believe will emerge from the next phase of the cycle. As a consequence, realisations in the year exceeded new investment by £340 million and the Group invested in only 10 new portfolio companies.

Openness and transparency

Building on our reputation for openness and transparency is even more important when markets are more challenging. Hence we have further increased our disclosure in this report in several key aspects. Pages 140 to 142 contain more details about our approach to transparency and disclosure as well as how 3i complies with the Walker "Guidelines for transparency and disclosure in private equity".

P140 to 142
for 3i and Transparency

Investment activity

Table 1: Investment activity – own balance sheet and external funds
year to 31 March

	3i own balance sheet		External funds	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Investment	**(968)**	(2,160)	**(749)**	(1,035)
Realisations	**1,308**	1,742	**360**	584
Net divestment/(investment)	**340**	(418)	**(389)**	(451)

Investment activity in the year made directly from 3i's balance sheet and also that made on behalf of external funds reflected the market conditions, the Group's caution with respect to new investment and the actions taken to realise non-core assets.

The commentary which follows refers to investment and realisations made from 3i's own balance sheet. Additional data relating to the amount of investment and realisations made on behalf of external funds managed or advised by 3i can be found in table 4 on page 20.

The market backdrop for investment activity in the year to 31 March 2009 was characterised by uncertainty and a severe downturn in confidence. For both 3i and the funds it manages, visibility of earnings for potential new investments became less clear as the year progressed and general mergers and acquisitions activity contracted sharply. As a consequence, portfolio management was prioritised over new investment activity, which, as a result, was substantially lower than in the previous year. However, despite this difficult environment, the Group generated realisations of £1,308 million (2008: £1,742 million), including £711 million in the second half of the year (2008: £698 million).

The highly selective approach taken to new investment resulted in the Group completing only 10 (2008: 47) investments in new portfolio companies. Total investment in the year was £968 million (2008: £2,160 million), of which £300 million was in the second half of the year (2008: £926 million).

As a result, the Group generated net divestment of £340 million (2008: net investment £418 million) during the year, with realisations exceeding investment by £411 million in the second half (2008: £228 million, net investment).

New investment

During the year, 10 investments in new portfolio companies were made (2008: 47), totalling £514 million (2008: £1,834 million). A further £454 million (2008: £326 million) was invested in the existing portfolio, including capitalised interest of £127 million (2008: £46 million), bringing total investment for the year to £968 million (2008: £2,160 million).

The largest new investments in the year were £94 million in Growth Capital investment Labco, a leading pan-European diagnostics network and £84 million into the buyout of Memora, a market-leading funeral services provider with operations in Spain and Portugal. The largest investment in an existing portfolio company was £46 million to support the merger between 2008 US Growth Capital investment Fulcrum with Butterfield Fund Services to create one of the leading global fund administrators for the hedge fund and alternative investment management industry.

Investment has been made across a broad range of sectors. The largest proportion of investment by sector was in business services, which accounted for 20% of new investment in the year to 31 March 2009.

The average size of new investment remained firmly in the mid-market range at £57 million (2008: £37 million).

Investment in Buyouts totalled £519 million (2008: £788 million), including £64 million of further investment in the debt warehouse vehicle, £29 million of further investment into existing portfolio companies and capitalised interest of £117 million (2008: £39 million).

Table 2: Investment by business line and geography (£m)
year to 31 March

	Continental Europe		UK		Asia		North America		Rest of World		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Core business lines												
Buyouts	**278**	415	**223**	371	**16**	–	**–**	–	**2**	2	**519**	788
Growth Capital	**246**	256	**40**	357	**8**	132	**48**	243	**1**	2	**343**	990
Infrastructure	**–**	–	**28**	2	**21**	36	**–**	–	**1**	–	**50**	38
	524	671	**291**	730	**45**	168	**48**	243	**4**	4	**912**	1,816
Non-core activities												
QPE	**–**	–	**3**	182	**–**	–	**–**	–	**–**	–	**3**	182
SMI	**–**	–	**–**	6	**–**	–	**–**	–	**–**	–	**–**	6
Venture Portfolio	**15**	36	**22**	54	**1**	3	**15**	60	**–**	3	**53**	156
	15	36	**25**	242	**1**	3	**15**	60	**–**	3	**56**	344
Total	**539**	707	**316**	972	**46**	171	**63**	303	**4**	7	**968**	2,160

Growth Capital investment of £343 million was 65% lower than last year (2008: £990 million) and represented 35% of total investment. Venture Portfolio investment of £53 million has been on a selective basis, with the objective of strengthening positions ahead of sale.

In geographic terms, continental Europe accounted for over half of investment in the year at £539 million (2008: £707 million). A further £316 million (2008: £972 million) was invested in the UK, £63 million in North America (2008: £303 million) and £46 million (2008: £171 million) in Asia.

Despite relatively strong macroeconomic performance in Asia, the Group took a cautious approach to investment in this region. Total balance sheet investment in Asia was just £46 million (2008: £171 million). However, during the year, the newly established Asia Buyouts team completed its first investment (£16 million) in LHI, a manufacturer of medical cables. We have continued to make investments through the 3i India Infrastructure Fund, which completed its third investment during the year with a $161 million investment in Krishnapatnam Port Company Ltd.

Realisations

Despite challenging mergers and acquisitions markets, the quality of 3i's portfolio and its mid-market profile has enabled the Group to continue to find opportunities to generate realisations. Total realisations in the year were £1,308 million (2008: £1,742 million), with 21% (2008: 28%) of the opening portfolio value sold during the year. These realisations were made on a selective basis.

Realisations during the second half of the year were stronger than in the first half, with proceeds of £711 million (2008: £698 million), of which £345 million was generated during the third quarter (2008: £429 million) and £366 million (2008: £269 million) during the final three months of the year. Notable realisations during the second half of the year include ABX, a Belgium-based logistics business, which generated a 5x money multiple and a 125% IRR for 3i and investors in Eurofund IV.

Buyouts and Growth Capital accounted for 73% (2008: 78%) of total realisations, generating £494 million and £461 million respectively. The largest realisation from the Buyouts portfolio was the sale in May 2008 of Italian toy manufacturer, Giochi Preziosi, which generated proceeds of £166 million and a 2.3x money multiple. The largest Growth Capital realisation, Swedish digital TV operator, Boxer, generated proceeds of £71 million and a 1.4x money multiple.

Infrastructure realisations totalled £117 million (2008: £57 million), including the sale of a proportion of the Group's holding in 3i Infrastructure plc which generated proceeds of £61 million.

Realisations from the Venture Portfolio increased by 23% during the year to £209 million (2008: £170 million). Having sold 43% of the opening portfolio value in the year, there are now 123 investments in the portfolio (2008: 180). The Venture Portfolio realisations also led to an increase in North American realisations, which increased to £106 million (2008: £40 million).

The continuing development of 3i's business in Asia also led to Asian realisations increasing to £127 million (2008: £25 million) in the year.

Table 3: Realisation proceeds by business line and geography (£m)
year to 31 March

	Continental Europe		UK		Asia		North America		Rest of World		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Core business lines												
Buyouts	**404**	471	**90**	387	**–**	–	**–**	–	**–**	–	**494**	858
Growth Capital	**318**	320	**21**	166	**122**	17	**–**	–	**–**	–	**461**	503
Infrastructure	**–**	6	**117**	51	**–**	–	**–**	–	**–**	–	**117**	57
	722	797	**228**	604	**122**	17	**–**	–	**–**	–	**1,072**	1,418
Non-core activities												
QPE	**–**	–	**–**	18	**–**	–	**–**	–	**–**	–	**–**	18
SMI	**15**	27	**12**	109	**–**	–	**–**	–	**–**	–	**27**	136
Venture Portfolio	**58**	70	**40**	52	**5**	8	**106**	40	**–**	–	**209**	170
	73	97	**52**	179	**5**	8	**106**	40	**–**	–	**236**	324
Total	**795**	894	**280**	783	**127**	25	**106**	40	**–**	–	**1,308**	1,742

Development of 3i's fund management and advisory business

As noted in the introduction, 3i invests from its own balance sheet and also with funds that we manage or advise on behalf of others. Page 44 contains details about the assets managed or advised by the Group. This information includes a schedule of the individual funds, including information about 3i's commitment to those funds and the demographics of investors in funds managed or advised by 3i.

Table 28 on page 44 shows that since 2004, the major funds raised in the last five years have been for our Buyouts and Infrastructure business lines. The €3 billion Eurofund IV, for European mid-market buyouts, which had a final closing in June 2004, was 91% invested at 31 March 2009. The €5 billion Eurofund V mid-market buyout fund which also had the capability to invest up to 10% of the fund outside of western Europe, closed in November 2006 and is now 53% invested. There are two infrastructure vehicles, 3i Infrastructure plc, which was launched in March 2007 and has raised, in aggregate, £818 million of equity and the 3i India Infrastructure Fund, which closed in March 2008 at $1.2 billion and is now 41% invested.

3i has been a significant investor in each of these funds, committing €1.9 billion to Eurofund IV, €2.8 billion to Eurofund V, an aggregate £350 million to 3i Infrastructure plc and $250 million to the 3i India Infrastructure Fund. In terms of direction, the Group is moving more towards a model where the Group's commitment will be between 25% and 33% of fund size. The Group's outstanding commitments to these funds at 31 March 2009 was £1,435 million.

The strategy of managing external funds has enabled the Group to increase the amount of capital for investment as well as to generate fees. Fee income from external funds has grown from £31 million in 2004 to £75 million in 2009.

Table 4: Investment and realisations from funds managed or advised by 3i
year to 31 March

	Investment		Realisations	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Buyouts	**411**	732	**174**	524
Growth Capital	**1**	1	**8**	21
Infrastructure	**246**	302	**178**	19
QPE	**91**	–	**–**	–
SMI	**–**	–	**–**	19
Venture Portfolio	**–**	–	**–**	1
Total	**749**	1,035	**360**	584

The Group has potential to raise further funds to support the development of our business. In raising further funds, 3i's track record through the downturn will be critical. Our reputation for high standards of governance and corporate responsibility and for the openness and quality of our communications with investors in our funds is also increasingly important.

Business lines

Buyouts

The market

The crisis in the banking sector, the macroeconomic slowdown, falling and highly volatile stock markets, combined with much reduced levels of mergers and acquisitions activity, produced a challenging environment for the buyout industry in the year to 31 March 2009. In these conditions, many private equity firms, including 3i, prioritised portfolio management activity over investment activity.

The shake out in the banking system has had a significant effect on the availability of debt for new transactions. We estimate that the number of active leveraged loan providers is now down by around two-thirds since 2007. Those remaining in the market are being highly selective about who they work with and have also tightened their terms.

Despite this contraction, there remains some appetite to lend to robust businesses with good forward visibility of earnings where both local relationships and the track record of the private equity firm with banks are strong. This was evidenced by the buyout of Spanish funeral services business, Memora, in November 2008, in which 3i invested £84 million.

The impact of the above has been significant on mid-market buyout activity levels, which were down in value by 44% in 2008 compared to 2007 (source: unquote"/3i, deal sizes €25 million to €1 billion). The decline was most pronounced in the final quarter of 2008, which was 73% below final quarter 2007 levels.

Limited Partners, are the main group of external investors in buyout funds. The decline in exits, especially at the larger end of the market, has meant that distributions to Limited Partners have reduced. This, combined with a reduction in public equity market values, has meant that some are now over-allocated to private equity as an asset class.

Consequently, 2009 looks like it will be a tough year for raising new buyout funds. The secondary market for existing fund investments is, however, active with some significant new funds focused on this area, as some Limited Partners look to reduce their existing commitments and exposures.

Those private equity firms that can deliver good performance from their portfolio across the cycle will be well placed to continue to raise future funds and to find the banking that they need to complete suitable transactions, albeit with a larger proportion of equity than seen in more recent vintages.

The private equity model has demonstrated a long-term track record of delivering returns. This is especially the case from investments made during the first phase of recovery, where pricing of companies is lower and the potential for earnings growth higher. Periods of economic turmoil lead to a rise in corporate restructurings which can generate buyout opportunities. These can also be attractive to high-quality management teams who feel constrained in organisations where capital is rationed.

We therefore anticipate that the second half of 2009 and 2010 may present some attractive new investment opportunities for those like 3i with strong origination networks and access to capital and management talent.

Opportunities for 3i

3i's Buyouts business has two major opportunities. The first is to deliver the full potential of our existing portfolio, ensuring that it is not only well positioned to survive the downturn but also to maximise its value from an economic recovery. The second is to use our market access to generate attractive new investment opportunities.

Priorities for 3i

In order to take these opportunities, the main priority for 3i's Buyouts business is to use our "Active partnership" approach and emphasis on operational performance to enable our portfolio companies not just to navigate the current difficult economic environment but also to take full advantage of organic and other opportunities. A further priority is to reinforce our positioning as a leader in mid-market buyouts and to continue to invest the second half of Eurofund V in attractive opportunities.

Finally, developing existing and new relationships with Limited Partner investors is important so that we are well placed for the raising of our next fund.

Business model

The business model for 3i's mid-market Buyouts business is consistent with the Group's overall vision and strategy. It is focused on leading or co-leading mid-market buyout transactions primarily in Europe, with some exposure to Asia, in companies with an enterprise value of typically up to around €1 billion.

Investments are made through Limited Partnership private equity fund vehicles (currently Eurofund V), which are managed by 3i (see Fund management section on page 20) and alongside which 3i co-invests. Returns from individual investments are achieved through a mix of capital realisations upon exit, returns of capital and portfolio income. Returns to 3i Group are enhanced through management fees and carried interest from these managed funds.

The full economic alignment of our team, through carried interest, enables us to match resources to opportunities on a "best team for the job" basis based on sector, operational and deal execution experience.

Investment decisions are made on a partnership basis and draw upon 3i's wider knowledge, network and resources in order to benchmark and select the best opportunities.

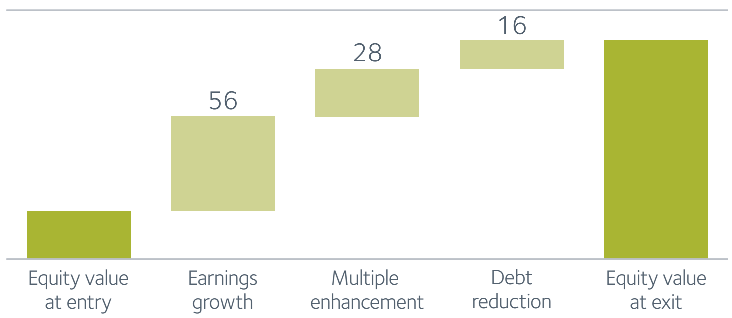
Our investment criteria is to invest in mid-market companies where we can create substantial value. We pursue opportunities across Europe and Asia where we have genuine insight, with our main focus on five core sectors: Business Services; Consumer; General Industrial; Healthcare; and TMT (Technology, Media, Telecoms). For each target company we look for a strong management team to back, leveraging from the Group's Business Leaders Network, and the potential to create a step change in profits.

Chart 1 shows the success of our portfolio in delivering earnings growth. As at 31 March 2009, for the 59 investments made since 1 January 2001 that have been successfully exited, 56% of the growth in the value of the companies' equity was driven by earnings growth. Enhanced multiples on exit also contributed to this growth in equity value, the majority of which is due to the strategic repositioning of these companies with the balance due to market movements. The debt reduction over the life of these investments has been driven by our focus on working capital and cash efficiency to deliver further value.

We believe that 3i's approach to portfolio management is genuinely differentiated. The "Active partnership" component of this approach, which is described on page 16, has been developed to build on conventional private equity value creation techniques. It systematically seeks to identify the key levers of management and functional performance improvement in each portfolio company through targeted needs analysis and through facilitated knowledge sharing across the portfolio. Delivery of "Active partnership" is tailored to the portfolio company and involves in-house functional experts working alongside each individual deal team. It also draws upon chosen preferred suppliers, each of whom is an expert in specific levers (eg working capital management; pricing; and lean operations).

In summary, 3i's Buyouts business model is about improving and enhancing the value of mid-market companies to deliver returns to our shareholders and to the investors in our managed funds. This also benefits wider stakeholder groups in these companies.

Chart 1: Buyouts sources of value creation from realised investments (%)



The above shows the change in equity value of the 59 successfully exited investments made since January 2001.

Performance

Business activity

Table 5: Buyouts business activity investment and divestment (£m)
year to 31 March

	2009	2008
Realisation proceeds	**494**	858
Investment	**(519)**	(788)
Net (investment)/divestment	**(25)**	70

After five years in which Buyouts has realised more in aggregate than it has invested, generating total proceeds of £3,786 million and investing a total of £2,357 million from 1 April 2003 to 31 March 2008, investment and realisations were broadly balanced in the year to 31 March 2009, with total investment of £519 million (2008: £788 million) and realisations of £494 million (2008: £858 million).

Total investment of £519 million in the year included £309 million (2008: £604 million) invested in seven (2008: 11) new investments in the year. Also included is a further investment of £64 million (2008: £40 million) in the debt warehouse vehicle, with the balance being in further investments into the portfolio and capitalised interest.

Realisation proceeds of £494 million (2008: £858 million) in the year included the full realisation of six investments (2008: 19), the largest of which was Giochi Preziosi, which delivered £166 million of proceeds in May 2008, with this investment being valued on an uplift to sale basis at 31 March 2008. The largest realised profit over opening book value was from the exit of ABX in October 2008 (realisation proceeds of £162 million), which represented a 5.0x money multiple for 3i and the investors in Eurofund IV over the life of the investment.

Gross portfolio return

Table 6: Returns from Buyouts (£m)
year to 31 March

	2009	2008
Realised profits over value on the disposal of investments	**255**	370
Unrealised (losses)/profits on the revaluation of investments	**(995)**	245
Portfolio income	**62**	116
Gross portfolio return	**(678)**	731
Fees receivable from external funds	**45**	39

Table 7: Gross portfolio return by year – Buyouts
year to 31 March

	%
2005	20
2006	29
2007	54
2008	57
2009	(34)

A combination of significant falls in the multiples used to value the portfolio, some investments seeing a decline in earnings and the lower level of realisations, more than offset portfolio income and the good uplift percentage over opening value achieved on realisations in the period.

The result was a gross portfolio return of £(678) million (2008: £731 million), despite realised profits of £255 million (2008: £370 million). This represented a (34)% gross portfolio return on opening portfolio value of which (6)% relates to the debt warehouse vehicle, which was valued at £nil at 31 March 2009 on a mark-to-market basis. Portfolio income has fallen in the year to £62 million (2008: £116 million) as a result of increased provisions against income, which correspond to falls in the value of the portfolio companies where the valuation of the loan investment has been valued below cost at 31 March 2009.

Portfolio health

As anticipated, overall portfolio health has declined since 31 March 2008. At 31 March 2009, 67% of the portfolio based on cost was classified as "healthy" (2008: 90%). This reduction in the health of the portfolio reflects the harsher environment and is reflected in lower valuations.

Portfolio demographics

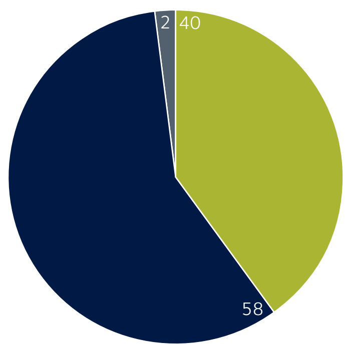
As can be seen from the charts below, the Buyouts portfolio is well diversified by sector and geography, both by value and by number of portfolio companies. The total book value of the portfolio as at 31 March 2009 of £1,467 million compares with a cost of £1,852 million.

Buyouts – Direct portfolio by value

Total portfolio value **£1,467 million**

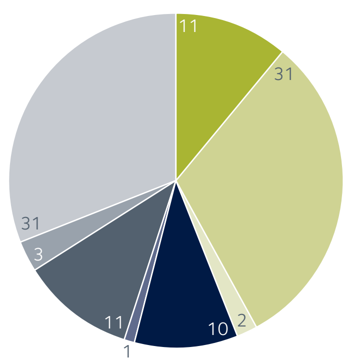
By geography (%)
as at 31 March

- UK
- Continental Europe
- Asia and Rest of World



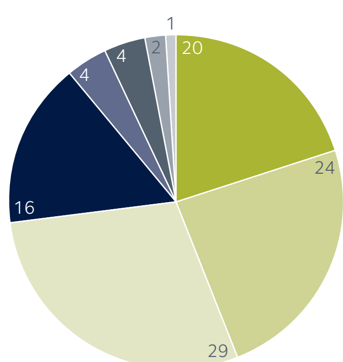
By sector (%)
as at 31 March

- Healthcare
- Business Services
- Media
- Consumer
- Financial Services
- Technology
- Oil, Gas and Power
- General industrial



By vintage year (%)
as at 31 March

- 2009
- 2008
- 2007
- 2006
- 2005
- 2004
- 2003
- 2002 and before

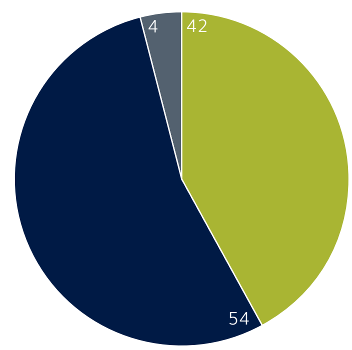


Buyouts – Direct portfolio by number

Total number of companies **55**

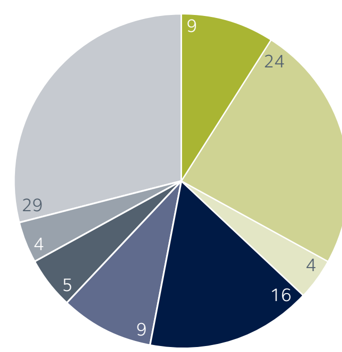
By geography (%)
as at 31 March

- UK
- Continental Europe
- Asia and Rest of World



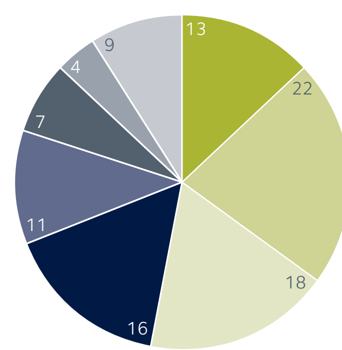
By sector (%)
as at 31 March

- Healthcare
- Business Services
- Media
- Consumer
- Financial Services
- Technology
- Oil, Gas and Power
- General industrial



By vintage year (%)
as at 31 March

- 2009
- 2008
- 2007
- 2006
- 2005
- 2004
- 2003
- 2002 and before



Business review

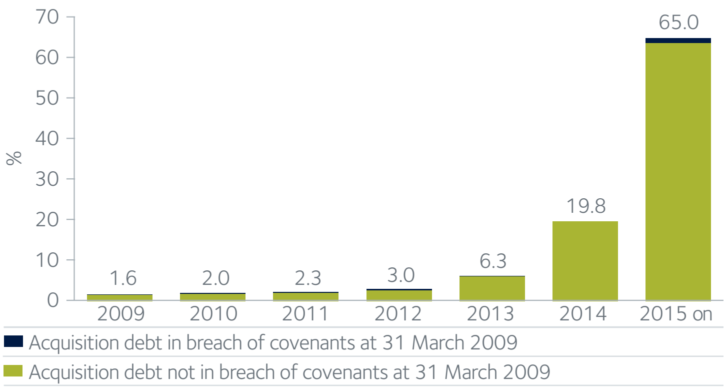
Portfolio leverage

Financing situations for the majority of the Buyouts portfolio are typically based on committed seven to nine year term loans, providing long-term secured financing. In addition to the acquisition debt in the underlying portfolio companies, committed working capital facilities are typically secured.

In the event of a covenant breach on a loan, there is the risk that the loan requires refinancing earlier if an agreement over the effect of the breach cannot be reached with the leverage providers. The impact of a breach can vary significantly – in some cases it can be waived or "cured," in others it can be remedied through changes in debt terms (eg a fee to the banks or a higher margin), and in some cases a wider scale capital restructuring is required. These negotiations can be complex and protracted, often involving multiple counter parties. 3i's in-house banking advisory team provides assistance and expertise in such situations. When considering whether to provide any further investment into these situations as part of the negotiation, 3i needs to carefully balance the ongoing portfolio company needs with the likelihood of achieving a positive return on any additional capital it invests.

As at 31 March 2009, we were in negotiations with debt providers on 16 investments as a result of covenant breaches up to this date. The value of these 16 investments at 31 March 2009 was £87 million, compared to a cost of £447 million. These fall into the range of breach scenarios highlighted – from minor breaches to wider restructuring. The investments with more serious breaches have been valued at £nil as at 31 March 2009. Chart 2 below shows the repayment profile for the acquisition debt in the Buyouts portfolio at 31 March 2009, weighted by the value of 3i's investment at this date.

Chart 2: Contracted repayment profile of acquisition debt in the Buyouts portfolio
Repayment index weighted by 3i carrying value at 31 March 2009



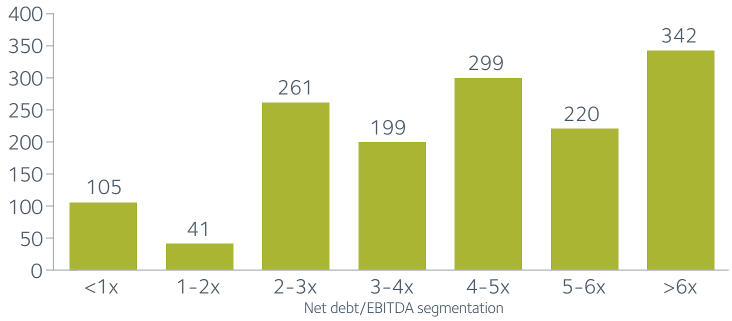
Note: Index weighted by 3i Group carrying value at 31 March 2009. Repayment profile reflects gross acquisition debt as at 31 March 2009. Excludes working capital lines, leasing and cash on balance sheet.

Levels of leverage vary across the portfolio depending on the specific nature of business, the terms available in the debt market at the time of investment and the underlying business performance. Chart 3 shows the range of leverage across the Buyouts portfolio at 31 March 2009, weighted by the 3i carrying value at 31 March 2009. Higher leverage levels do not necessarily correlate with underperformance.

Portfolio valuations

Unrealised losses from the Buyouts portfolio in the 12 months to 31 March 2009 were £(995) million. This has been driven by falls in the multiples used to value portfolio companies and specific company under-performance compared to plan.

Chart 3: Ratio of net debt to EBITDA – Buyouts portfolio
weighted by 3i Group carrying value (£m)



Note: The above has been calculated in line with 31 March 2009 3i Group valuations.

For unquoted portfolio companies which were over one year old at 31 March 2009, a small number saw a value uplift in the year totalling £48 million. This, however, was significantly offset by aggregate value falls of £(847) million on the majority of unquoted portfolio companies which were over one year old. Of these,15 unquoted had their valuations reduced to £nil this financial year, contributing £(476) million of the total unrealised value loss. The largest movement in the year was a £(137) million unrealised value loss on Global Garden Products, which was valued at £nil at 31 March 2009.

Of the seven new investments in the year, four were moved on to a full earnings basis at the 31 March 2009, with the remaining three valued on a market adjustment basis of valuation. The combined impact on the unrealised value loss in the year from these seven investments was £(73) million.

The impact of quoted valuation movements was relatively small at £(11) million. Within this, the value of the Group's holding in Telecity grew by £12 million in the year. The debt warehouse, on which further details are set out below, recorded an unrealised loss of £(112) million in the year on a first loss mark-to-market basis.

Portfolio earnings

For 2008 company year ends, aggregate earnings in the portfolio increased by 6% on 2007 portfolio company year end levels. We anticipate the earnings outlook for 2009 to be more challenging.

Debt warehouse

A debt management capability was established in October 2007 to capitalise on the opportunity to buy high-quality debt in non-3i investments at a discount. Investments are made through a €550 million debt warehouse facility to which 3i has committed €165 million on a first loss basis and which is separate from Eurofund V activities.

As at 31 March 2009, the debt warehouse had invested €445 million of which 3i's commitment was €133 million (£124 million). The credit quality of the portfolio is satisfactory and is focused on a diversified portfolio of large businesses in defensive sectors.

Secondary loan pricing fell dramatically in 2008, as at 31 December 2008, the average bid for European leverage loans was 59, having fallen 36 points over the year. The warehouse has been valued on a conservative first loss mark-to-market basis, leading to a book value for the 3i element of £nil at 31 March 2009 (2008: £32 million). The Lloyds bank facility, which supports the warehouse, and matures in November 2010, was in full compliance at 31 March 2009 with all its covenants, none of which is mark-to-market related.

Long-term performance

Table 8: Long-term performance – Buyouts
New investments made in the financial years ended 31 March

Vintage year	Total investment £m	Return flow £m	Value remaining £m	**IRR to 31 March 2009**	IRR to 31 March 2008
2009	318	1	290	**n/a**	n/a
2008	631	19	358	**(30)%**	n/a
2007	551	289	426	**25%**	35%
2006	495	765	234	**46%**	57%
2005	362	952	52	**62%**	62%
2004	307	523	66	**34%**	37%
2003	275	664	29	**49%**	50%
2002	186	441	0	**61%**	61%

Analysis excludes investment in Debt warehouse.

Having achieved significant realisations in previous years, the performance of the 2002 to 2006 vintages remains strong, with each above 20% at 31 March 2009 and all having returned more than the original investment cost.

The sale of ABX in October 2008, delivering a return of 5.0x our original investment cost, has benefited the 2007 vintage performance in the year. However, the 2007 vintage performance overall at 31 March 2009 has been adversely impacted by falls in the valuations of some of the remaining companies in this vintage.

The 2008 vintage is currently immature. Its performance to date has been significantly impacted by 31 March 2009 valuations, leading to a negative IRR of (30)%.

Fund management

The Buyouts business line's track record with Limited Partner investors is based on long-term performance and the way it interacts with the investors in the funds it manages. Details on the profile of the investors in 3i's funds are contained on page 45.

The latest Buyouts fund, Eurofund V, a €5 billion fund which was raised in November 2006, was 53% invested at 31 March 2009 in 23 companies. Eurofund IV, which had its final close in 2004, has continued to deliver strong performance with four exits in the year (ABX; Giochi Preziosi; Sampletest; and Monviso). At 31 March 2009, the fund had returned 1.76x of its gross commitments.

During the year to 31 March 2009, the Group invested £340 million (2008: £572 million) on behalf of external funds through its Buyouts business line. Fund fee income for the Buyouts business line has grown and totalled £45 million in the year to 31 March 2009.

As described above, Limited Partner investors have also been adversely affected by market conditions. To date, investors in 3i's Buyouts funds have continued to meet their commitments. The slower rate of new investment also means that the raising of a new fund as a successor to Eurofund V is not now likely to be before 2010.

Growth Capital

The market

The Growth Capital business is focused on making minority equity investments in relatively un-leveraged businesses. Although affected by the challenging economic conditions which prevailed for most of the financial year to 31 March 2009, this market was not as badly affected as other parts of the industry. Comprehensive market data is difficult to access but we would estimate that investment activity slowed by approximately 30% in 2008 in our target markets of Asia, Europe and North America.

Pricing in this market has been a challenge and prices are only now starting to adjust to fully reflect public market movements. In addition, many owners of companies have felt that this has not been a good environment in which to embark upon major capital investment and international expansion projects, two key drivers of growth capital activity.

However, with debt markets constrained and traditional alternatives, such as raising money on public markets through an IPO, more difficult to achieve, the relative attractions of private equity for growth capital have increased.

3i's European heritage, established track record in Asia and its long-established approach to minority investing provides differentiation both against the small number of other, typically US, global funds and smaller regional players who cannot offer the same level of international expertise, knowledge and networks.

These conditions also create the market opportunity described below to invest further in existing portfolio companies to consolidate markets through acquisition. Finance for acquisitions represented 44% of 3i's Growth Capital investment in the year to 31 March 2009.

As economies begin to stabilise and then recover, we expect that there will be a substantial increase in demand for growth capital as companies who have constrained working capital during the downturn require further equity to fund increased activity and they and others return to growth agendas. This pick up in demand is currently not anticipated before the end of 2009.

Opportunities for 3i

The opportunity for 3i's Growth Capital business is driven by a number of factors. The first is the fundamental nature of the business and the opportunity to invest in high growth companies requiring capital to grow internationally, both organically and through acquisition. As referred to above, recent volatility both economically and in capital markets is likely to produce a preference for private equity capital over debt or raising capital through an IPO.

3i's differentiation through its track record in this area and its "Active partnership" style of investing, combined with its market access, should enable it to take advantage of these opportunities.

P45
for further details on the profile of investors in 3i's funds

Priorities for 3i

In this environment, the main priority for 3i's Growth Capital business is to continue to maximise the value of our portfolio. As with other business lines, the use of our "Active partnership" approach and emphasis on operational performance to enable our portfolio companies not just to navigate the current difficult economic environment but also to take full advantage of organic and other opportunities in their sector will be central to achieving this.

Maintaining our privileged market access and reinforcing our positioning as a leading mid-market growth capital investor on a global basis are also important. This is critical if we are to capitalise on the significant market opportunity that we believe will emerge.

Finally, we will also continue to exit our older and smaller investments to free up capital for new opportunities.

Business model

The Growth Capital business operates across Europe, Asia and North America making, typically, minority equity investments of between €25 million and €150 million in established, profitable and typically international businesses. The Group's international presence, sector knowledge, networks and broader resources create the premium market access to companies that are generally "not for sale". Over the last two years, 53% of the new investments completed have been proprietary. These resources also provide the ability to benchmark investment opportunities globally and to work actively with high-growth companies to maximise value.

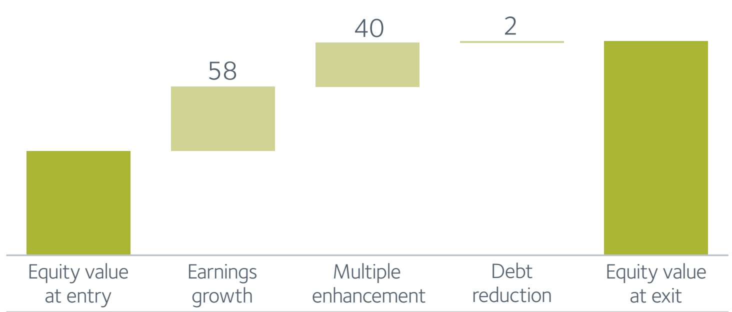
As can be seen from the portfolio demographics section on page 28, the portfolio is well diversified by geography and by sector and has a low reliance on leverage to provide returns.

The Group's track record of making such investments for over 60 years has provided it with the experience, approach and techniques critical to success in minority investing. These are underpinned by only investing where we can align interests with entrepreneurs and management teams and the differentiated approach that 3i takes to adding value to its portfolio companies.

Another important aspect of our business model is the way in which we drive the growth in the value of our portfolio companies. As can be seen from chart 4, the major driver of value creation in the Growth Capital business, for investments realised from the 2003 and more recent vintages, has been the underlying earnings growth of portfolio companies. Multiple enhancement on exit in Growth Capital portfolio companies is driven by three factors: improvement in the strategic positioning of portfolio companies; the fact that whilst investments are made on minority valuations, exits tend to occur when a company is sold or listed; and general market conditions.

As also can be seen from chart 4, only 2% of value creation for this Growth Capital portfolio can be attributed to debt reduction.

Chart 4: Growth Capital sources of value creation from realised investments (%)



The above shows the change in value of the 26 successfully exited investments made since 1 January 2003.

Performance

Business activity

Table 9: Growth Capital business activity – investment and divestment (£m)
year to 31 March

	2009	2008
Realisation proceeds	**461**	503
Investment	**(343)**	(990)
Net divestment/(investment)	**118**	(487)

The combination of a highly selective approach to new investment and a good level of realisations has resulted in the Growth Capital business delivering net divestment of £118 million in the year to 31 March 2009 (2008: net investment £487 million).

Total investment during the year was £343 million (2008: £990 million) and realisations totalled £461 million (2008: £503 million).

Investment into new portfolio companies and further investment to support the growth of existing portfolio companies was broadly balanced, with £206 million invested in three new portfolio companies in the year to 31 March 2009 (2008: £938 million, 27).

A key element of 3i's Growth Capital model is to back companies growing by acquisition and so a further £99 million has also been committed to these three companies for acquisitions. An example being Labco, which has completed acquisitions in five different countries and is profiled as a case study on page 34.

Whereas the level of deal flow was only 36% lower than the previous year, the level of new investment was reduced by 78%. This reflected the Group's caution in an environment where there was lower visibility on earnings and where the pricing expectations of management teams and shareholders were adjusting more slowly to the new market level.

There continues to be good levels of investment activity within our portfolio where robust businesses can take advantage of the current market and make strategic acquisitions. Over 40 acquisitions have been completed by our investee companies with our support this year.

Realisation proceeds of £461 million from 39 exits were marginally below the amount realised last year (2008: £503 million, 49 exits). We have focused on aggressively selling a large number of smaller, older investments in the year while continuing to opportunistically sell larger investments such as Little Sheep, Transport Alloin and CID Novem at good profits. The largest realisation was the sale of Nordic-based digital television operator, Boxer, which generated proceeds of £71 million this year and is profiled as a case study on page 35.

Gross portfolio return

Table 10: Gross portfolio return by year – Growth Capital
year to 31 March

	%
2005	23
2006	26
2007	48
2008	21
2009	(44)

Table 11: Returns from Growth Capital (£m)
year to 31 March

	2009	2008
Realised (losses)/profits over value on the disposal of investments	**(66)**	75
Unrealised (losses)/profits on the revaluation of investments	**(1,029)**	160
Portfolio income	**60**	67
Gross portfolio return	**(1,035)**	302
Fees receivable from external funds	**1**	2

The major contributor to a gross portfolio return of £(1,035) million (2008: £302 million), which represented a (43.7)% return over the opening portfolio value (2008: 20.7%), was the impact of an unrealised value movement of £(1,029) million (2008: £160 million).

A significant element of this unrealised loss has been driven by a fall in multiples used to value the portfolio. Underlying earnings within the portfolio remained healthy at 14% up year on year whilst the average valuation metric has fallen by c.30%, pre a typical marketability discount of 25%.

Realised losses of £(66) million (2008: £75 million realised profit) reflect the sale of a number of non-core smaller investments and more challenging M&A markets reducing company valuations during the year. However, these investments have been sold at a profit over cost, generating on average a 1.5x multiple over cost.

The most profitable realisation in the year was the sale of the Group's holding in Little Sheep, China's leading hot pot restaurant chain, which generated realised profits of £20 million and a 3.1x money multiple in March 2009.

Portfolio income of £60 million (2008: £67 million) was lower than the prior year. In 2008, portfolio income benefitted from exceptional dividends from a small number of investments.

Portfolio health

As at 31 March 2009, 81% (2008: 93%) of the portfolio was classified as healthy, based on cost. This reduction in the health of the portfolio reflects the harsher environment and is itself reflected in lower valuations.

P34 & 35
for Labco and Boxer case studies

Business review

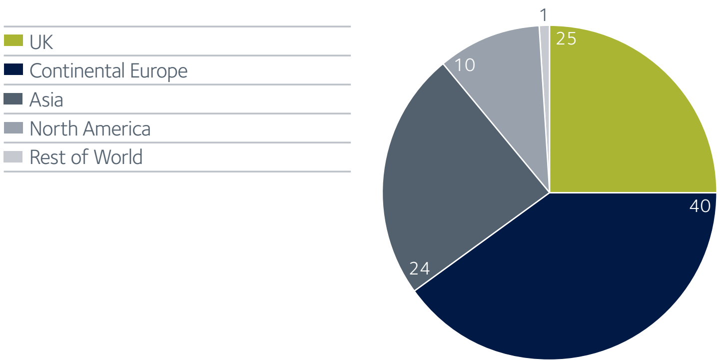
Portfolio demographics

As can be seen from the charts below, the Growth Capital portfolio is well diversified by sector and geography, both by value and by number of portfolio companies. The total book value of the portfolio as at 31 March 2009 of £1,574 million compares with an original cost of £2,042 million.

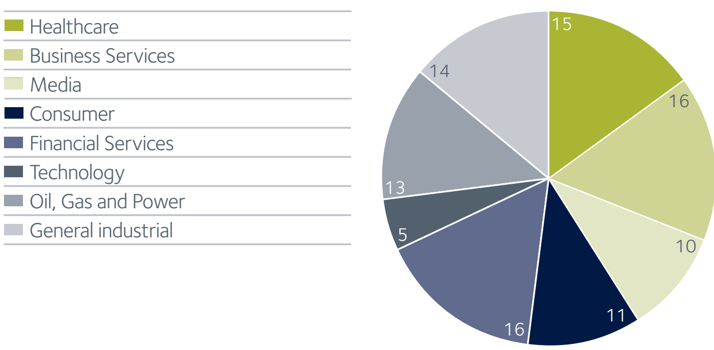
Growth Capital – Direct portfolio by value

Total portfolio value **£1,574 million**

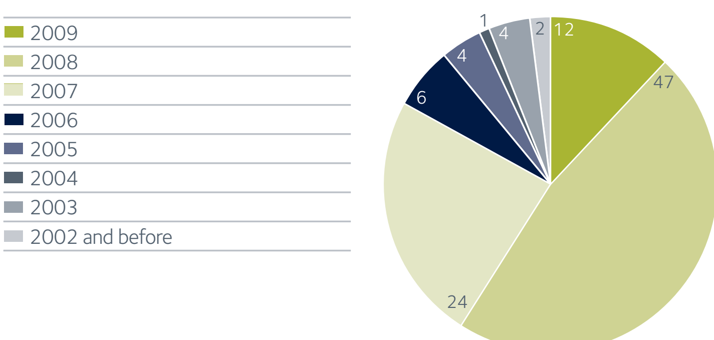
By geography (%)
as at 31 March



By sector (%)
as at 31 March



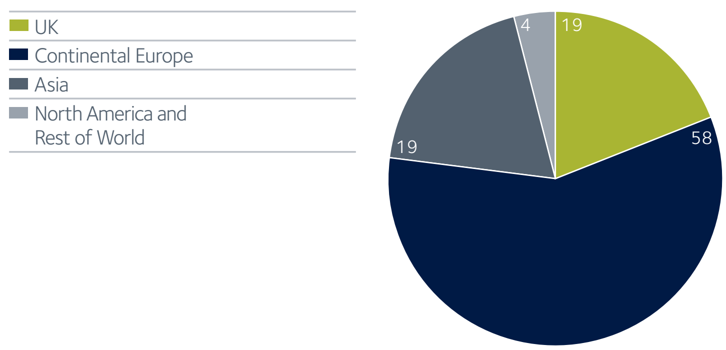
By vintage year (%)
as at 31 March



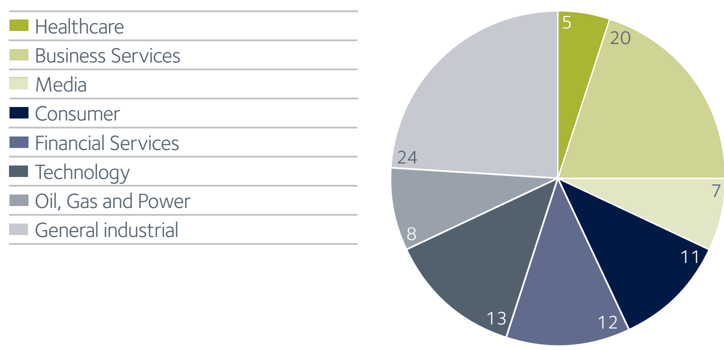
Growth Capital – Direct portfolio by number

Total number of companies **118**

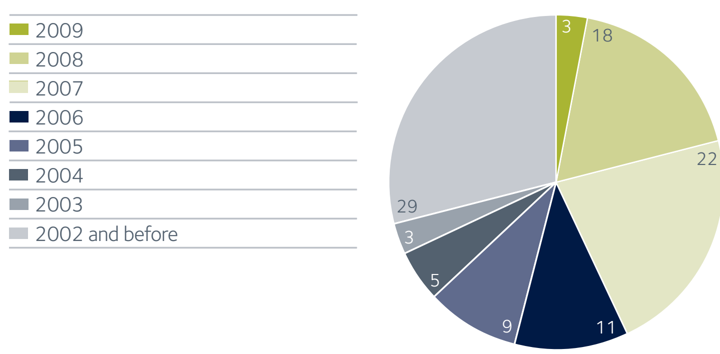
By geography (%)
as at 31 March



By sector (%)
as at 31 March



By vintage year (%)
as at 31 March

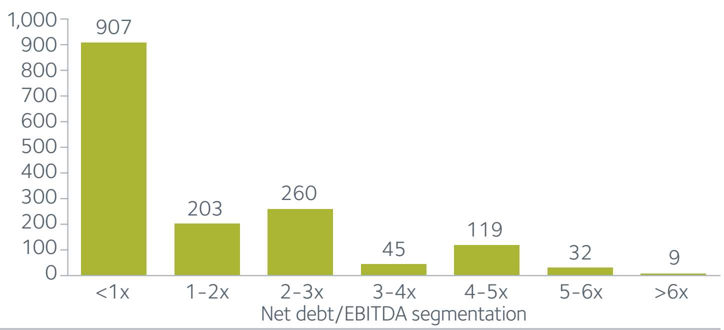


Portfolio leverage

In line with the business model, leverage is low across the portfolio. The average entry level of debt on new investments over the last five years has been 1.5 times EBITDA (Earnings Before Interest, Depreciation and Amortisation). The current debt across the portfolio is marginally higher at 2.0 times EBITDA. Debt is often raised alongside our equity investment to fund acquisition strategies such as that described in the Labco case study on page 34.

Levels of leverage vary across the portfolio depending upon the specific nature of business, international profile and the phase of development. Chart 5 shows the range of leverage (net debt to EBITDA multiples) across the portfolio as at 31 March 2009. By number, 80 of the 118 investments in the portfolio have leverage below 1x EBITDA.

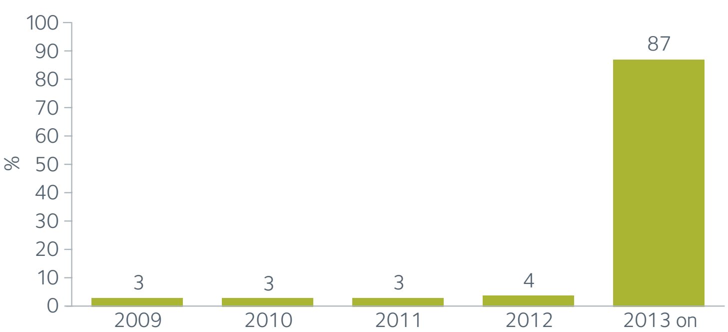
Chart 5: Ratio of net debt to EBITDA – Growth Capital portfolio
weighted by 3i Group carrying value (£m)



Note: The above has been calculated in line with 31 March 2009 Group valuations.

The chart below shows the repayment profile of underlying debt, weighted by the value of 3i's investment at 31 March 2009, in the existing portfolio as at 31 March 2009.

Chart 6: Debt repayment profile – Growth Capital portfolio
Repayment index weighted by 3i carrying values as at 31 March 2009



Note: Index weighted by 3i Group carrying value as at 31 March 2009.

Portfolio valuations

With no investments held at cost at 31 March 2009 and all valued with reference to an external benchmark (typically multiples), the adverse movement in market valuations was the major factor in the fall of the portfolio during the year.

The average multiple used to value investments which were valued on an earnings basis at 31 March 2009 was 5.3x, a 25% reduction from the 7.1x used at 31 March 2008.

For Growth Capital investments, we also apply a marketability discount of typically 25%, to reflect our minority position. This has a large impact at the first valuation date post acquisition and during the year to 31 March 2009, investments with a cost of £800 million had the discount applied, reducing valuations by £103 million.

Quoted investments were valued at £78 million (2008: £174 million), the largest of which was the Group's shareholding in Venture Production plc, which was valued at £64 million (excluding a convertible bond separately valued at £76 million) at 31 March 2009.

The largest privately held investment is the Group's investment in ACR Capital Holdings Pte Limited, which is valued on an industry metric basis, and was valued at £125 million.

Portfolio earnings

For 2008 company year ends, aggregate earnings in the portfolio were over £1.5 billion and increased by 14% on 2007 company year end levels. This growth was achieved through a mix of organic and acquisitive growth with c 25% delivered via acquisitions.

We expect 2009 to be a more challenging year for company earnings. Where we have forecast earnings that show a decline during 2009, this lower level of earnings has been used for 31 March 2009 valuation purposes.

Long-term performance

Table 12: Long-term performance – Growth Capital
New investments made in the financial years ended 31 March

Vintage year	Total investment £m	Return flow £m	Value remaining £m	**IRR to 31 March 2009**	IRR to 31 March 2008
2009	206	1	193	**n/a**	n/a
2008	986	34	745	**(16)%**	n/a
2007	542	139	380	**(2)%**	17%
2006	422	539	95	**23%**	43%
2005	182	245	55	**27%**	31%
2004	295	477	16	**25%**	26%
2003	223	380	54	**25%**	25%
2002	498	713	11	**12%**	12%

The performance of the more mature vintages (2002 to 2005) has remained stable due to the significant realisations achieved in previous years. Similarly, 2006 remains above 20%, having already returned more than the original investment cost. The 2007 vintage has had two early profitable exits during the year with Little Sheep exited at 3.1x our original cost for a 62% IRR and Electrawinds, a Belgium-based energy business, exited for 1.6x our original cost for a 47% IRR. Notwithstanding these early gains, the impact of lower valuations, driven by reductions in multiples, has reduced the IRR to a marginally negative return.

The 2008 vintage is immature and has been hardest hit by reduced valuations, leading to a negative IRR of (16)%.

Infrastructure

Introduction

The development of 3i's Infrastructure business line has continued in the year to 31 March 2009. This business line now accounts for 9% (2008: 8%) of the Group's portfolio value and 21% (2008: 12%) of assets under management, reflecting the higher proportion of funds managed or advised than other business lines.

3i Infrastructure plc and the 3i India Infrastructure Fund both developed further in the year. The 3i India Infrastructure Fund is 41% invested and 3i Infrastructure plc, having raised expansion equity in July 2008, is well positioned with cash balances of £387 million at 31 March 2009. Following the successful placings of a proportion of the Group's holdings in 3i Infrastructure plc and Osprey LP (the vehicle which holds the Group's interest in Anglian Water Group Limited "AWG"), the value of the Group's balance sheet investment in this business line as at 31 March had reduced to £371 million (2008: £501 million).

The focus on investing in a broad range of international infrastructure assets, principally in transportation, utilities and social infrastructure in Europe, India and North America, has been maintained.

The market

Infrastructure assets are typically more resilient than other asset classes through the economic cycle. However, recent macroeconomic volatility has had an impact on infrastructure, and in particular changes in inflation as revenues are typically strongly linked to this. Financing infrastructure transactions has also become more challenging, despite the relative attractiveness of the asset class. Infrastructure's lower risk profile and longer term contract nature has also meant that, in a generally tight debt market, infrastructure lending is still available albeit on less attractive terms.

Nevertheless, the infrastructure market remains fundamentally attractive. Adjustments in asset pricing to reflect greater market uncertainty continues, but mature asset sales by distressed vendors and those de-leveraging balance sheets create interesting deal opportunities. The combination of demand for replacement infrastructure in Europe and North America and for new infrastructure in India provides inherent market growth in the key markets in which 3i operates.

The competitive landscape has been improved due to issues at several other major investors in this market. Given the market opportunity and 3i's growing differentiation, infrastructure remains an attractive market for 3i.

Table 13: Assets under management (£m)
as at 31 March

	2009	2008
Own balance sheet	**371**	501
Managed funds	**599**	348
Advised funds	**688**	364
	1,658	1,213

The Group uses the latest published net asset value rather than the market price to measure external assets under management.

Business model

The business model for 3i's infrastructure business line is to invest in a broad range of international infrastructure assets with a geographic focus on the UK, continental Europe and Asia and a sectoral focus on transportation, utilities and social infrastructure.

Investments are made by 3i Infrastructure plc and the 3i India Infrastructure Fund as well as from 3i's own balance sheet.

3i Infrastructure plc

3i holds a 33.3% investment in 3i Infrastructure plc, which was listed on the London Stock Exchange in March 2007 and is a FTSE250 company. 3i Group plc, through 3i Investments plc, a wholly-owned subsidiary, acts as an investment adviser to 3i Infrastructure plc and in return receives an advisory fee of 1.5% of invested capital and an annual performance fee of 20% of the growth in net asset value, before distributions, over an 8% hurdle calculated each year.

3i Infrastructure plc is Jersey based, with an independent board and targets a 12% net return through NAV growth, of which 5% is returned to shareholders through dividends. 3i Infrastructure plc raised £703 million at IPO in March 2007 and, in July 2008, raised a further £115 million of equity to fund new investment through a Placing and Open offer.

The Group reduced its holding in 3i Infrastructure plc from 46.2% to 33.3% during the year. This was achieved through both a Placing and Open offer in July 2008 – where, in order to provide access to new investors, 3i deliberately took up only £25 million of its full pro-rata share in the placing, thus reducing the Group's holding to 43% – and in February 2009 by selling 77 million shares for proceeds of £61 million, reducing its shareholding to 33.3%.

3i Infrastructure plc has its own dedicated investor relations website, www.3i-infrastructure.com.

3i India Infrastructure Fund

3i manages a $1.2 billion unquoted infrastructure fund, focusing in India in the ports, airports, roads and power sectors of Infrastructure. The fund closed in March 2008 with a target investment horizon of two to four years and had invested 41.1% of total commitments to 31 March 2009.

3i earns management fees and carry from all Limited Partners in the Fund with the exception of 3i Infrastructure plc, which also has a $250 million commitment to the fund.

Other Infrastructure assets

Over the year, 3i Group has continued to reduce its holdings in assets held directly on its own balance sheet where it does not have an advisory or management role. It has therefore sold part of its holding in AWG and several other smaller infrastructure assets for £56 million, resulting in a total portfolio held directly by 3i (excluding its holdings in 3i Infrastructure plc and the 3i India Infrastructure Fund) of £51 million.

Gross portfolio return and fee income

Table 14: Returns from Infrastructure (£m)
year to 31 March

	2009	2008
Realised (losses)/profits over value on the disposal of investments	(20)	6
Unrealised (losses)/profits on the revaluation of investments	(62)	43
Portfolio income	32	18
Gross portfolio return	**(50)**	67
Fees receivable from external funds	**26**	18

The Infrastructure business line has generated a loss of £50 million for the year to 31 March 2009 (2008: £67 million profit). Higher portfolio income of £32 million (2008: £18 million) was more than offset by unrealised losses on the revaluation of investments of £62 million (2008: £43 million profit), principally as the valuation of the quoted holding in 3i Infrastructure plc fell. A profit of £5 million was achieved through the disposal of a number of assets held directly by the Group and a loss of £25 million arose from the sale of 3i Infrastructure plc shares.

Higher portfolio income was principally driven by dividends from 3i Infrastructure plc and dividends and loan interest income from AWG. Fee income continued to grow through advisory and performance fees from 3i Infrastructure plc and fund management fees from the 3i India Infrastructure Fund.

Despite outperforming the FTSE AllShare, which fell by 34% during the year, the 24% fall in share price of 3i Infrastructure plc led to a reduction in the value of the Group's holding in 3i Infrastructure plc of £74 million. This was the major contributor to the unrealised loss.

Investment and realisations

Investment

The Infrastructure business line's investment is mainly made through 3i Infrastructure plc and the 3i India Infrastructure Fund. Investment and drawdowns by the Group into those vehicles was £50 million in the year (2008: £38 million). This included the £25 million further investment in 3i Infrastructure plc in the Placing and Open Offer and £21 million drawn down commitments to the 3i India Infrastructure Fund as part of its investment in the Krishnapatnam Port Company Ltd and a further £3 million investment in AWG.

Total new investment completed by infrastructure funds managed and advised by the Group for the year was £246 million. The largest investment was the 3i India Infrastructure Fund's $161 million investment in the Krishnapatnam Port Company Limited, which is developing a natural deep sea port on the East coast of India.

Realisations

Realisation proceeds for the year to 31 March 2009 totalled £117 million (2008: £57 million).

In February 2009, 77 million shares in 3i Infrastructure plc were sold generating proceeds of £61 million. As a result of this sale, 3i Group now holds 33.3% of the issued share capital of 3i Infrastructure plc.

As part of the strategy to reduce own balance sheet holdings in infrastructure, other than those held through managed funds and advised companies, 3i has disposed of its interest in Tramtrack Croydon Limited, sold part of its stake in AWG and small residual interests in I^2 and the Alma Mater Fund. These generated proceeds of £56 million at a realised profit of £5 million.

In addition, realisation proceeds received by 3i Infrastructure plc totalled £178 million.

Non-core activities

Quoted Private Equity

3i's Quoted Private Equity business line was established in 2007 to provide capital and value creation techniques to smaller public companies. Following the launch of 3i Quoted Private Equity plc ("3i QPEP") on the London Stock Exchange at a capitalisation of £400 million, investments were made through this company. The Group acted as investment adviser to 3i QPEP and had a 44.9% shareholding.

Since the onset of the dislocation to the credit markets in autumn 2007, 3i QPEP's share price traded at a significant discount to its net asset value and a cautious approach was taken to new investment. In its interim management statement on 13 February 2009, 3i QPEP reported that it had five portfolio companies and cash and deposits of £243 million.

On 23 February 2009, the Group announced a recommended scheme for the solvent winding up of 3i QPEP. Under this transaction, which was effective on 28 April 2009, 3i acquired the cash and the portfolio of 3i QPEP and in return gave the other 3i QPEP shareholders 50p in cash for every share they held plus 0.1706 of a new 3i ordinary share. In order to achieve this, 3i issued 37.6 million shares representing 8.9% of 3i's post-transaction issued share capital.

For the Group, this transaction had the benefit of producing a net cash inflow of £110 million on 28 April 2009. Management of the five portfolio companies, which had a combined value of £148 million at 28 April 2009, has been transferred to the Growth Capital business line. Four of the QPE team are still with 3i and have transferred to Growth Capital or elsewhere within the Group, with the remainder having left or in the process of leaving 3i. A reduction in operating expenses of £3 million per annum will offset the loss of fee income from 3i QPEP, which totalled £3 million in the year to 31 March 2009.

The return in the year was £26 million (2008: £(42) million), generated entirely through an increase in the 3i QPEP share price.

SMI

The SMI portfolio is a portfolio of older, smaller minority investments predominantly in the UK. In March 2004, 3i announced its intention to accelerate the realisation of this portfolio. Since then, the total number of investments in the SMI portfolio has been reduced from 1,079 to 74 at 31 March 2009 and a total of £843 million has been realised.

The return for the year was £(53) million (2008: nil).

During the year, 18 investments were sold realising a total of £27 million (2008: £136 million). The strategy continues to be to realise these investments to maximise value either individually or in groups of assets in a way that is both responsible and sensitive to the needs of other shareholders. The unrealised value movement of the portfolio generated a loss of £(68) million and total income was £11 million.

Venture Portfolio

Table 15: Returns from Venture Portfolio (£m)
year to 31 March

	2009	2008
Realised (losses)/profits over value on the disposal of investments	**(110)**	65
Unrealised (losses) on the revaluation of investments	**(312)**	(88)
Portfolio income	**6**	6
Gross portfolio return	**(416)**	(17)
Fees receivable from external funds	**–**	–

Table 16: Venture Portfolio business activity investment and divestment (£m)
year to 31 March

	2009	2008
Realisation proceeds	**209**	170
Investment	**(53)**	(156)
Net divestment	**156**	14

Following the decision to stop investing in new early stage technology investments, the Venture Portfolio team was established on 1 April 2008 to maximise value from the Venture portfolio. This portfolio, which consisted of 180 investments in technology and healthcare companies, predominantly in Europe and North America, had a combined value of £738 million at 31 March 2008.

The focus of the Venture Portfolio team has been on realising the portfolio and on determining which companies should receive further funding. During the year, despite difficult conditions for realising such investments, the Venture Portfolio team was able to realise investments in 42 companies for a total consideration of £209 million (2008: £170 million). Of these realisations, £112 million was to financial buyers and £97 million was to trade buyers.

Further funding provided to the Venture Portfolio was £53 million (2008: £156 million). These investments were made on a selective basis and only where there was potential to enhance or protect future value.

The Venture Portfolio generated a gross portfolio return of £(416) million (2008: £(17) million) in the period as realised losses of £(110) million, together with an unrealised value movement of £(312) million, offset portfolio income of £6 million (2008: £6 million).

The remaining Venture portfolio of 123 assets, which was valued at £314 million at 31 March 2009, is made up of predominantly UK and European assets.

The strategy for the coming year is to continue to focus on achieving realisations from the Venture portfolio.

Further investments into the Venture portfolio will only be made where we are convinced that value can be protected or enhanced.

Case studies

3

Pages 33-36

The largest new investments and realisations in the year, together with information about our two largest Infrastructure investments.

Case studies

New investments

The four case studies on these two pages are the largest individual new investments and realisations from each of our Buyouts and Growth Capital business lines.

Memora

Location: **Spain**	Business line: **Buyouts**
Sector: **Business Services**	Website: **www.memora.es**

First investment

3i's Eurofund V invested €187m in November 2008 to enable the buyout of Memora.

Nature of business

Memora is a market leading funeral services provider with operations in Spain and Portugal.

Results to 31 December	2008 (unaudited) €m
Sales	88
EBITDA*	18
Net assets	125

*EBITDA adjusted for extraordinary items relating to acquisition.

Current trading

Memora currently operates 96 funeral parlours, 16 crematories and 25 cemeteries across Spain and Portugal. It has experienced considerable growth in the past two years and currently employs 913 staff.

Developments since 3i invested

Memora is anticipated to grow through further acquisition and play a leading role in the industry's consolidation in the Iberian peninsular.

3i has introduced Ramon Lafuente, an experienced chairman or non-executive director in several other 3i-backed businesses, including Panreac and Esmalglass as Executive Vice Chairman.

3i Group plc's investment	March 2009 £m
Cost	
Equity and loan	**87**
Directors' valuation	
Equity and loan	**102**
Equity interest	**38%**
Income in the year	**6**

www.memora.es

Labco

Location: **France**	Business line: **Growth Capital**
Sector: **Healthcare**	Website: **www.labco.eu**

First investment

3i has invested €111m (out of a total commitment of €140m) for a 17% shareholding in Labco to support the company's growth both organically and by acquisitions.

Nature of business

Labco is the leading European network of clinical laboratories, providing diagnostic lab testing services to patients, general practitioners and hospitals. The company currently owns over 250 laboratories in six countries, operated by a staff of more than 4,000 healthcare professionals.

Results to 31 December	2008 (unaudited) €m
Sales	410
EBITDA	80
Net assets	282

Current trading

Since the beginning of 2008, Labco has continued to grow strongly, in line with the investment plan. Labco completed 21 new acquisitions in five different countries in 2008.

Developments since 3i invested

Daniel Bour, former CEO of General de Sante, has joined the board of Labco as a non-executive Director following 3i's introduction.

3i has actively participated in Labco's geographical expansion in countries such as France and Belgium. 3i has also used its network to introduce targets, and strengthened relations with key regulatory authorities and advisers.

With 3i's support, Labco launched a series of operational alignment initiatives aimed at restructuring the organisation, improving financial control and integrating recent acquisitions.

3i Group plc's investment	March 2009 £m
Cost	
Equity	**93**
Directors' valuation	
Equity	**89**
Equity interest	**17%**
Income in the year	**1**

www.labco.eu

Realisations

Giochi Preziosi

Location: **Italy**	Business line: **Buyouts**
Sector: **Consumer**	Website: **www.giochipreziosi.it**

First investment
3i's Eurofund IV invested €126m in February 2006 to enable the buyout of Giochi Preziosi.

Nature of business
Giochi Preziosi is one of the world's leading toy businesses.

Results to 30 June	2008 (audited) €m
Sales	771
EBITDA	94
Net assets	207

Developments since 3i invested
3i helped Giochi Preziosi make a number of senior appointments through its global network. The company grew substantially from when 3i first invested. The number of employees increased from 1,470 in 2004 to 1,957 in 2008 and turnover also increased from €590m to €771m during the same period.

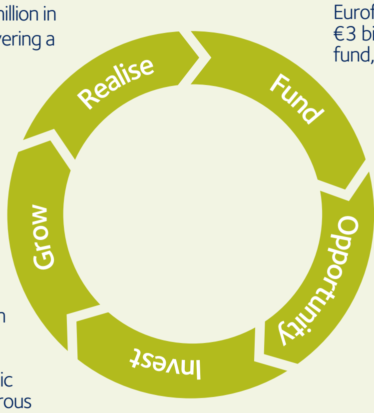
In May 2008, Giochi Preziosi was sold to private equity firm Clessidra for €290m, generating a 2.3 times money multiple for 3i and investors in Eurofund IV and a 45% IRR.

3i Group plc's investment	**March 2009 £m**	March 2008 £m
Cost		
Equity	**n/a**	63
Proceeds		
Equity	**166**	0
Unrealised value		
Equity	**n/a**	151
Equity interest	**0%**	38%
Income in the year	**0**	0

How did we invest?

Sold to Clessidra for €290 million in 2008, delivering a 45% IRR.

This investment was made from 3i's Eurofund IV, a €3 billion Buyouts fund, raised in 2004.



3i provided support to Giochi Preziosi in many ways, including, Board building, strategic input and numerous introductions.

In 2006 Eurofund IV invested €126 million to back the buyout of Giochi Preziosi.

3i's Milan office enjoyed an excellent relationship with the company since 2002 and earlier success in the sector provided credibility.

Boxer

Location: **Sweden**	Business line: **Growth Capital**
Sector: **Media**	Website: **www.boxer.se**

First investment
3i invested €78m in June 2005 for a 30% stake in Stockholm based digital television operator Boxer to support the company's expansion strategy against a backdrop of a scheduled switch-over from an analogue to digital network.

Nature of business
At the time of realisation Boxer was a leading pay digital television operator in Sweden.

Results to 31 December	2008 (audited) SEKm
Sales	1,965
EBITDA	424
Net assets	314

Developments since 3i invested
3i worked closely in partnership with management to grow the company into a leading and highly profitable pay television operator during a period of substantial regulatory change to the pay television market.

During the period of 3i's investment, Boxer strengthened its position in the Swedish market, growing its subscriber base from 380,000 to c.700,000 and pre-tax profits from SEK8m in 2004 to SEK376m in 2007.

This performance positioned the company well for international expansion, and during 2008 it was awarded exclusive license to operate in Denmark.

In November 2008, 3i sold its equity stake to majority shareholder Teracom, the Swedish government-owned media operator, for £71m, resulting in a cash multiple of 1.4 times and an IRR of 12%.

3i Group plc's investment	**March 2009 £m**	March 2008 £m
Cost		
Equity	**n/a**	56
Proceeds		
Equity	**71**	0
Unrealised value		
Equity	**n/a**	97
Equity interest	**0%**	30%
Income in the year	**7**	6

P124 to 127
for a list of our Top ten and Forty other large investments

Infrastructure

The case studies below are the two largest investments in our Infrastructure business line portfolio.

3i Infrastructure plc

3i Infrastructure plc ("3i Infrastructure") is a Jersey-incorporated, closed-ended investment company that invests in infrastructure businesses and assets. 3i Infrastructure listed on the London Stock Exchange in March 2007, raising £703 million in its initial public offering, and an additional £115 million in July 2008 through a placing and open offer.

3i Infrastructure is a constituent of the FTSE 250 index and had a market capitalisation of £677 million at 31 March 2009.

3i acts as investment adviser to 3i Infrastructure plc through a team of 21 dedicated infrastructure investment professionals. Following a placing of 9.5% of the issued share capital of 3i Infrastructure in February 2009, 3i holds a 33.3% stake in the company.

Key figures[1]

	March 2009	March 2008
Total return	**£73.2m**	£90.5m
Total return as a % of shareholders' equity	**8.8%**	13.1%
Dividend per share	**5.3p**	5.0p
Diluted NAV/share (post dividend)	**108.7p**	105.6p

1 The return measures provided above are calculated using the investment presentation basis, which accounts for majority investments and subsidiaries formed for investment purposes in the same way as minority investments and does not consolidate these entities as is required under IFRS.

Return objective

3i Infrastructure's overall objective is to provide a total return of 12% per annum (net), to be achieved over the long term.

Within this overall objective, the company also targets a 5% distribution yield on opening net asset value.

Target market

3i Infrastructure is building a portfolio which is diversified by geography, maturity and infrastructure sector. The focus is on infrastructure assets that deliver strong underlying performance: asset-intensive businesses which provide essential services over the long term, often on a regulated basis, or with a significant component of revenues and costs that are subject to long-term contracts. Within this broad definition, the company targets investments principally in the transport, utilities and social infrastructure sub-sectors.

At 31 March 2009, 3i Infrastructure had a portfolio of nine core investments, including the 3i India Infrastructure Fund, which has three underlying investments and a portfolio of junior debt investments with five underlying investments. Of its total net assets of £918 million, the portfolio value was £537 million with the remainder consisting almost entirely of cash balances of £380 million.

3i India Infrastructure Fund

The 3i India Infrastructure Fund was established by 3i to apply its infrastructure business' successful investment strategy to the rapidly growing Indian infrastructure market. The Fund closed in March 2008 with total commitments of $1.2 billion, of which $250 million from each of 3i and 3i Infrastructure.

At 31 March 2009, 41.1% of these commitments had been drawn down.

3i acts as investment manager to the 3i India Infrastructure Fund through a dedicated team of seven infrastructure investment professionals based in Mumbai and Delhi, who draw from the expertise of 3i's wider infrastructure team, headquartered in London, as well as on the rest of the 3i network to source and make investments.

Return objective

The 3i India Infrastructure Fund aims to provide investors with an 18% IRR (net) over the life of the fund.

Target market

The 3i India Infrastructure Fund is building a portfolio of infrastructure assets whose primary commercial operations are in India, with a primary focus on ports, airports, roads and power.

The Fund has completed three investments, in Adani Power Limited, which is building a portfolio of power plants across India, in Soma Enterprise Limited, one of India's top five infrastructure engineering and construction firms and in Krishnapatnam Port Company Limited, which has a 30-year concession (extendable to 50 years) to develop, operate and maintain the port of Krishnapatnam, a natural, deep water, all-weather port with 12 km of quays in the state of Andhra Pradesh.

3igroup.com
further detailed case studies at www.3igroup.com/shareholders/presreports/

3i.com
further information on 3i's portfolio and case studies at www.3i.com/investment-stories

4

Financial review

Pages 37-46

A review of our financial performance and financial position.

Returns

Total return

Table 17: Total return (£m)
for the year to 31 March

	2009 £m	2008 £m
Realised profits over value on the disposal of investments	**63**	523
Unrealised (losses)/profits on the revaluation of investments	**(2,440)**	291
	(2,377)	814
Portfolio income		
Dividends	**65**	56
Income from loans and receivables	**108**	149
Fees receivable	**(2)**	22
Gross portfolio return	**(2,206)**	1,041
Fees receivable from external funds	**75**	60
Carried interest		
Carried interest receivable from external funds	**(3)**	60
Carried interest and performance fees payable	**56**	(152)
Operating expenses	**(250)**	(274)
Net portfolio return	**(2,328)**	735
Interest receivable	**34**	89
Interest payable	**(120)**	(105)
Movement in the fair value of derivatives	**(38)**	158
Exchange movements	**505**	(44)
Other finance income	**3**	1
(Loss)/profit before tax	**(1,944)**	834
Income taxes	**(4)**	(6)
(Loss)/profit after tax	**(1,948)**	828
Reserve movements (pensions, property and currency translation)	**(202)**	(36)
Total recognised income ("Total return")	**(2,150)**	792

Tables 17 and 18 show that after five years (to 31 March 2008) in which the Group generated an average annual total return of 20.4% on opening shareholders' funds, the total return for the year of £(2,150) million (2008: £792 million), represented a (53.0)% return on opening shareholders' funds (2008: 18.6%).

As can be seen from table 17, which provides a breakdown of the key elements of total return, the £(2,440) million (2008: £291 million) unrealised value movement, which included £(354) million from non-core operations was the main driver of these substantial negative results.

The Buyouts and Growth Capital business lines were impacted by significant unrealised value movements of £(995) million (2008: £245 million) and £(1,029) million (2008: £160 million) respectively. The negative unrealised value movement for Infrastructure was considerably lower at £(62) million (2008: £43 million).

A notable feature of realised profits, which totalled £63 million (2008: £523 million) was the £255 million generated by Buyouts (2008: £370 million).

Table 18: Total return by year
year to 31 March

	%
2004	19.0
2005	15.2
2006	22.5
2007	26.8
2008	18.6
2009	(53.0)

Total return comprises the total recognised income and expense stated as a percentage of opening shareholders' funds.

Realised profits

Despite the sale of a number of older non-core assets at significant discounts to opening value, overall the Group achieved realised profits in the year of £63 million (2008: £523 million) and an average uplift to opening book value of 5% (2008: 43%).

Realised profits from Buyouts of £255 million (2008: £370 million) were offset by realised losses from the Venture Portfolio of £(110) million (2008: £65 million) and losses of £(66) million from Growth Capital (2008: £75 million).

Realisations from our core business line portfolios continued to be made at a significant uplift to cost. Realisations during the year were sold at a 1.3x multiple to cost, which increases to 1.7x if SMI and Venture Portfolio realisations are excluded.

Realised profits in the first six months of the year were £190 million. Realisations during these six months were made at an average uplift of 47% (2008: £337 million, 48%). Realised losses in the second half of £(127) million (2008: £186 million) were made at an uplift to 1 April 2008 value of (15)% (2008: 36%).

Unrealised value movements

There was a significant fall in the value of the Group's portfolio in the year to 31 March 2009, with an unrealised value movement of £(2,440) million (2008: unrealised profits £291 million).

This was due to a combination of factors including the steep falls in market indices and asset valuations in the period and the considerable economic challenges facing portfolio companies. The Group announced in its pre-close statement on 26 March 2009, that no assets would be held at cost at 31 March 2009 and that the non-core assets in the SMI and Venture portfolios would be valued on their expected disposal proceeds.

Table 19: Unrealised (losses)/profits on revaluation of investments
year to 31 March

	2009 £m	2008 £m
Earnings and multiples based valuations		
Equity – Earnings multiples	**(412)**	(162)
– Earnings growth	**14**	307
Loans – Impairments (earnings basis)	**(620)**	(16)
First time movements from cost	**(584)**	154
Other bases		
Provisions	**(156)**	(150)
Uplift to imminent sale	**(140)**	83
Loans – Impairments (other basis)	**(228)**	(22)
Other movements on unquoted investments	**(188)**	33
Quoted portfolio	**(126)**	64
Total	**(2,440)**	291

Chart 7: Proportion of portfolio value by valuation basis (%)

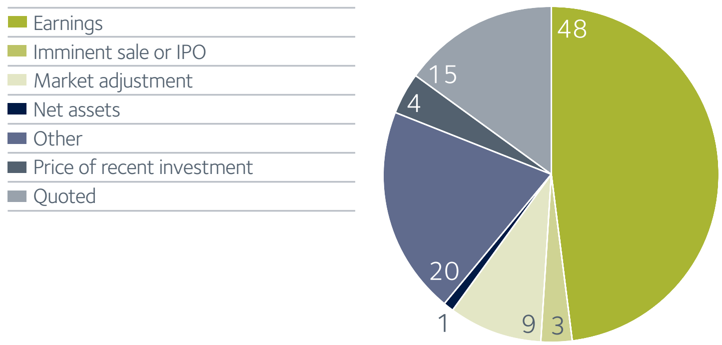


Table 19 shows the unrealised value movement for each category of valuation movement grouped by investments valued on an earnings multiple basis and those valued on other bases. Chart 7 shows the resultant proportion of portfolio value by valuation basis as at 31 March 2009. A detailed explanation of the different bases of valuation, together with descriptions of the different categories of unrealised value movement, is contained within the Portfolio valuation – an explanation section on pages 122 and 123.

This section provides a summary of the movements for each individual category of value movement as well as details of the effect of not holding any investments made in the year on a cost basis of valuation, together with a review of the effect that the significant fall in multiples had across the relevant categories of value movement during the year.

Impact of multiple movements

EBITDA multiples and PE multiples were used to value 79% and 5% respectively, of the portfolio valued on an earnings basis as at 31 March 2009. The weighted average EBITDA multiple used to value the portfolio on an earnings basis was 5.9x as at 31 March 2009 and the weighted average PE multiple was 7.4x as at 31 March 2009.

These falls in multiples impacted the value of all of those investments valued on an earnings basis. This includes those equity investments valued on an earnings basis both at the beginning and end of the year (the "Earnings multiples" category in table 19), those equity investments valued on a "First time movements from cost" basis and those investments where a reduction in enterprise value as a result of a multiple movement led to an impairment of the value of loans shown as "Impairments (earnings basis)" in table 19. The fall in multiples also impacted the quoted portfolio, which had a value movement in the year of £(126) million.

During periods of significant market correction there is often a lag effect of applying published market multiples. This is because current share prices are based on expected future earnings, whereas the published multiple is based on historic earnings. As a consequence of this lag, the impact of using the latest multiple on portfolio valuations may generate more significant reductions.

As can be seen from table 19 the value movement for companies valued on an earnings basis both at 31 March 2008 and at 31 March 2009 was £(412) million (2008: £(162) million).

P122 to 123
for Portfolio valuation – an explanation

Financial review

The estimated overall effect due to reductions in the earnings multiples used to value the portfolio, including quoted movements and assets being sold imminently, was approximately £1,279 million or some 52% of the unrealised value movement on investments for the year.

Earnings growth

Overall portfolio earnings performance held up in a challenging environment during the year to 31 March 2009. An indication of this is that the overall movement in value of equity investments due to earnings growth for those companies valued on an earnings basis at the start and end of the year to 31 March 2009 was £14 million (2008: £307 million).

However, in the light of prevailing economic uncertainty, the Group believes that it has taken a prudent approach to the earnings data used to value companies on an earnings basis and has incorporated management accounts or forecast earnings in deriving earnings for valuation purposes where these indicated falls.

The weighting of accounts used to value the portfolio as at 31 March 2009 was audited 37% (2008: 58%), management accounts 42% (2008: 34%) and forecast 21% (2008: 8%). A higher proportion of management and forecast earnings used to value this element of the portfolio than in the previous year reflected a conservative outlook. It should also be noted that forecast earnings are only used when we consider the portfolio company has a proven track record of reliable forecasting.

Across all assets valued on an earnings basis, earnings have fallen by 12%, some 21% lower than the overall portfolio data using merely historical audited accounts, which showed an increase of 12%. This includes assets valued on an earnings basis for the first time.

First time movements from cost

The Group's valuation policy has historically been to value investments that are less than 12 months old at cost. In light of the significant level of economic volatility in the year, the Group announced in March that no assets would be held at cost at 31 March 2009. Consequently, the "First time movements from cost" category includes both investments that were held at cost at 31 March 2008 as well as investments made during the year.

First time movements from cost resulted in a reduction in the value of the portfolio of £584 million (2008: £154 million unrealised profit). Of this, £498 million relates to investments that were in the portfolio as at 31 March 2008. Of the 10 new investments made during the year, four have been moved to an earnings basis resulting in an unrealised loss of £73 million, of which £51 million is included in "First time movements from cost" and the remaining £22 million within "Impairments". We have received a full set of audited financial statements for these investments and consequently we have a reliable basis to apply both the latest earnings and multiples to these investments. We have not received audited financial statements for six of the new investments. However, in order to reflect the significant movements in quoted markets since acquisition the latest benchmark multiples have been applied to these investments resulting in an unrealised value movement of £(35) million; no marketability discount is applied to these investments.

Impairments

When the enterprise value (less senior debt) of a portfolio company falls below the combined value of 3i's equity in the company and the cost of any loans provided, a shortfall is recognised against the value of the loan. This movement is classified as an impairment. Total loan impairments in the period were £848 million (2008: £38 million). Impairments to loans as a result of earnings based valuations were £(620) million.

The largest movement in Impairments for a basis other than earnings was the £112 million fall (2008: £12 million fall) in the value of the debt warehouse.

The largest impairments to loans are generally Buyouts investments from recent vintages: Global Garden Products £(131) million; Aviapartner Group £(66) million; VNU Business Information £(62) million; and Bestinvest £(47) million.

Provisions

A provision is recognised where we anticipate a 50% or greater chance that the company may fail within the next 12 months. Total provisions for the year are broadly in line with last year at £156 million (2008: £150 million). There are also several companies whose value is £nil where we do not consider the assets will fail. However, the impact of reduced enterprise value from either falling earnings or multiples has reduced the equity to nil and impaired all of our loan value.

Uplift to imminent sale

Investments valued on an imminent sales basis resulted in an unrealised value movement of £(140) million (2008: £83 million). Included within this category are investments where the proceeds have been received since the year end or where they are currently in a negotiated sales process.

Quoted portfolio

The value of the Group's quoted portfolio fell by £126 million (2008: £64 million unrealised profit) during the year to £611 million (2008: £889 million). The largest movements were the Group's investment in 3i Infrastructure plc £(74) million following a 26p fall in the share price of the company during the period and £(45) million fall in the value of Welspun Gujarat, an Indian manufacturer of line pipes for the oil and gas industry.

Portfolio income

Table 20: Portfolio income
year to 31 March

	2009 £m	2008 £m
Dividends	**65**	56
Income from loans and receivables	**108**	149
Fees receivable	**(2)**	22
Portfolio income	**171**	227
Portfolio income/opening portfolio ("income yield")	**2.8%**	5.2%

Portfolio income of £171 million (2008: £227 million) includes dividend income of £65 million (2008: £56 million), interest receivable on loans of £108 million (2008: £149 million) and fees receivable net of abort costs of £(2) million (2008: £22 million). The fall in interest reflects not recognising accrued interest where provisions or impairments have been taken against loans during the year. The fall in net investment fees receivable is driven by the lower level of investment activity in the year.

Gross portfolio return

Table 21: Gross portfolio return by business line
year to 31 March

	Gross portfolio return		Return as a % of opening portfolio	
	2009 £m	2008 £m	**2009 %**	2008 %
Buyouts	**(678)**	731	**(34)**	57
Growth Capital	**(1,035)**	302	**(44)**	21
Infrastructure	**(50)**	67	**(10)**	14
QPE	**26**	(42)	**18**	n/a
SMI	**(53)**	–	**(22)**	–
Venture Portfolio	**(416)**	(17)	**(56)**	(2)
Gross portfolio return	**(2,206)**	1,041	**(37)**	24

Table 22: Gross portfolio return by year
year to 31 March

	%
2005	16.7
2006	24.4
2007	34.0
2008	23.9
2009	(36.7)

Gross portfolio return comprises the income and capital return (both realised and unrealised value movement) generated from the portfolio and is expressed as a percentage of opening portfolio value. Gross portfolio return for the Group for the year to 31 March 2009 totalled £(2,206) million (2008: £1,041 million), a (37)% return over opening portfolio value (2008: 24%).

Our core business lines Buyouts, Growth Capital and Infrastructure have generated a combined gross portfolio return of £(1,763) million (2008: £1,100 million), which represented (36)% on opening portfolio value.

Buyouts generated a gross portfolio return of £(678) million (2008: £731 million). An unrealised value movement of £(995) million (2008: £245 million) was only partially offset by a good level of realised profits of £255 million (2008: £370 million), which were achieved at uplifts of 107% (2008: 76%). Portfolio income from the Buyouts portfolio of £62 million fell in the year (2008: £116 million) due to provisions taken against interest where the value of our loan is impaired.

Growth Capital generated a gross portfolio return of £(1,035) million (2008: £302 million). Unrealised losses in the year of £(1,029) million (2008: £160 million) and realised losses of £(66) million (2008: £75 million realised profits) were the key reasons for this. Portfolio income during the year was £60 million (2008: £67 million).

The Infrastructure gross portfolio return of £(50) million (2008: £67 million) includes unrealised losses of £(62) million (2008: £43 million), realised losses of £(20) million (2008: £6 million), offset by portfolio income which at £32 million (2008: £18 million) was nearly double the level of the previous year. The fall in the 3i Infrastructure plc share price and the sale of part of our holding in 3i Infrastructure plc generated an unrealised loss of £74 million and a realised loss of £25 million respectively. Total portfolio income for the Infrastructure business line included dividends of £26 million (2008: £16 million).

As announced in our pre-close statement on 26 March 2009, our investments in SMI and the Venture Portfolio are valued based on expected sale proceeds. These portfolios are now classified as non-core activities, with the Venture Portfolio generating a gross portfolio return of £(416) million (2008: £(17) million) and SMI generating a gross portfolio return of £(53) million (2008: £nil).

Quoted Private Equity generated a gross portfolio return of £26 million (2008: £(42) million), which is entirely driven by the 15p increase in the share price in the year. Following the announcement of the scheme for the solvent winding up of 3i Quoted Private Equity plc on 23 February 2009, the share price increased to 93p at 31 March 2009. Following shareholder approval, this transaction subsequently completed on 28 April 2009 and there are further details about this on page 32.

Fees receivable from external funds

During the year, the Group received fund fee income from its managed Buyouts and Infrastructure funds and the Infrastructure and Quoted Private Equity companies. Total income from Buyouts and Infrastructure managed funds increased to £53 million (2008: £45 million). This increase is mainly a consequence of the Group benefiting from a full year of fees from the 3i India Infrastructure Fund, as well as the impact of a strengthening of the euro against sterling on the fees from our Buyouts funds.

Advisory fee income is received based on the gross investment value of the advised companies. Total advisory fee income of £11 million (2008: £9 million) comprises £8 million from 3i Infrastructure plc (2008: £8 million) and £3 million from 3i Quoted Private Equity plc (2008: £1 million).

A performance fee is also payable by 3i Infrastructure plc, which is based on the net asset value growth per share of the fund, subject to an 8% hurdle. During the year, a performance fee of £8 million (2008: £3 million) was recognised. This includes an element of under accrual of prior year fees, due to 3i Infrastructure plc announcing its results after 3i Group plc last year.

Net carried interest and performance fees payable

Carried interest aligns the incentives of 3i's investment staff and the management teams in 3i's portfolio with the interests of 3i's shareholders and fund investors. A two-page guide to carried interest, including worked examples, is contained on pages 138 and 139.

Whereas 3i only receives carried interest from the external funds it manages (eg Eurofund V), it pays carried interest to investment executives who manage investments from both balance sheet and external funds.

Although the Group only receives and pays carried interest as a result of cash-to-cash returns subject to performance conditions, it must account for carried interest payable based on both the realised profits generated and unrealised value movements.

As a consequence of the unrealised losses generated in the year, unrealised carried interest payable recognised in prior periods has been reversed and a £56 million gain recognised (2008: £152 million expense).

P138 to 139
for Carried interest – an explanation

Financial review

The fall in the value of the Buyouts portfolio has resulted in carried interest receivable, recognised in previous periods relating to unrealised movements, being reversed and consequently, total carried interest receivable was £(3) million (2008: £60 million).

The performance fee payable and a share of the advisory fees generated by 3i Infrastructure plc are payable to 3i investment staff. During the year, £6 million was payable as carried interest or performance fees payable (2008: £6 million). The performance of the underlying investments in 3i India Infrastructure Fund has been good and carried interest payable of £6 million has been recognised (2008: £nil).

Operating expenses

Table 23: Cost efficiency
year to 31 March

	2009 £m	2008 £m
Operating expenses	**250**	274
Fees receivable from external funds*	**(67)**	(57)
Net operating expenses	**183**	217
Net operating expenses/ opening portfolio ("cost efficiency")	**3.0%**	5.0%

*Net of £8 million performance fee from 3i Infrastructure plc in 2009 (2008: £3 million).

Improving cost efficiency has been a major focus through the year and, through a range of actions and lower performance pay in the year, the Group has reduced total operating expenses by 9% to £250 million (2008: £274 million), including £45 million of restructuring and redundancy costs.

The Group's cost efficiency metric is defined as operating costs net of management and advisory fee income as a percentage of opening portfolio. Higher fee income, lower operating expenses and a higher opening portfolio value resulted in an improvement in this measure to 3.0% (2008: 5.0%).

During the next financial year, the Group will conduct a strategic review of the balance of investment made between own balance sheet and external funds. As a consequence, the appropriateness of the current cost efficiency metric definition will be reviewed.

Total headcount at 31 March 2009 was reduced to 607 (2008: 739) after remaining fairly stable, between 700 and 800, for the financial years from 2004 to 2008. During the period, the mix of resourcing changed considerably as the Group increased its international reach, most notably in Asia and North America, established the Infrastructure and QPE business lines and reduced staffing in the SMI and Venture Portfolio teams as these portfolios reduced in size. A further 37 headcount reduction took place in April 2009.

The combination of further reductions in the size of the SMI and Venture portfolios, the closure of the QPE business line and a major downsizing exercise in December 2008 following a detailed review of the Group's operational requirements, has resulted in employee numbers falling to 607 (2008: 739) at 31 March 2009. In addition to the reduction in headcount, a number of smaller offices in continental Europe, Asia and North America were closed. In addition, a review of expenditure by the business lines and the professional service teams was conducted. As a consequence of these factors, the direct costs of our business lines, professional service teams and office network is planned to fall by circa 9% in the year to 31 March 2010.

All employees are eligible for a discretionary cash bonus, which is subject to Group performance. In the year to 31 March 2008, these bonuses totalled £56 million. In view of the performance for the year to 31 March 2009, no bonuses will be paid to Management Committee other than in fulfilment of contractual commitments. In total, £8.6 million, which includes contractual commitments, has been provided for, the majority of which will be delivered as deferred bonus shares.

Net interest payable

Net interest payable in the year has increased from £(16) million to £(86) million. A reduction in the level of cash balances in the year, combined with a fall in interest rates during the year, resulted in interest receivable falling to £34 million (2008: £89 million). Interest payable increased to £120 million (2008: £105 million) and is mainly a result of a higher rate of interest payable on the £430 million convertible bond issued in the year than was payable on the previous €550 million convertible bond.

Movement in the fair value of derivatives

In previous years, the €550 million convertible bond raised in August 2003, resulted in the Group's total return being impacted by movements in the value of the equity element of the convertible bond. In July 2008, this convertible bond was repaid and replaced with a £430 million convertible bond. 3i also entered into agreements called "call spread overlays", which reduce the volatility associated with the derivative element of this bond. Consequently, fair value movements on derivatives is significantly lower than last year at £(38) million (2008: £158 million) and relate almost entirely to movements in the fair value of our interest rate swaps.

Exchange movements

Following the decision in October to close its foreign exchange swap portfolio, 3i's total return now has exposure to foreign exchange movements affecting the value of its portfolio. Some 54% of the Group's debt is sterling denominated and therefore foreign exchange movements also affect the value of the Group's net debt. During the year, there was a net foreign exchange gain of £315 million (2008: £38 million loss). This is comprised of a £765 million increase in portfolio values offset by £188 million on translation of debt and a further £262 million relating to movements from foreign exchange swaps and other balance sheet items.

Pension

In September 2008, the tri-annual valuation to June 2007 of the UK-defined benefit pension scheme was completed. This resulted in a £86 million deficit, which the Group has agreed to fund over five years.

The pension deficit recognised in the Group's balance sheet is accounted for under IAS 19 and reduced from £38 million to £18 million in the year, principally due to the Group providing additional contributions of £20 million.

The Group recognised an £8 million actuarial loss in the year (2008: £41 million), principally due to changes in the value of the plan's assets and liabilities.

Portfolio and assets under management

Table 24: Assets under management
as at 31 March

	2009 £m	2008 £m
3i direct portfolio	**4,050**	6,016
Managed funds	**3,079**	3,143
Advised quoted funds	**890**	633
Total	**8,019**	9,792

Assets under management comprise 3i's directly held portfolio, managed unlisted funds and advised listed funds. Details on the valuation methodology for the Group's direct portfolio are provided on pages 122 and 123. The value of external funds under management is based on the value on which income is earned by the Group, which normally includes un-invested commitments and the accounting valuation of invested assets. Where 3i has a direct investment in the funds that it manages or advises, this is held at fair value within the direct portfolio.

An 18% fall in assets under management during the year to £8,019 million at 31 March 2009 (2008: £9,792 million) was principally due to the 33% fall in the value of the Group's direct portfolio to £4,050 million (2008: £6,016 million). This movement is described in detail on pages 38 to 41.

The value of external funds managed and advised by the Group increased by 5% (2008: 37% growth) during the year. This was due to the strong performance of underlying investments in the 3i India Infrastructure Fund, growth in 3i Infrastructure plc, as well as the impact of foreign exchange movements on un-invested commitments within the euro-denominated Eurofund V.

Table 28 on page 44 provides a schedule of managed and advised funds together with information about the fund size, level of 3i commitment and proportion invested at 31 March 2009. Further information about the development of 3i's fund management and advisory business can be found on page 20. As can be seen from the charts on page 45, the sources of these funds at a Group and business line level are well diversified by nature of investor and geographical location.

The Buyouts and Infrastructure business lines are funded with a mix of balance sheet funding and external funds whereas Growth Capital is funded almost entirely from the Group's balance sheet.

At 78% (2008: 59%), Infrastructure has the highest proportion of external funds. The proportion of external funds for Buyouts has risen to 61% (2008: 56%) mainly as a consequence of the fall in the value of the direct portfolio in the year.

Portfolio assets directly owned by the Group

Table 25: Portfolio value movement by business line

	Opening Portfolio value 1 April 2008 £m	New investment £m	Divestment £m	Value movement £m	Other £m	Closing Portfolio value 31 March 2009 £m
Core business lines						
Buyouts	2,025	519	(239)	(995)	157	**1,467**
Growth Capital	2,366	343	(527)	(1,029)	421	**1,574**
Infrastructure	501	50	(137)	(62)	19	**371**
	4,892	912	(903)	(2,086)	597	**3,412**
Non-core business lines						
QPE	142	3	–	26	–	**171**
SMI	244	–	(23)	(68)	–	**153**
Venture Portfolio	738	53	(319)	(312)	154	**314**
	1,124	56	(342)	(354)	154	**638**
Total	6,016	968	(1,245)	(2,440)	751	**4,050**

Table 25 also shows that the strategic actions taken by the Group, including the decision to grow the Infrastructure business line and to accelerate the disposal of non-core assets, combined with the significant reduction in the value of the direct portfolio, has changed the mix by business line. At 31 March, Buyouts represented 36% (2008: 34%) of the direct portfolio value, Growth Capital 39% (2008: 39%) and Infrastructure 9% (2008: 8%). Excluding non-core activities, these proportions rise to 43%, 46% and 11% of the remaining portfolio value.

The total number of investments in the portfolio, excluding 199 QPE, SMI and Venture Portfolio investments, was 177 as at 31 March 2009 (2008: 213 excluding 274 QPE, SMI and Venture Portfolio investments).

P6 to 7
for further information on our portfolio diversity

P122 to 123
for Portfolio valuation – an explanation

Financial review

Table 26: 3i direct portfolio value by geography
as at 31 March

	2009 £m	2008 £m
Continental Europe	**1,618**	2,573
UK	**1,719**	2,250
Asia	**491**	679
North America	**209**	497
Rest of World	**13**	17
Total	**4,050**	6,016

As can be seen from table 26, the geographic mix of the portfolio has also changed with 40% of the direct portfolio value at 31 March 2009 in continental Europe (2008: 43%), 43% (2008: 37%) in the UK and 12% (2008: 11%) in Asia. The sale of almost 86% of the opening US Venture Portfolio in the year and value reductions on a small number of significant Growth Capital investments in the US resulted in a 58% lower US portfolio value than the previous year.

In Asia, significantly higher realisations at £127 million (2008: £25 million) combined with a low level of new investment at £46 million (2008: £171 million) meant that, although the proportion of portfolio value increased to 12%, the absolute value fell by 28%.

Table 27: 3i direct portfolio value by sector
as at 31 March

	2009 £m	2008 £m
Business Services	**749**	819
Consumer	**327**	703
Financial Services	**265**	415
General Industrial	**764**	1,423
Healthcare	**545**	572
Media	**214**	455
Oil, Gas and Power	**253**	316
Technology	**391**	670
Total	**3,508**	5,373

Note: the total Group portfolio is £4,050 million, which includes 3i's investment in Infrastructure and Quoted Private Equity.

Although all sectors have been impacted by the general fall in valuations, the most significant proportionate fall was within the general industrial sector, which fell in value by 46%. This fall follows the realisation of 17% of the opening portfolio value, which included the successful sale of a number of companies including ABX (Buyouts, realised profits £146 million), Freightliner (Buyouts, £75 million) and Transport Alloin (Growth, £11 million). The portfolio has also been impacted by unrealised value movements of £(629) million, which include Mold Masters (Growth, £(94) million) and STEN (Growth, £(89) million).

At 31 March 2009, the 3i debt warehouse had acquired €445 million in assets supported by an equity commitment from 3i Group of €133 million on a first loss basis. These assets, which are predominantly related to buyout businesses, are described in more detail as part of the Buyouts business line review on page 20.

In addition, the debt management team, alongside the Infrastructure team, manages a £92 million portfolio of junior debt in infrastructure businesses.

Assets managed and advised by 3i

Table 28: Managed and advised funds
as at 31 March 2009

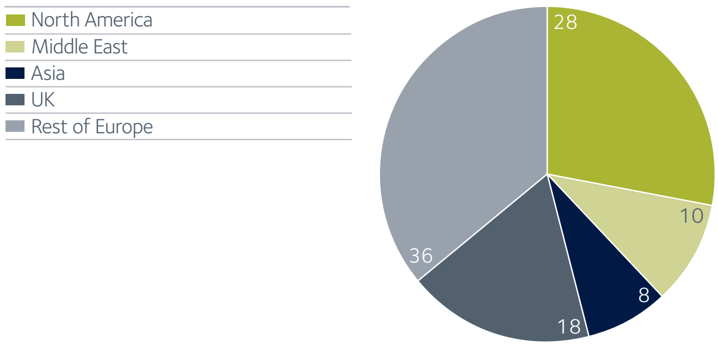
Fund	Business line	Final close date	Fund size	3i commitment	Invested March 2009 %	Realised* March 2009 %
3i Eurofund III	Buyouts/Growth	July 1999	€1,990m	€995m	91	184
3i Eurofund IV	Buyouts	June 2004	€3,067m	€1,941m	91	176
3i Eurofund V	Buyouts	November 2006	€5,000m	€2,780m	53	7
3i Infrastructure plc	Infrastructure	March 2007	£818m	£272m	75	n/a
3i Quoted Private Equity plc	QPE	June 2007	£400m	£180m	45	n/a
3i India Infrastructure Fund	Infrastructure	March 2008	$1,195m	$250m	41	–

*Defined as proceeds as a percentage of original amount invested.

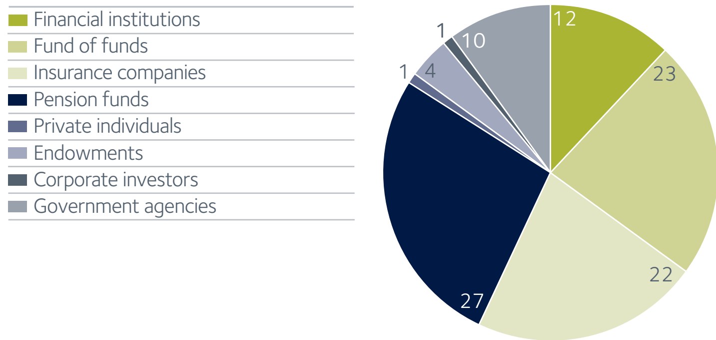
Table 28 provides a schedule of funds managed or advised by 3i. As can be seen from the charts opposite, the source of these funds is well diversified internationally and by type of investor. Eurofund V has 60 Limited Partners and the 3i India Infrastructure Fund 14 Limited Partners, excluding 3i and 3i Infrastructure plc. On 23 February 2009 3i Group plc announced a recommended scheme for the solvent winding up of 3i QPEP. This transaction became effective after the year end, on 28 April 2009.

Fund investor demographics

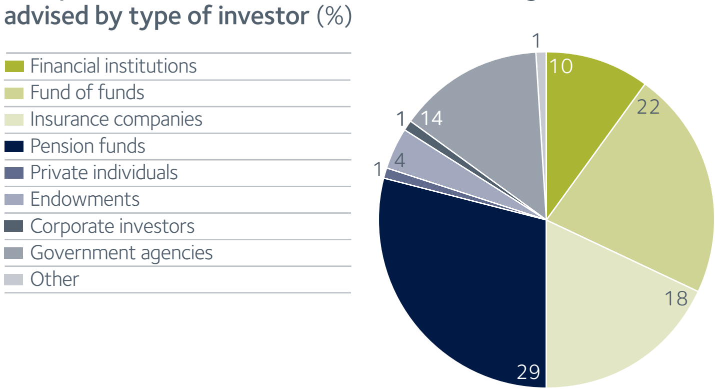
Investor base for non-listed funds managed and advised by geographical location (%)



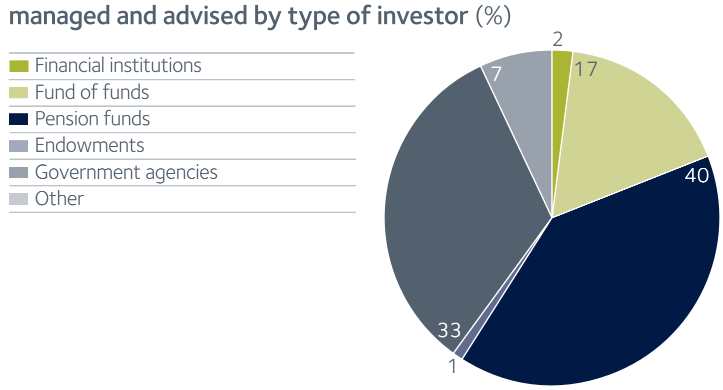
Buyouts investor base for non-listed funds managed and advised by type of investor (%)



Group investor base for non-listed funds managed and advised by type of investor (%)



Infrastructure investor base for non-listed funds managed and advised by type of investor (%)



Capital structure, gearing and liquidity

Capital structure

Table 29: Group balance sheet
as at 31 March

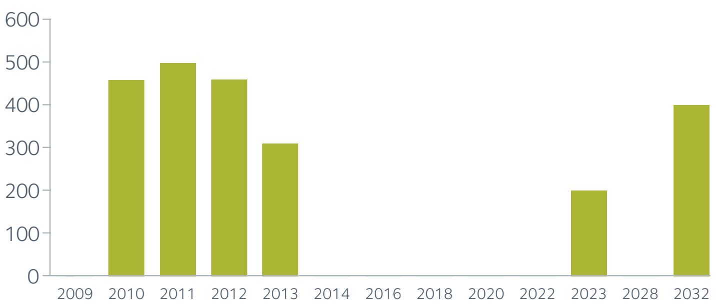
	2009	2008
Shareholders' funds	**£1,862m**	£4,057m
Net debt	**£1,912m**	£1,638m
Gearing	**103%**	40%
Diluted net asset value per share	**£4.96**	£10.77

The effects of a reduction in the value of the portfolio and the £274 million increase in net debt principally due to currency translation has meant that, although net debt on a constant currency basis fell during the year, the Group's gearing increased significantly to 103%, which is outside the Group's targeted through-the-cycle range of 30%-40%.

During the year, 3i took a number of actions to reduce net debt which had risen to £2,033 million at the end of January 2009 and was £1,912 million as at 31 March 2009 (2008: £1,638 million). These actions included cash generated through the disposal of core portfolio and non-core assets (£366 million realised in the three months to 31 March 2009) and the sale of 9.5% of the issued share capital in 3i Infrastructure plc, which generated £61 million. The net benefit from the acquisition of the assets of 3i Quoted Private Equity plc was to deliver net cash of £110 million shortly after the year end.

Chart 8 shows the maturity profile of 3i's debt at 31 March 2009. The refinancing in May 2008 of the Group's €550 million convertible bond with a £430 million convertible bond lengthened this profile.

Chart 8: Gross debt repayment profile
(£m)



Gearing

The combination of a fall in shareholders' funds to £1,862 million (2008: £4,057 million) following the total return of £(2,150) million and an increase in net debt to £1,912 million principally driven by foreign exchange movements has resulted in an increase in gearing in the year from 40% to 103%.

Liquidity

The Group's performance on realisations, combined with a highly selective approach to investment and its strategy to sell non-core assets, has resulted in total cash and deposits remaining broadly in line with last year at £734 million (2008: £796 million) and undrawn committed facilities of £286 million (2008: £286 million).

Currency hedging

Historically, the Group has maintained a policy to hedge 90% to 100% of the investment currency portfolio. This was achieved through cash settled currency swaps and core currency debt where available. The significant weakening of sterling meant that the cash volatility associated with this policy of using short-term foreign exchange swaps was no longer appropriate. As a consequence, the Group closed out the majority of its foreign exchange swap portfolio. This programme is now complete at a cash settlement of £174 million. As a result, 16% of the North American and Asian portfolios and 67% of the European and Nordic portfolios are now hedged. The Board intends to review the introduction of a more comprehensive hedging strategy as a priority.

Diluted NAV

The total return of £(2,150) million resulted in diluted net asset value per share falling by £5.81 in the year to £4.96 as at 31 March 2009 (2008: £10.77).

Rights issue

In May 2009, the Board announced an underwritten rights issue to raise gross proceeds of £732 million, which the Board believes will strengthen 3i's financial position and deliver a number of additional benefits for the business.

Proforma gearing at 31 March 2009, reflecting both the rights issue and the 3i Quoted Private Equity plc transaction in April 2009, would be 42%.

5

Risk

Pages 47-52

A description of our risk management framework, key risks and our approach to mitigate them.

Introduction

This section sets out the main elements of 3i's risk management framework together with a description of the main inherent risk factors facing the Group, and a review of the evolution and management of the Group's key risks during the year. Further details on the management of key risks, and related results and outcomes, can be found in the relevant sections of the annual report shown under "Further information" column in the table on page 49.

Risk management framework

3i has a risk management framework which provides a structured and consistent process for identifying, assessing and responding to risks in relation to the Group's strategy and business objectives.

Risk management operates at all levels throughout the Group, across business lines, geographies and professional functions. The Board is ultimately responsible for risk management, which includes the Group's risk governance structure and maintaining an appropriate internal control framework. Management's responsibility is to manage risk on behalf of the Board.

By reporting regularly to Audit and Compliance Committee, the Group's Compliance and Internal Audit functions provide support to the Board in maintaining effective risk management across the Group. This risk management framework and the main responsibilities of each committee are shown below.

The key components of 3i's risk management framework, which are regularly reviewed, remain fundamentally the same as last year, with some modifications to address the increased risks related to the deterioration in market and economic conditions; most notably the introduction of weekly meetings of a sub-committee of the Group Risk Management Committee chaired by the Chief Executive. This is considered in more detail in the Review of risks on page 52.

Risk governance

Group Risk Management Committee

– Responsible for overall risk management process
– Monitors changes in external risk environment
– Reviews reports from Investment, Operational and Financial Risk Committees
– Reports to Audit and Compliance Committee

Investment Committee

– Takes or recommends investment decisions on individual opportunities

Operational Risk Committee

– Provides input to the setting of investment policy and guidelines
– Deals with all aspects of operational risk

Financial Risk Committee

– Assesses financial risk including treasury and funding risk
– Quarterly monitoring of portfolio composition

Conflicts Committee

Decides issues on conflicts arising in investment process and other areas

Health and Safety Committee

Reviews Health and Safety arrangements and policy.
Monitors implementation and performance

Corporate Responsibility Committee

Recommends socially responsible investment policy. Identifies and promotes awareness of corporate responsibility and developments, opportunities and risks

Regulatory Risk Forum

Provides regulatory input to investment policy. Identifies and promotes awareness of regulatory developments and risks

Detailed information about 3i's approach to corporate responsibility and its performance during the year are set out in the Corporate responsibility section on pages 53 to 64.

Risk factors

Risk type	Key developments	Further information	Risk mitigation
External Risks arising from current, proposed and anticipated political, legal, regulatory, economic and competitor changes	– Adverse economic and market conditions impacting (i) liquidity and net debt; (ii) investment levels; (iii) portfolio performance and (iv) valuations – Regulatory developments	**Overview** – Chairman's statement, 3i at a glance, Our priorities and strategy, Chief Executive's statement **Business review** – Market conditions, 3i's approach	– Regular Group Risk Management Committee and Board reviews – Close monitoring of regulatory and fiscal developments in main markets – Diversified investment portfolio in a range of sectors, with different economic cycles, across geographical markets
Strategic Risks arising from the analysis, design and implementation of the Group's business model, and key decisions on the investment levels and capital allocations	– Organisational changes, including changes to senior management – Acceleration or initiation of corporate projects in context of current market	**Overview** – Chairman's statement, 3i at a glance, Our priorities and strategy, Chief Executive's statement **Business review** – Market conditions, 3i's approach	– Monitoring of a range of key performance indicators, forecasts and periodic updates of plans and underlying assumptions – Regular monitoring by Group Risk Management Committee – Monitoring of key projects
Investment Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolio	– Significantly reduced investment and realisation levels – Impact of current economic environment on portfolio management processes; earnings; leverage; valuation multiples	**Overview** – 3i at a glance **Business review** – Market conditions, 3i's approach; Investment activity, Business lines **Financial review** – Returns, Portfolio and assets under management **Financial statements** Portfolio and additional information	– Investment Committee approval of all significant investments – Regular asset reviews, including risk assessments – Representation by a 3i investment executive on the boards of investee companies – Portfolio is subject to periodic reviews at both the business line and Group levels to monitor exposure to any one sector or geography
Treasury and funding Risks arising from (i) uncertainty in market prices and rates, (ii) an inability to raise adequate funds to meet investment needs or meet obligations as they fall due, or (iii) inappropriate capital structure	– Impact of market and economic turbulence on Group's financial position, in particular liquidity and net debt, and currency management	**Overview** – Chief Executive's statement **Business review** – market conditions **Financial review** – capital structure, gearing and liquidity **Financial statements**	– Credit risk exposure is managed on an asset-specific basis by individual investment managers – Regular Board reviews of the Group's financial resources – Regular reviews of liquidity, gearing, net debt and large currency exposures
Operational Risk arising from inadequate or failed processes, people and systems or from external factors affecting these	– Execution of organisational changes and other corporate initiatives	**Business review** **Corporate responsibility report** **Governance report**	– Line management at all levels is responsible for identifying, assessing, controlling and reporting operational risks – Framework of core values, global policies, a code of business conduct and delegated authorities are in place – Independent internal audit function carries out periodic reviews

The table above sets out the definitions of each key risk type; the key developments for each category during the year; the relevant sections of the annual report where further information can be found on the key developments; and a summary of the main risk mitigation processes.

The principal components of each risk type are explained in more detail on pages 50 to 52 followed by a commentary on the main changes to the Group's risk profile during the year.

Risk

External risks

Macroeconomic risks

3i invests mainly in European companies and continues to develop its operations in Asia and North America. The performance of the Group's underlying investment portfolio is influenced by economic growth, interest rates, currency movements and changes in commodity and energy prices. Market conditions for initial public offerings, the level of mergers and acquisitions activity, the number of active trade or other private equity buyers and the availability of debt finance, all have an impact, not only on the Group's ability to invest but on the Group's ability to exit from its underlying portfolio, or on the levels of profitability achieved on exit.

To mitigate this, 3i aims to invest over time in a range of sectors, with different economic cycles, across its different business lines and geographical markets.

Comments on current market conditions and 3i's approach are set out on pages 15 to 17 of the Business review.

Geopolitical risk

Part of the Group's investment strategy is to invest in new and emerging markets. The legal, regulatory and capital frameworks in these markets may be less developed than in the other main geographical markets in which the Group operates. Changes and developments in each market are monitored closely to ensure that any impact on the value of existing investments, planned levels of investment or investment returns are, as far as possible, anticipated, understood and acted upon. This work includes periodic legal and regulatory updates by geography, in-depth market and sector research and regular reviews for existing investments. Entry into new geographical markets is subject to extensive market research and due diligence.

Government policy and regulation

3i Investments plc, 3i Europe plc and 3i Nordic plc, all wholly-owned subsidiaries of 3i Group plc, are authorised persons under the Financial Services and Markets Act 2000 and regulated by the FSA in the United Kingdom. Where applicable, certain 3i subsidiaries' businesses outside the United Kingdom are regulated locally by relevant authorities. Changes to the regulatory frameworks under which the Group operates are closely monitored by the Operational Risk Committee. There are also appropriate processes and procedures in place, including a dedicated Group Compliance function, whose remit is to minimise the risk of a breach of applicable regulations which could affect the Group's compliance costs, its business or results.

The European Commission has recently released its proposal for a Directive on Alternative Investment Fund Managers (which covers hedge funds and private equity) as well as recommendations on executive remuneration and remuneration in the financial services sector. The first draft Directive contains requirements on authorisations, reporting and disclosure and minimum capital, and could come into force in 2011 if agreement on the proposals is reached by the end of this year. This is part of the Commission's response to the current financial crisis.

3i carries on business as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. Continuation of this approval is subject to the Company directing its affairs in line with the requirements of the legislation. Changes in government policy and taxation legislation which could affect the results of the Group's operations or financial position are closely monitored.

3i complies with the "Guidelines for Disclosure and Transparency in Private Equity", known as the Walker guidelines, which is a voluntary code published in November 2007. Further details are set out on pages 140 to 142. The Group's Pillar 3 disclosure document can be found at www.3igroup.com.

Strategic risks

The Group's strategy is based on a full analysis of its operating environment. In determining the appropriate business model, market and sector evaluations are taken into account, as well as the identification and assessment of external and internal risk factors. Significant unexpected changes or outcomes, beyond those factored into the Group's strategy and business model, may occur which could have an impact on the Group's performance or financial position.

This is addressed through the monitoring of a range of key performance indicators, forecasts and periodic updates of plans and underlying assumptions.

A commentary on the impact of current market conditions, and 3i's priorities and strategy in this context, is set out in the Overview section on pages 1 to 12.

Investment risks

Investment decisions

The Group operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability to access deals on a proprietary basis could have a significant effect on the Group's competitive position and on the sustainability of returns.

The ability of the Group to source and execute good quality investments in such markets is dependent upon a range of factors. The most important of these include: (i) the ability to attract and develop people with the requisite investment experience and cultural fit; (ii) organisation of teams whose structure is market-adapted and whose compensation is results-oriented; and (iii) effective application of collective knowledge and relationships to each investment opportunity.

3i's investment appraisal is undertaken in a rigorous manner. This includes approval by the relevant business line partnerships, and where appropriate, peer review by executives from other business lines, together with 3i's international network of industry and sector specialists. Investments over £5 million are presented to an Investment Committee chaired by an authorised member of the Management Committee and comprising our senior investment executives.

Investment performance

The performance of the Group's portfolio is dependent upon a range of factors. These include, but are not limited to: (i) the quality of the initial investment decision described above; (ii) the business strategy and the ability of the portfolio company to execute that business strategy; (iii) actual outcomes against the key assumptions underlying the portfolio company's financial projections; and (iv) market conditions which affect the value of investments. Any one of these factors could have an impact on the valuation of a portfolio company and upon the Group's ability to make a profitable exit from the investment within the desired timeframe.

A rigorous process is put in place for managing the relationship with each investee company for the period through to realisation. This includes regular asset reviews and, in many cases, board representation by a 3i investment executive.

Investment concentration
The Group invests across a range of economic sectors and geographies. Over-exposure to a particular sector or geography could increase the impact of adverse changes in macroeconomic or market conditions on the Group. An increase in the average size of investments over time could also increase the exposure of the Group to the performance of a small number of large investments, albeit in different sectors and/or geographies. The portfolio is subject to periodic reviews by the Financial Risk Committee and by individual business lines in order to monitor exposure to any one sector or geography and to monitor the exposure to larger investments. One of the conditions set out under section 842 of the Income and Corporation Taxes Act 1988 is that no single investment can exceed 15% of the Group's investment portfolio to maintain the Group's tax status as an Investment Trust. This also mitigates the Group's exposure to investment concentration risk.

Investment valuations and exit opportunities
The valuation of 3i's portfolio and opportunities for realisations depend to a considerable extent on stock market conditions and the state of the wider mergers and acquisitions market. Changes in market or macroeconomic conditions impact the valuation of portfolio assets and the ability to exit those investments profitably within the desired timeframe.

Further information on investment activity and market conditions is set out in the Business review section on pages 13 to 32.

Investment performance is covered in the Financial review on pages 37 to 46.

Details of 3i's investment process, current portfolio and valuation methodology are provided in the Portfolio and additional information section on pages 121 to 144.

Treasury and funding risks

3i's funding objective is that each category of investment asset is broadly matched with liabilities and shareholders' funds according to the risk and maturity characteristics of the assets and that funding needs are met ahead of planned investment.

Credit risk
3i's financial assets are predominantly unsecured investments in unquoted companies. An increase in concentration of the portfolio in a particular economic sector or geography could increase credit risk. Likewise, large or unexpected increases in interest rates could increase credit risk, particularly in companies which are highly leveraged.

The Group considers the maximum credit risk to be the carrying value of loans and receivables and credit risk exposure is managed on an asset specific basis by individual investment managers. Regular asset reviews within each business line provide an insight into the trading performance of individual assets and give an early indication of increased credit risk. Leverage levels and performance of individual assets are also reviewed periodically by the Financial Risk Committee.

The Group's remaining credit risk exposure is in financial assets, which are mainly in the form of deposits with banks of a credit rating of AA or better. Counterparty limits are set and closely monitored.

Liquidity risk
The Group invests from its own balance sheet using cash generated from its investing activities and its core funding. The Group also has available to it undrawn committed facilities. In addition to funding from its own balance sheet, the Group periodically raises external funds and also invests indirectly through funds administered by third parties, or quoted investment vehicles.

Unexpected changes in the levels of investment and divestment activities or in interest rates could impact the availability of funds required for investment needs or to meet obligations as they fall due.

To manage this, a range of cash flow forecasts are produced and updated on a weekly basis for each business line and for the Group as a whole. These forecasts are reviewed weekly by the Group Risk Management Committee. The Board reviews the Group's financial resources on a regular basis. This includes consideration of the currency hedging and maturity profile aspects, as well as liquidity, of the Group's current and forecast financial position.

Price risk
The value of quoted investments is directly related to the relevant market and so subject to price risk. The value of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Group does not currently hedge the market risk inherent in the portfolio but manages asset performance risk on an asset-specific basis.

Foreign exchange risk
3i reports in sterling and pays dividends from its sterling profits. The Group seeks to reduce structural currency exposures by matching investment assets denominated in foreign currency with borrowings in the same currency. The Group also makes use of derivative financial instruments to effect foreign exchange risk management.

Assets denominated in currencies other than sterling have historically been hedged using a combination of currency borrowings and short-term derivative contracts. In recent years, the use of short-term contracts increased. During the year, the cost of rolling over these contracts increased to such an extent that the Board decided to rely solely on currency borrowings as the hedging strategy.

In the short term, 3i is therefore only partially hedged through the use of matching borrowings and will be exposed to potential foreign exchange fluctuations. In order to reduce this exposure, the Board will review the introduction of a more comprehensive hedging strategy as a priority.

Interest rate risk
3i has a mixture of fixed and floating-rate assets. The assets are funded with a combination of shareholders' funds and borrowings according to the risk characteristics of the assets. The Board seeks to minimise interest rate exposure by considering the average life profile of the various asset classes and adopting a portfolio approach to the interest rate hedging structure. Some derivative financial instruments are used to achieve this objective. These derivative positions are limited to "plain vanilla" instruments and do not include exotic options.

A commentary on the Group's capital structure, gearing, liquidity and currency hedging can be found on page 46 of the Financial review. Further details on financial risk management are set out in note 17 to the Financial statement on pages 109 to 112.

Operational risks

The Group is exposed to a range of operational risks which can arise from a combination of shortcomings in processes, people or systems or from external factors affecting these. These include operational events such as human resources risks, legal and regulatory risks, information technology systems failures, business disruption and shortcomings in internal controls. Line management at all levels is responsible for identifying, assessing, controlling and reporting operational risks. This is supported by a framework of core values, global policies and controls, a code of business conduct and delegated authorities. The Operational Risk Committee exercises oversight and regularly monitors operational risk throughout the business. There is also an independent internal audit function which carries out periodic reviews.

Further relevant information can be found in the Corporate governance statement in the Governance section on pages 74 to 79.

People
The ability to recruit, develop and retain capable people is of fundamental importance to achieving the Group's strategy. The Group operates in a competitive industry and aims to remunerate staff in line with market practice and to provide superior development opportunities. The Group has human resources policies and procedures covering recruitment, vetting and performance management and appropriate processes in place to monitor their application. Staff engagement is also regularly evaluated and reported to the Board.

Further information on staff engagement can be found in the Corporate responsibility report on pages 60 to 61.

Business processes
The Group's information technology and treasury systems, as well as its business processes and procedures, support its operations and business performance. The Group has policies and procedures covering information security, change management, business continuity and disaster recovery. These are subject to periodic testing.

Legal and regulatory
In order to conform to necessary legal and regulatory requirements across multiple jurisdictions, the Group operates a complex legal and corporate structure. This requires appropriate internal processes and procedures to be developed and followed, supported by professional teams with appropriate skills, drawing upon external resources where appropriate.

Review of risks

Evolution of risks during the year

As already noted in the Chairman's and Chief Executive's statements, this has been a year of severe economic challenge. As a result, and in common with many other businesses, 3i's risk profile has shifted fundamentally due to the unprecedented combination of factors including the collapse of credit markets; high market volatility; complex and unforeseen risk interdependencies; and the onset of recession in the main markets in which the Group operates. The consequences of this combination have, at times, been difficult to predict, particularly in the latter half of the year. Examples include the very significant and rapid deterioration in market multiples, and thus the portfolio valuation, driving up the gearing ratio, and the weakening of sterling resulting in the decision to close out the Group's hedging swap portfolio. In response to this complexity, weekly special Group Risk Management Committee meetings, chaired by the Chief Executive, were set up in October 2008 at which developments in areas of higher risk are considered, together with the need for further action, with regular updates provided to the Board.

The main changes to the Group's risk profile were the increases in the estimated severity of several key risks identified at the start of the financial year; in particular the areas of liquidity and refinancing risk and the management of gearing and net debt.

Risk management

The Group's risk management strategy has been adapted to address the changes in 3i's risk profile. A key assumption underpinning this strategy is that the current economic recession will be prolonged, affecting earnings and valuations across the portfolio, the availability of credit, consumer demand and levels of taxation. In this context, there has been a significantly increased focus on the risks inherent in the investment portfolio and Group's balance sheet management.

A formal review of the effectiveness of the current risk management framework was carried out in March 2009. The principal conclusion of this review was that although the basic framework remains sound, the terms of reference and membership of the main committees required updating where necessary to eliminate some overlap in coverage and to support further the effectiveness of the current structure.

These changes were agreed with a view to improving oversight and decision taking in relation to balance sheet management, including foreign exchange risk, and to investment portfolio risks. This includes the implementation of a new portfolio risk model designed to provide additional insight to both balance sheet management and portfolio strategies for investment and realisations.

Reviews of the performance of investment portfolio companies have increased in frequency and intensity, supported by improved availability and use of management information and detailed risk assessments, including for example close monitoring of refinancing risks and potential reputational risks. The new role of Managing Partner, Investments, has been created to ensure consistency and rigour in all investment decisions.

A further priority is to reduce the Group's current level of financial risk, specifically the levels of net debt and unhedged currency exposures, as outlined in the Chief Executive's statement.

The implications of the recently announced proposed European Directive, affecting the regulation of private equity, will need to be evaluated in the context of the Group's operations.

Business disruption from avian or swine flu or similar health pandemics has again moved up the risk agenda and could have a significant effect on 3i's investment portfolio, and business confidence in general, if it were to escalate. This may require aspects of current business continuity plans to be re-assessed.

Finally, corporate responsibility and business sustainability are of increasing importance, particularly when trust in the financial services sector has declined significantly. The Corporate responsibility report on pages 53 to 64 provides details of 3i's approach and performance.

6

Corporate responsibility

Pages 53-64

Detailed information about 3i's approach to corporate responsibility and our performance during the year.

Core values

We believe that the highest standard of integrity is essential in business. In all our activities, we aim to:

- be commercial and fair;
- respect the needs of our shareholders, our staff, our suppliers, the local community and the businesses in which we invest;
- maintain our integrity and professionalism; and
- strive for continual improvement and innovation.

Corporate responsibility at 3i

- 3i's approach to corporate responsibility, both as an investor and a company, is commercially driven.
- An active approach to corporate responsibility means more to 3i than simply retaining our licence to operate or reducing risk.
- We believe that our approach to corporate responsibility provides genuine competitive advantage and helps to maximise long-term returns.
- We also think it is important to review our approach to corporate responsibility every year and to keep innovating in this important area.

We hope that the pages which follow will illustrate our commitment to good corporate responsibility as well as provide detail on our performance.

"It's in hard times, not easy ones, that strong companies can pull ahead of the competition. By increasing our connectivity to the rest of the world, and by taking a sensible and authentic approach to corporate responsibility, 3i can enhance further its reputation as the private equity firm of choice."

Kevin Dunn Group Company Secretary & General Counsel

Corporate Responsibility Committee

Kevin Dunn	Company Secretary and Chairman of the Committee
Deepak Bagla	a Director in 3i's India Infrastructure investment business
Whitney Bower	a Partner in US Growth Capital
Douwe Cosijn	Head of Investor Relations
Patrick Dunne	Group Communications Director
Jan-Peter Onstwedder	Head of Risk
Barbara Sterlina	a Communications Project Manager
Tony Wang	an Associate Director in 3i's Asia investment business
Phil White	a Partner in UK Infrastructure

The Committee's membership reflects the balance of 3i's business with representation from Europe, Asia and North America, and from a range of business line and Group activities.

Sources of expertise
In addition to the Corporate Responsibility Committee, 3i is able to draw upon a wide range of internal and external sources of expertise on corporate responsibility matters. An illustration of some of these is provided on page 59.

Contact us
For more information please contact Kevin Dunn at **KevinDunnCR@3i.com**

Corporate responsibility in our investment activity

As an investor, we view corporate responsibility from two perspectives; opportunity and risk.

We believe that an active approach to corporate responsibility has the potential to bring a wide variety of business benefits to our portfolio companies including:

– improved efficiency, reduced costs and lower waste;

– increased employee, customer and supplier engagement;

– greater access to international markets;

– new market opportunities;

– enhanced brand and reputation;

– greater awareness and management of risks; and

– a potentially wider pool of buyers for the company when it is time to sell.

The most significant corporate responsibility risks arising from our investment activity are likely to relate to environmental, ethical, governance and social issues. Failure to identify or manage these risks effectively not only has the potential to undermine the success of our portfolio companies but also might compromise 3i's reputation. Identifying and managing these risks is therefore an important part of managing risk for 3i and doing so successfully has the potential to increase the value and attraction of our portfolio companies to others.

Our investment process involves four key stages:

– fund raising;

– investment assessment;

– creating value once we are invested; and

– realisation.

A description of the issues involved at each of these stages and 3i's approach to them is set out on pages 56 to 58.

In 2008, we conducted a Group-wide review of our business needs and policies in relation to corporate responsibility. This review identified several factors driving the need for further development of our policy and accompanying operational procedures. These factors included increased globalisation and 3i's own international growth in developing markets, as well as a recognition that public expectations were growing at a time when trust in the financial services sector was coming under greater scrutiny. Increased regulation on a wide range of issues affecting a broad range of industries also needed to be taken into account.

As a result of this review, a new Group-wide corporate responsibility policy was developed.

The main features of this new policy, which is summarised on page 56 and to which all staff have online access, include:

– a single, short policy document with a clear overall corporate goal, supplemented by a set of broad aspirations and commitments (see box);

– a set of new investment procedures for all stages in the investment process – fundraising, investment, growth and realisation;

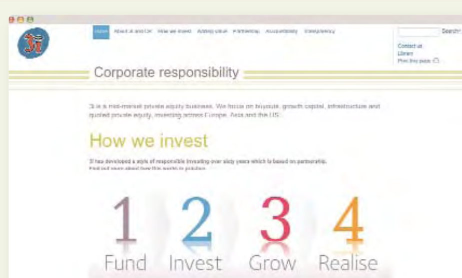
– a series of guidance notes for investment teams, covering key issues and sectors, with links to case studies, international norms and standards and information about specific emerging markets; and

– clear arrangements for policy governance and accountability.

The policy, together with revised procedures, staff training and a new corporate responsibility web-based portal, was designed to provide 3i staff with a clear framework, as well as the tools to think about and manage issues relating to corporate responsibility throughout the investment process.

The appointment of Ian Nolan as Managing Partner, Investments, during the year, with responsibility for the quality, consistency and improvement of investment processes within and across each business line will provide Management Committee with further oversight and control in this very important area.

Corporate responsibility website
For further information on 3i's approach to corporate responsibility both as a company and as an investor, please visit our dedicated corporate responsibility website, **www.3icr.com**.



Summary of new 3i Corporate responsibility policy

As a public and international company, 3i is committed to putting its core values into effect by investing responsibly and encouraging responsible business conduct among its portfolio companies. Our revised policy and procedures are designed to help employees understand and manage the impacts they and investee companies have on society and the environment, including any relevant ethical issues.

3i has set itself the overall goal of being a top performer in corporate responsibility among private equity companies and a positive influence for sustainable social and environmental practices across its international investment portfolio.

Specifically, 3i is committed to:

1. Human rights
Respect the protection of international human rights and avoid complicity in human rights violations.

2. Labour/workplace rights
Uphold the right to freedom of association and collective bargaining; abolish child labour; eliminate forced and compulsory labour; and end employment discrimination.

3. The environment
Take a cautious and responsible approach to the environment; promote compliance with environmental law, improvement in management standards and the sustainable management of natural resources; and help combat climate change by supporting the development of products and services that are environmentally beneficial.

4. Anti-corruption
Avoid corruption in all its forms, including extortion and bribery, upholding compliance standards and integrity and complying with relevant anti-fraud and money-laundering regulations.

We see these aspirations as going beyond corporate good governance and compliance with local and other law. The policy is not just concerned with "doing no harm" or ethical business practices, but impinges on issues of wider trust and corporate reputation, which are critically important in the new global climate where there is greater public mistrust of the financial sector.

New procedures have been adopted based on a simple corporate responsibility materiality test for all investments, and a requirement for staff to demonstrate, throughout the life of the investment through to exit, that they have taken account of the issues and understand the value, opportunities and risks involved. By encouraging corporate learning and the sharing of good practice, we believe this process will be self-reinforcing.

Corporate responsibility in our investment process

The following summary information about each of the four key stages in our investment process is supplemented by further details on 3i's dedicated Corporate responsibility website www.3icr.com

Fundraising

Investments are made by using capital from 3i's own balance sheet, as well as from external funds managed or advised by 3i. At 31 March 2009, 3i had £8.0 billion of assets under management, comprising £4.0 billion of our own assets and £4.0 billion on behalf of external funds. 3i's own capital has been built from the success of earlier investments.

A list of the external funds managed or advised by 3i is set out on page 44. These funds are raised to invest in specific business lines and have clear investment mandates. For example, Eurofund V is a mid-market buyout fund which is focused on Europe, but has the flexibility to invest up to 10% of the size of the fund in the rest of the world.

Interest in the degree to which public companies and private equity firms consider environmental, ethical, governance and social issues has been growing amongst a number of large institutional shareholders and Limited Partners, the major investors in private equity funds.

3i has been a member of the Dow Jones Sustainability World Index ("DJSI") since 2002 and the Business in the Community Corporate Responsibility Index since 2003. 3i has also been reporting to the Carbon Disclosure Project for the past two years. Investors representing $56 trillion of assets under management have signed up to the Carbon Disclosure Project, which calls on major companies from around the world to provide specific details on climate change risk.

A key reason for the development of 3i's corporate responsibility website was to provide existing or potential investors in 3i's shares or funds with easy access to relevant information on corporate responsibility issues relating to 3i's business. 3i also actively communicates its approach on corporate responsibility issues to investors in a wide variety of other ways and has a dedicated investor relations website www.3igroup.com.

"At AlpInvest, we promote sustainability and governance as a key factor in investment choices as well as increased transparency. We appreciate working with partners like 3i who share the same objectives."

AlpInvest Partners

Investment

Whilst each investment is considered on its own merits, there is a standard review process for all types of investments which aims to identify all of the issues that might affect our decision to invest. Consideration of corporate responsibility issues is embedded as a mandatory part of this process.

The key steps in the process are:

- **Preliminary appraisal**
  During this stage, a decision is taken on whether to commit further resource to progress the investment opportunity and place it in formal work in progress.
- **Partner review**
  A decision is taken to progress the opportunity only after a detailed review by a group of senior and experienced investment executives in the relevant business line and sector team. A decision is also taken at this point as to what further in-depth analysis and due diligence should be undertaken.
- **Due diligence and negotiation**
  Alongside other commercial due diligence and negotiation, an explicit review of corporate responsibility issues is undertaken for each company under review.
- **Dealing with any corporate responsibility issues which emerge**
  Identifying an issue in due diligence may result in 3i withdrawing, depending on the severity of the issue and our confidence in being able to resolve it in an acceptable period. There are three levels of compliance with our policies: "full"; "partial"; and "serious non-compliance". Confidence in the management team's capacity and will to address issues satisfactorily will be a key determinant of whether we proceed or not. Our relationship with the company may mean that we can resolve issues and ensure that there is full compliance before we invest. Helping to resolve an issue may be an important element of our ability to add value, as well as enhance the investment opportunity.
- **Investment Committee**
  Investments over £5 million are presented to 3i's Investment Committee. If approval is given, it is usually subject to a number of conditions precedent, which may include some relating to corporate responsibility issues, for example, a key appointment being made or confirmation that a certain process meets a certain standard. Certain larger transactions also require approval by non-executive Directors.
- **Final approval**
  Once all conditions precedent have been met, final approval is given and the investment is made.

We operate internationally and across a broad range of sectors so it is also important that we consider issues in the context of local and sector expectations. Although there is a core group of people responsible for progressing an investment overall, our approval process might involve over 20 different people with sector and regional expertise. When investment opportunities are declined, it is often for a number of reasons rather than one single issue.

The time taken to go through the whole investment process varies significantly and depends upon many factors, including the nature of the investment, the complexity of the issues, as well as the number and nature of the parties involved. In some cases, 3i may already know the company well before an investment opportunity emerges or may even be an existing investor.

Our experience suggests that one of the fundamental factors for investment success is the quality of the portfolio company management team. The approach we take to assessing potential investments places considerable emphasis on understanding and being comfortable with the management team. Their approach to dealing with due diligence on corporate responsibility issues can be a useful indicator of quality. For example, a chief executive with a poor approach to health and safety may be weak in other aspects of his or her role.

Creating value once we are invested

Before we invest in a company, we agree a clear value creation plan with the board and with the management team who will be responsible for delivering the plan. This will also involve an expectation that 3i will deliver on the actions it is responsible for in the plan. These may relate to strategic input, providing specific expertise or providing access to relevant relationships around the world. This added value may be why we have been chosen as the preferred investor and so delivering on our commitments is important. The initial post-investment phase will involve validation and refinement of the plan, based around a classic first 100-days' approach. Such a plan would also include any corporate responsibility risks or opportunities that were identified either in due diligence or in the post-investment analysis.

Portfolio reviews take place every six months. In these reviews the investment team presents the progress and future plans to a review committee. Any material corporate responsibility issues that were part of the 100-day plan would be included in this until they are resolved. In addition, at least once a year, other corporate responsibility issues will be considered on the agenda.

3i.net
A dedicated portal for our portfolio

P16 to 32
for further information on our investment activity

We bring a collaborative approach to the companies in which we invest. Despite having extensive sector expertise, and often taking a role on the board, we recognise that we cannot know a company as well as its management. It is the management who, being closest to the situation, must make most decisions.

An early priority, therefore, is to help ensure that the governance of the company is as robust as possible and to help support the management team and board. Where necessary, we will put a pre-selected chairman in place, one of whose tasks is to be responsible for corporate responsibility.

We have dedicated programmes and activities to help build board capacity and capability. These include our Active partnership programmes and events such as our CEO forums and sector events, which are opportunities for the CEOs of our portfolio companies to come together.

These provide an opportunity to learn from, and share experiences with peers in other companies either in or outside the same sector and country.

Our Business Leaders Network, which operates on a world-wide basis, also provides opportunities for our portfolio companies to access experienced chairmen and board directors and, for those involved, to network and learn from each other. Many of those in our Business Leaders Network have run successful 3i-backed companies and so have a good understanding and empathy with the issues managers face.

Realisation

When we have helped the company implement its plans, there are three basic approaches to realising the value of our investment:

- sale to a trade buyer (eg, a company in the same sector);
- sale to another financial buyer (eg, another private equity firm with a new growth strategy); and
- a listing on a stock exchange through an IPO.

Corporate responsibility plays an important role in the valuation process for each of these exits. Trade buyers tend to be bigger companies in the same sector. These companies, especially if they are listed, tend to have well-developed corporate responsibility policies and expect high standards. Increasingly, therefore, their audit and valuation processes look at the portfolio company's corporate responsibility strategy, systems and performance.

If a trade buyer or another financial buyer were to identify a material risk or opportunity that we had missed, then this could be used to disadvantage 3i in negotiations. As a result, we often undertake another detailed due diligence process prior to sale, which includes corporate responsibility issues.

Any company that we take to IPO must meet the listing requirements of the relevant markets and pass the scrutiny of, for instance, the SEC or FSA reviewers, as well as the corporate responsibility standards expected.

Corporate responsibility as a company

As a private equity business with around 600 employees world-wide, 3i has a relatively small footprint on many corporate responsibility issues. However, we recognise that our sustained success and our reputation for being a good corporate citizen means taking our corporate responsibilities seriously.

Being focused on the mid market, operating on a world-wide scale and as one of the few publicly listed private equity firms, 3i is differentiated within the private equity industry and has been actively involved in the evolution of the corporate responsibility agenda for many years. Indeed, 3i was a founder member of Business in the Community over 25 years ago.

Throughout our history we have been actively involved in supporting the development of the industry through its formal associations and other activity. Our current Management Committee contains one former chairman of the BVCA, as well as the current and a former chairman of the EVCA.

3i is compliant with the Walker Guidelines on disclosure for private equity firms and their portfolio companies and more detailed information on 3i's approach to transparency can be found on pages 140 to 142 in this report.

In this section, we provide commentary and detailed information on a range of different areas of corporate responsibility with respect to 3i itself, including:

- roles and responsibilities;
- sources of expertise;
- performance benchmarking and verification;
- staff engagement, training, diversity and culture;
- health and safety;
- environment;
- procurement; and
- community and social enterprise.

3i's dedicated CR website, www.3icr.com, contains further information on each of these topics.

P140 to 142
for 3i and Transparency

Roles and responsibilities

- The Board as a whole is responsible for corporate responsibility.
- The executive Directors are responsible for ensuring compliance with 3i's corporate values and standards.
- The Corporate Responsibility Committee ("the Committee") considers and reviews corporate responsibility issues relevant to 3i's business, reports regularly to the Board and promotes awareness of these issues across the business through training and communication.
- The Committee promotes the development of corporate responsibility policies, procedures and initiatives, and monitors and reviews their operation.
- The Committee identifies and assesses the significant risks and opportunities for 3i arising from corporate responsibility issues.
- A Group-wide risk log is used to record identified risks and to monitor their management and mitigation.
- The log of identified risks is reviewed and updated at meetings of the Committee and significant risks are reported to 3i's Operational Risk Committee. There is a detailed description of risk management at 3i on pages 47 to 52.
- The Chairman of the Committee, Kevin Dunn, has specific responsibility for 3i's corporate responsibility policies, leading the development of new initiatives and targets, and reporting to the Board.

All employees have a responsibility to be aware of and to abide by 3i's policies and procedures, which have been developed to guide staff and regulate the conduct of the day-to-day operations of the business. These policies and procedures include 3i's environmental, ethical and social policies and are available to all employees through 3i's portal, a web-based knowledge system. Employees are encouraged to make suggestions to improve these policies and procedures.

Dow Jones Sustainability Indexes
Member 2008/09

Business in the Community

management today

CARBON DISCLOSURE PROJECT

Sources of expertise

In addition to the Corporate Responsibility Committee, 3i is able to draw upon a wide range of sources of internal and external expertise on corporate responsibility issues. These include 3i's professional services and investment teams, who have specialised knowledge on specific issues, sectors and markets, as well as 3i's advisers and Business Leaders Network.

3i's scale, international reach and network also provide access to leading international consultancies on environmental, ethical and social issues for a wide variety of purposes from compliance to creating value in portfolio companies. Our portfolio companies themselves are a rich source of knowledge and through our Active partnership programme and other means we encourage experience sharing.

Performance benchmarking and verification

As can be seen from this report and 3i's dedicated CR website www.3iCR.com, the Group monitors and measures its performance on a range of corporate responsibility issues in addition to the two non-financial Key Performance Indicators (employee engagement and CO_2 emissions), both of which improved during the year.

3i's performance on a range of these and other corporate responsibility issues is measured annually against two indices. These are the Dow Jones Sustainability World Index ("DJSI"), a global index which tracks the financial performance of leading companies in terms of corporate sustainability, and the responsibility Index, which aims to benchmark environmental, ethical and social performance and encourage sustainable development.

3i has again been selected as a constituent of the DJSI during the year.

In 2008, we again participated in the annual BitC Corporate Responsibility Index and were included in Business in the Community's ("BitC") "Top 100 Companies that Count". In particular, the integration into our investment processes of our corporate responsibility principles and management of these processes were recognised. We aim to continue to be included in this Index.

We also provide information on our carbon and greenhouse gas emissions to the Carbon Disclosure Project.

In addition to formal benchmarking on corporate responsibility issues, 3i has received acknowledgement and recognition through awards voted on by peers. For example, in Management Today's 2008 survey of Britain's "Most Admired Companies", 3i was ranked tenth overall and thirteenth out of 240 companies for community and environmental responsibility.

P47 to 52
for further information on risk management

Staff engagement, training, diversity and culture

The ability to recruit, develop and retain capable people is of fundamental importance to achieving our strategy.

3i has human resources policies and procedures covering recruitment, vetting and performance management, as well as appropriate processes in place to monitor staff appreciation and to gain feedback.

Employee survey

3i regularly polls its staff to measure employee engagement, to understand how they feel about topical issues within the Company, as well as to give all staff the opportunity to provide confidential feedback. The method of polling alternates each year between a comprehensive telephone survey and a web-based poll. Core questions are included each time to evaluate how our performance is changing year on year.

Following last year's comprehensive telephone poll survey, conducted by Ipsos MORI, this year's survey, which was open to all staff, was web-based. It was conducted in February and March 2009, shortly after the major downsizing exercise announced to staff in December.

The response rate for the 2009 survey, although good by general standards at 56%, was lower than 3i's last web-based poll in 2007 (72%). 3i's web-based polls traditionally achieve lower response rates than telephone surveys (2008 telephone survey response: 92%). The 2009 poll was also conducted in a period when there were a number of staff in the process of leaving the Company, workloads were high due to reorganisation, the appointment of a new Chief Executive had recently been announced and the Company had also announced the acceleration of the sale of non-core assets.

The results from those surveyed were encouraging in that the overall employee engagement score was marginally higher at 85% (2008: 84%) than the previous year. 82% of those taking part in the survey thought that the changes that were made to 3i in the previous few months were necessary and 75% of respondents thought that they would place 3i in a better position for the future. Advocacy, which has traditionally been high at 3i, remained so, with 87% of staff taking part saying that they were proud to work for 3i and 90% who would be prepared to recommend 3i as an employer. The survey also highlighted some areas for improvement, including the communication of strategy and organisational change. The results of the survey were communicated to staff in May 2009.

Results of the 2009 employee survey

Measuring employee engagement and giving staff an opportunity to give feedback is a key objective for 3i. Every second year, 3i staff world-wide take part in a confidential telephone survey conducted by Ipsos MORI. In the intervening years, as in 2009, staff are given the chance to give feedback via an electronic questionnaire as part of an internally run process.

Highlights
- A response rate of 56%.
- An employee engagement score of 85%.
- 87% of staff are proud to work for 3i.
- High employee advocacy, with 90% of those surveyed saying they would speak highly of 3i.
- High commitment to 3i's objectives (97%).
- 82% of staff felt that the organisational changes announced in the previous few months to the survey were necessary.

Areas for improvement
- As with any survey of this nature, there were a number of detailed or specific issues relating to particular parts of the business.
- Although 10 points ahead of the MORI Top Ten norm*, and 20 points ahead of the 2008 figure, only 67% of staff feel valued and recognised for the work that they do.
- Qualitative feedback also suggested that there was room to improve communication of organisational change and strategy.

Action
- The results were communicated to all staff in May.
- All issues relating to specific parts of the business have been communicated and are being followed up.
- Our increased commitment to communication with staff will address the other areas for improvement.

*The Ipsos MORI Top Ten norm is the average of the most positive ten responses to each question in the Ipsos MORI normative database. These are regarded as high-performing benchmarks.

Diversity

3i has a highly diversified staff and a "best team for the job" approach to the work that it does. Consequently, at 3i, diversity is not about compliance but more about deriving the maximum business benefit from the broad range of cultures, experience, knowledge and skills of our staff.

Training and development

As a company, 3i is committed to encouraging the continuous development of its staff, with the objective of maximising both their career potential and the overall performance of the business. 3i is also highly regulated and needs to ensure that staff are familiar and also compliant with relevant regulation.

Despite a more challenging economic environment and a significant reduction in headcount during the year, we have maintained our emphasis on training and development, by adapting the range of activity to suit the current and anticipated needs of the business and our staff.

Our revised Corporate responsibility policy and processes have been the subject of a number of workshops for our staff across the world.

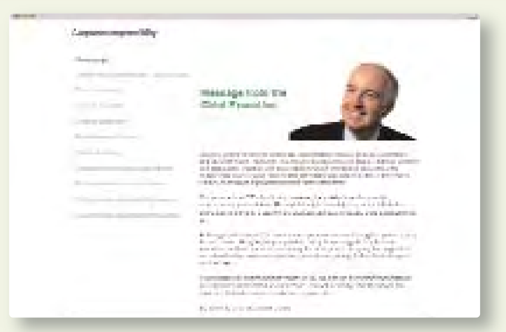
In addition to the fundamental training required for people to fulfil their roles in a responsible manner, 3i has established a number of programmes to maximise the development of its people and to reinforce the 3i culture. Examples of these include our Global Welcome Days for all new joiners, our Value Management through the Board courses to enhance board skills and the courses that we run in conjunction with INSEAD to increase the effectiveness of people working in multi-cultural teams.

During the year, 332 employees attended a broad range of internal training and development courses. These courses included training for investment executives relating to our Active partnership programme for the enhancement of portfolio performance. Given the international nature of our business, another element of training for professional service staff during the year focused on multi-cultural awareness.

It is a legal and regulatory requirement that all executives involved in making or managing investment transactions receive anti-money laundering training and periodic compliance refresher training. During the year, all staff sat and passed two e-based compliance courses on Financial Crime and Data Sharing.

Regular reports are provided to Board Directors on legal and regulatory issues, to ensure they are appraised of the latest relevant developments. During the year, a detailed induction programme was organised for Richard Meddings, who joined the Board as a non-executive Director in September 2008.

Corporate responsibility portal
3i has a dedicated internal corporate responsibility portal for staff



Corporate responsibility

Health and safety

Promotion of health and safety at work is an essential responsibility of staff and management at all levels. The Health and Safety Committee oversees the application of these policies and procedures and considers health and safety risks across the business.

The purpose of 3i's health and safety policy, which is set out below, is to enable all members of 3i's staff to go about their everyday business at 3i's offices in the expectation that they can do so safely and without risk to their health. High standards of health and safety are applied to staff and sub-contractors and we endeavour to ensure that the health, safety and welfare of our employees, visitors, customers, sub-contractors' staff and the general public are not compromised.

The minimum benchmark set for our global Occupational Health & Safety ("OH&S") policies is UK legislation, unless country-specific legislation or practice exceeds this level. In 2008, 3i continued the process of verification to BS OHSAS 18001:2007, an internationally recognised occupational health and safety management system.

Key objectives of our OH&S policy:

- to identify, evaluate and control risks;
- to maintain an OH&S management system;
- to ensure all incidents are reported and investigated in a timely manner;
- to set annual objectives and targets; and
- to ensure that 3i employees are informed of, and engaged in, the process of improving OH&S.

Overall objective: not to have any reportable accidents or incidents.

During the year to 31 March 2009, no reportable accidents occurred under UK Health and Safety regulations or under similar regulations outside the UK.

Additional details of these policies and procedures can be found on 3i's CR website at www.3iCR.com.

Environment

As a financial services business with just over 600 employees world-wide, 3i's direct environmental impact is relatively low.

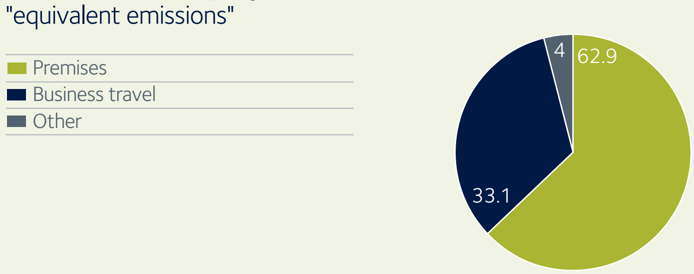
Our environmental priorities are carbon emissions and waste.

In 2007, the Board set an objective to be carbon neutral by 2010. This involves improving the measurement and modelling of our carbon emissions; reducing the energy intensity of our operations; and investing in carbon offsets.

In 2008, we worked with a specialist adviser, the Edinburgh Centre for Carbon Management ("ECCM"), to evaluate our greenhouse gas emissions. We also refined our modelling to include updated UK government CO_2 equivalent ("CO_2e") emissions factors, most notably the CO_2 factor for UK grid electricity generation. This information has improved our understanding, control and reporting of emissions.

In 2008, our reported emissions were 8,428 CO_2e (t/yr), down 11% from the 2007 data. This decrease is largely explained by our work in this area, particularly reducing energy usage and business travel. The climate change impact assessment table outlines this amount as a percentage of each emission type.

Climate change impact assessment
Year to 31 March 2009
8,428 CO_2 (tonnes per year)
"equivalent emissions"



ECCM is now an internationally renowned analytical facility for carbon and related eco-metrics, with close links with the University of Edinburgh's School of GeoSciences and Imperial College, London. ECCM uses the most up-to-date, country-specific emission factors throughout their assessments, including those developed by the UK Department for the Environment, Food and Rural Affairs.

In the forthcoming year, we will continue to endeavour to reduce our energy use and begin work with a carbon credit provider to identify projects to offset our emissions.

Procurement

Procuring goods and services in a way that is environmentally conscious is built into the policies and procedures to which we operate. We exclude suppliers who use child or forced labour, disregard social legislation and basic health and safety provisions, or wilfully and avoidably damage the environment. As far as possible, we will work only with suppliers who support our aim to source products responsibly. When problems arise with a supplier's performance or behaviour, wherever possible we aim to work collaboratively with the suppliers concerned to help them meet our requirements.

Community and social enterprise

3i has been active for many years in a range of charitable and social enterprise activities. The concept of social enterprise is a natural fit with 3i's approach to supporting businesses.

Over 35 years ago it was a 3i employee who had the idea of forming what is today the Enterprise Education Trust ("EET"). With 3i's financial and other support, EET has grown, and about 100,000 children each year benefit from its programmes to increase their awareness of business and to inspire them to become involved in business. 3i has supported EET every year since formation.

ENTERPRISE EDUCATION TRUST

3i was also a founder member of the European Venture Philanthropy Association ("EVPA"), which is a charity formed to promote the concept of venture philanthropy and to develop best practice in this growing area of social enterprise.

EVPA
EUROPEAN VENTURE PHILANTHROPY ASSOCIATION

3i was also proud to be a founding investor in Bridges Ventures, a privately owned UK venture capital company with a social mission. Bridges was founded in 2002 and has since made equity investments in 24 businesses employing 700 people, almost 200 of whom came out of unemployment. 3i's total commitment to Bridges has been over £2 million.

Bridges Ventures

We focus our charitable activities on the disadvantaged, on young people and on education in the communities in which we have offices. Charities are supported on the basis of their effectiveness and impact as well as their resonance with our staff.

Three examples of this approach are 3i's support for a series of programmes with The Old Vic Theatre in London, Historic Royal Palaces and the GOONJ project in Mumbai.

London's Language at The Old Vic

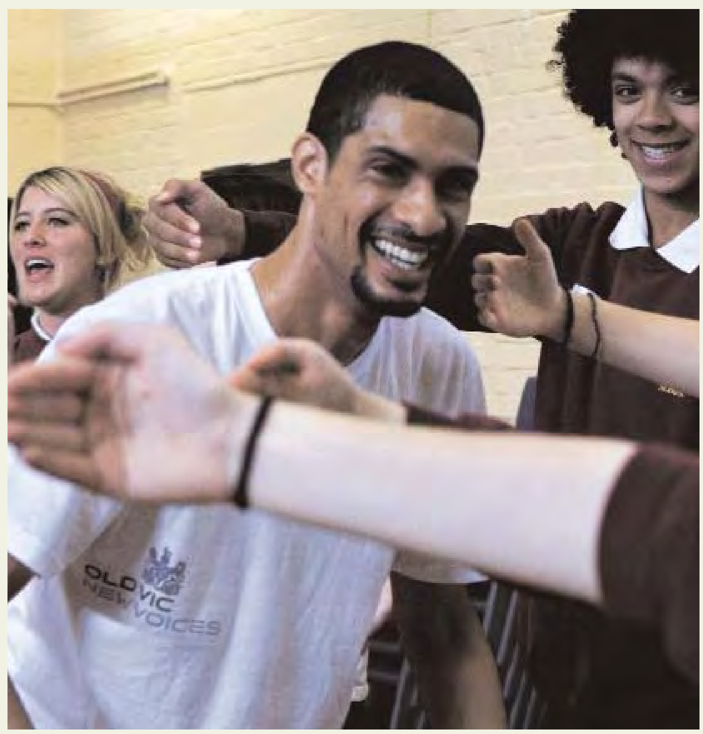
This 2008 project, aimed at UK primary and secondary school students, was a result of a long-standing partnership between 3i and The Old Vic Theatre in London. London's Language was based around George Bernard Shaw's Pygmalion, and 3i's funding enabled 1,000 students to attend a free performance of the play at The Old Vic Theatre. For many of the young people this was their first visit to a theatre.

In addition, 800 students participated in workshops exploring one of the four key themes of Pygmalion: class; gender; personal identity and manners; and created a monologue reflecting their views.

The workshops were facilitated by professional drama educators from The Old Vic and supported by 3i staff.

Four short films were made based on each of the themes and included in a resource pack containing workshop activities. The education pack was distributed to 2,000 schools and placed on the London Grid for Learning website.

The formal evaluation of the project demonstrated that the project was very successful from the perspectives of students, teachers and the schools. The 3i staff who assisted at the workshops held in schools found it a rewarding experience.



Corporate responsibility

Educational programme at Historic Royal Palaces

3i supported an education programme at Kensington Palace, which was focused on local disadvantaged communities. In addition, a store room was transformed into a learning space for workshops.

We funded a specialist youth worker to deliver projects based on the heritage and history of Kensington Palace. The objective of the programme was to provide stimulating activities for young people and build confidence and skills for all of the participants.

The Palace Takeover project was held over seven weeks and involved young people with learning difficulties and physical disabilities. This programme explored the history of the palace by using a different medium each week, including drama, photography and mask making.

GOONJ project in Mumbai

3i is supporting a project managed by GOONJ, a voluntary organisation based in India. The School-to-School programme redistributes surplus resources from urban schools to help underprivileged schoolchildren in rural India. 3i funding will benefit 12,000 children with the provision of basic resources and the promotion of better hygiene.

An important aspect of our charitable giving, which totalled £483,750 in the year to 31 March 2009 (2008: £454,130), is matching what our staff raise. 3i has actively promoted the UK's Give As You Earn scheme, which is administered by the Charities Aid Foundation. In the year to 31 March 2009, this resulted in donations of £130,937 from the scheme, accounting for 27% of 3i's charitable donations (2008: 29%).

We are also supportive of staff who wish to volunteer or become trustees or governors of charities and are happy for them to use the 3i network for the benefit of these charities in a relevant and appropriate way.

Volunteering in North America

3i's New York team is engaged in a range of volunteering activities that directly involve their local community and fit with 3i's overall focus on the disadvantaged, young people and education.

The team supports New York Cares, a charity supporting initiatives in and around New York City, which offers opportunities to work with the homeless, or to support youth education programmes, domestic violence shelters, substance abuse programmes and urban clean-up programmes.

Mirroring 3i's support for the homeless charity, The Passage, based in London, the New York team also supports the breakfast soup kitchen at St. Bart's church, which is in close proximity to 3i's New York office.

New initiatives for the coming year include the commitment to support the Harlem Children's Zone, a truancy prevention programme.

7

Governance

Pages 65-90

Profiles of our Board and Management Committee, Statutory and Corporate Governance information, together with our Directors' remuneration report.

Board of Directors and Management Committee

1. Baroness Hogg
Chairman since 2002 and a non-executive Director since 1997. Chairman of the Nominations Committee and the Valuations Committee and a member of the Remuneration Committee. Chairman of Frontier Economics Limited. Senior Independent Director of BG Group plc and a Director of Cadbury plc. Deputy Chairman of the Financial Reporting Council and a Governor of the London Business School. From 1995 to 2002 Chairman of Foreign & Colonial Smaller Companies PLC. From 2003 to 2006 Deputy Chairman of GKN plc. Formerly Head of the Prime Minister's Policy Unit.

2. Oliver Stocken
Deputy Chairman since 2002 and a non-executive Director since 1999. Chairman of the trustees of the 3i Group Pension Plan. A member of the Nominations Committee and the Valuations Committee. Senior Independent Director from 2002 to March 2009. Chairman of Home Retail Group Plc, Oval Limited and Stanhope Group Holdings Limited and a Director of Standard Chartered PLC. Formerly Finance Director of Barclays PLC.

3. Michael Queen
Chief Executive since January 2009, and an Executive Director since 1997. A member of the Management Committee and the Group's Investment Committee since 1997. Joined 3i in 1987. From 1994 to 1996 seconded to HM Treasury. Group Financial Controller from 1996 to 1997 and Finance Director from 1997 to 2005. Managing Partner, Growth Capital 2005 to 2008 and Managing Partner, Infrastructure 2008 to January 2009. Past Chairman of the British Venture Capital Association.

4. Richard Meddings
Non-executive Director since September 2008. A member of the Audit and Compliance Committee and the Nominations Committee. Group Finance Director of Standard Chartered PLC since 2006, having joined the Board of Standard Chartered PLC as a Group Executive Director in November 2002. A member of the Governing Council of the International Chamber of Commerce, United Kingdom. Formerly Chief Operating Officer, Barclays Private Clients, Group Financial Controller at Barclays PLC and Group Finance Director of Woolwich PLC.

5. Willem Mesdag
Non-executive Director since 2007. A member of the Remuneration Committee and the Nominations Committee. Managing Partner of Red Mountain Capital Partners LLC. Formerly a Partner and Managing Director of Goldman, Sachs & Co.

6. Christine Morin-Postel
Non-executive Director since 2002. A member of the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee. A Director of British American Tobacco p.l.c., Royal Dutch Shell plc and EXOR S.p.A. Formerly Chief Executive of Société Générale de Belgique, executive Vice-President and member of the executive committee of Suez and a Director of Tractebel, Fortis and Alcan, Inc.

7. Lord Smith of Kelvin
Non-executive Director since 2004. Chairman of the Remuneration Committee and a member of the Audit and Compliance Committee and the Nominations Committee. Chairman of Weir Group plc and Scottish & Southern Energy plc. A non-executive Director of Aegon UK plc and Standard Bank Group Limited. Formerly a non-executive Director of the Financial Services Authority and Bank of Scotland plc, Chief Executive of Morgan Grenfell Asset Management and a member of the Financial Reporting Council.

8. Robert Swannell
Non-executive Director since 2006 and Senior Independent Director since April 2009. Chairman of the Audit and Compliance Committee and a member of the Nominations Committee and the Valuations Committee. Senior Adviser, Citi Europe and formerly Chairman of Citi's European Investment Bank and Vice-Chairman Citi Europe. Chairman of HMV Group plc and a non-executive Director of The British Land Company PLC. A member of the Takeover Panel Appeal Board, and a trustee of Career Academies UK.

9. Julia Wilson
Group Finance Director since December 2008 and a Director and member of the Management Committee since October 2008. Joined 3i in 2006 as Deputy Finance Director, with responsibility for the Group's finance, taxation and treasury functions. Previously Group Director of Corporate Finance at Cable & Wireless plc. A member of the Valuations Committee. Currently on maternity leave.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Other members of Management Committee:

10. Kevin Dunn
General Counsel and Company Secretary since 2007. Responsible for the Group's legal, compliance, internal audit, human resources and company secretarial functions. Chairman of the Corporate Responsibility Committee. A member of the Management Committee since joining the Company in 2007. Formerly a Senior Managing Director, running the European Leveraged Finance business for GE's Commercial Finance division after serving as European General Counsel for GE Commercial Finance. Prior to GE Commercial Finance, was a partner at the law firms Travers Smith and Latham & Watkins.

11. Ian Nolan
Managing Partner, Investments (Chief Investment Officer). A member of the Management Committee since February 2009 and the Group's Investment Committee since January 2006. Formerly Managing Director UK Buyouts. Joined 3i in 1987.

12. Jonathan Russell
Managing Partner, Buyouts. A member of the Management Committee and the Group's Investment Committee since 1999. Joined 3i in 1986. Chairman of the European Private Equity and Venture Capital Association.

13. Bob Stefanowski
Chairman and Managing Partner, 3i North America, 3i Asia. Head of the Group's Global Financial Services Practice. A member of the Management Committee since joining 3i in September 2008. Spent 15 years with GE Capital Corporation, most recently President and CEO of GE Corporate Finance EMEA.

14. Paul Waller
Managing Partner, Funds. A member of the Management Committee since 1999 and a member since 1997 of the Group's Investment Committee which he now chairs. Joined 3i in 1978. Past Chairman of the European Private Equity and Venture Capital Association.

15. Guy Zarzavatdjian
Managing Partner, Growth Capital. A member of the Management Committee since 2007 and a member of the Group's Investment Committee since 2006. Joined 3i's Paris office in 1987. Managing Director, Benelux from 1999 to 2002 and Managing Director, France from 2002 until 2007.


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Statutory and corporate governance information

This section of the Directors' report contains statutory and corporate governance information for the year to 31 March 2009 ("the year").

Principal activity

3i Group plc is a mid-market private equity business. The principal activity of the Company and its subsidiaries ("the Group") is investment. The Company's investment policy is set out on page 16.

Tax and investment company status

The Company is an investment company as defined by section 833 of the Companies Act 2006 and carries on business as an investment trust.

HM Revenue & Customs has approved the Company as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the financial period to 31 March 2008. Since that date the Company has directed its affairs to enable it to continue to be so approved.

Regulation

3i Investments plc, 3i Europe plc and 3i Nordic plc, wholly-owned subsidiaries of the Company, are authorised and regulated by the FSA under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the United Kingdom are regulated locally by relevant authorities.

Results and dividends

The financial statements of the Company and the Group for the year to 31 March 2009 appear on pages 93 to 120.

Total recognised income and expense for the year was £(2,150) million (2008: £792 million). An interim dividend of 6.3p per ordinary share in respect of the year to 31 March 2009 was paid on 7 January 2009.

The trustee of The 3i Group Employee Trust ("the Employee Trust") has waived (subject to certain minor exceptions) all dividends declared by the Company after 26 May 1994 in respect of shares from time to time held by the Employee Trust. In addition, holders of certain performance share awards granted under The 3i Group Discretionary Share Plan have waived all dividends in relation to those shares for the duration of the three year performance periods relating to the awards.

Operations

The Group operates through a network of offices in Europe, Asia and the US. The Group manages a number of funds established with major institutions and other investors to make equity and equity-related investments predominantly in unquoted businesses in Europe and Asia. It also advises 3i Infrastructure plc, a UK listed investment company which invests in infrastructure assets.

Management arrangements

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 plc provides the Group with certain corporate and administrative services, for which no regulatory authorisation is required, under contracts which provide for fees based on the work done and costs incurred in providing such services together with a performance fee based on realised profits on the sale of assets.

The administrative services contract between 3i plc and 3i Investments plc may be terminated by either party on three months' notice. The administrative services contracts between 3i plc and other Group companies may be terminated by either party on reasonable notice.

Business review

The Group's development during the year to 31 March 2009, its position at that date and the Group's likely future developments are detailed in the Chairman's statement on page 5, the Chief Executive's statement on pages 10 to 12 and the Business review on pages 13 to 32.

Risk

A description of the risk management framework and processes are included in the Risk section on pages 47 to 52.

Articles of Association

The amendment of the Company's Articles of Association is governed by relevant statutes. The Articles may be amended by special resolution of the shareholders in general meeting.

Share capital

The issued share capital of the Company as at 31 March 2009 comprised 383,970,880 ordinary shares of $73\frac{19}{22}$p each and 9,305,993 B shares (cumulative preference shares of 1p each), which represented 99.97% and 0.03% respectively of the nominal value of the Company's issued share capital. Further details of the share capital structure of the Company are set out in notes 21 and 25 on pages 114 and 115. During the year, the issued share capital of the Company altered as set out below.

Ordinary shares

The issued ordinary share capital of the Company as at 1 April 2008 was 382,741,094 ordinary shares. During the year to 31 March 2009 this increased by 1,229,786 ordinary shares as a result of the issue of ordinary shares to the trustee of the 3i Group Share Incentive Plan and on the exercise of options under the Group's executive share option plans.

At the Annual General Meeting ("AGM") on 9 July 2008, the Directors were authorised to repurchase up to 38,274,000 ordinary shares in the Company (representing approximately 10% of the Company's issued ordinary share capital as at 19 May 2008) until the Company's AGM in 2009 or 8 October 2009, if earlier. This authority was not exercised during the year to 31 March 2009.

B shares

The issued B share capital of the Company as at 1 April 2008 was 16,566,194 B shares. No new B shares were issued in the year to 31 March 2009. At the AGM on 9 July 2008, the Directors were authorised to repurchase up to 16,566,194 B shares in the Company until the Company's AGM in 2009 or 8 October 2009, if earlier. In the year to 31 March 2009, the Company repurchased and cancelled 7,260,201 B shares (representing 0.03% of the nominal value of the Company's total called-up share capital as at 1 April 2009) pursuant to this authority for an aggregate consideration of £9,220,455. These shares were repurchased as part of the Company's arrangements to return capital to shareholders.

Major interests in ordinary shares

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules) as at 31 March 2009 and 1 May 2009:

	As at 31 March 2009	% of issued share capital	As at 1 May 2009	% of issued share capital	Nature of holding
AXA S.A. and its group of companies	15,580,556	4.06	15,580,556	4.06	Direct and indirect
The Goldman Sachs Group, Inc	22,865,000	5.97	22,865,000	5.97	Indirect
BlackRock, Inc.	19,653,461	5.11	19,653,461	5.11	Indirect
Deutsche Bank AG	22,407,866	5.84	22,407,866	5.84	Direct and indirect
Lehman Brothers International (Europe)	11,550,096	3.01	11,550,096	3.01	Direct
Lloyds Banking Group Plc	26,677,335	6.95	19,736,041	4.68	Direct and indirect
Legal & General Group plc	23,209,163	6.04	25,253,140	5.98	Direct
Prudential plc group of companies	11,865,771	3.09	Below 3%	Below 3%	Direct
Schroder Plc	19,370,309	5.05	19,370,309	5.05	Indirect

Directors' interests

In accordance with FSA Listing Rule 9.8.6(R)(1), Directors' interests in the shares of the Company (in respect of which transactions are notifiable to the Company under FSA Disclosure and Transparency Rule 3.1.2(R)) as at 31 March 2009 are shown below:

	Ordinary shares	B shares
Baroness Hogg	32,956	0
O H J Stocken	30,714	0
M J Queen	420,453	121,851
R H Meddings	5,583	0
W Mesdag	50,000	0
C J M Morin-Postel	7,985	0
Lord Smith of Kelvin	14,186	0
R W A Swannell	15,350	0
J S Wilson	1,986	1,037

The share interests shown for Mr M J Queen include a Super-performance Share award (over 70,175 ordinary shares) which is subject to forfeiture and is included in the table on page 87 and the share interests shown for Mr M J Queen and Mrs J S Wilson include ordinary shares held by them in the 3i Share Incentive Plan, as shown in the table on page 87. These interests do not include other share options or awards under the Company's share plans, details of which are shown in the Remuneration Report.

In the period from 1 April 2009 to 1 May 2009, Mrs J S Wilson and Mr M J Queen became interested in an additional 120 ordinary shares each.

Save as detailed above, there have been no changes in the above interests between 1 April 2009 and 1 May 2009.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2009 is set out below.

Holders of ordinary shares and B shares enjoy the rights accorded to them under the Memorandum and 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 of the Company and to appoint proxies and, in the case of corporations, corporate representatives to attend, speak and vote at such meetings on their behalf. 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 the B shares or such other shares with preferred rights as may then be in issue.

Holders of B shares are entitled, out of the profits available for distribution in any year and in priority to any payment of dividend or other distribution to holders of ordinary shares, to a cumulative preferential dividend of 3.75% per annum calculated on the amount of 127p per B share ("the Return Amount"). On a return of capital (other than a solvent intra group re-organisation) holders of B shares are entitled to receive in priority to any payment to holders of ordinary shares payment of the Return Amount together with any accrued but unpaid dividends but are not entitled to any further right of participation in the profits or assets of the Company.

Holders of B shares are not entitled in their capacity as such to receive notice of or attend, speak or vote at general meetings of the Company save where the B share dividend has remained unpaid for six months or more or where the business of the meeting includes consideration of a resolution for the winding-up of the Company (other than a solvent intra group re-organisation) in which case holders of B shares shall be entitled to attend, speak and vote only in relation to such resolution and in either case shall, on a poll, be entitled to one vote per B share held.

There are no restrictions on the transfer of fully paid shares in the Company, save as follows. In the case of uncertificated shares the Board may decline to register a transfer in the circumstances set out in the Uncertificated Securities Regulations or where a transfer is to more than four joint holders. In the case of certificated shares the Board may decline to register any transfer which is not in respect of only one class of share, which is to more than four joint holders, which is not accompanied by the certificate for the shares to which it relates, which is not duly stamped in circumstances where a duly stamped instrument is required, or 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 Company the information required by the notice within the time specified in it. 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). In addition, the Directors and the employees of the Company are subject to the Company's share dealing codes, such that approval may be required to deal in the Company's shares. At any time on or after 14 July 2009 or at any time when the criteria for the listing of the B shares under the Listing Rules of the UK Listing Authority are no longer met, the Company may appoint a person to execute a transfer on behalf of all the holders of the B shares in acceptance of an offer, paying the holders of B shares such amount as they would have been entitled to on a winding-up of the Company. Certain restrictions on dealing in and transferability of shares may also from time to time be imposed by laws and regulations.

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.

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, including the Company's assets being considered "plan assets" within the meaning of regulations adopted under relevant US legislation, (b) the number of "United States Residents" who own or hold shares becoming 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 the shares in respect of which the transfer notice has been given and pending such transfer the rights and privileges attaching to those shares including voting rights would be suspended.

Participants under the 3i Group Share Incentive Plan and certain participants under the 3i Group Performance Share Plan and the 3i Group Deferred Bonus Plan, who beneficially own shares under these schemes which are held by a nominee on their behalf, cannot exercise directly the voting rights attaching to such shares but can instruct the nominee to vote the shares in accordance with their instructions.

In order to be able to attend and vote at a general meeting of the Company in respect of shares in the Company a person must be entered on the register of members in respect of those shares at such time (not being earlier than 48 hours before the meeting) as may be specified by the Company in the notice of general meeting in accordance with Regulation 41 of the Uncertificated Securities Regulations 2001.

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.

Debentures

As detailed in notes 19 and 20 on pages 113 and 114 respectively, as at 31 March 2009 the Company had in issue 3.625 per cent Convertible Bonds due 2011, Notes issued under the 3i Group plc £2,000 million Note Issuance Programme and Notes issued under the 3i Group plc €1,000 million Euro-Commercial Paper Programme.

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 period of three years. Before the third and sixth anniversaries of a non-executive Director's first appointment, the Director discusses with the Board whether it is appropriate for a further three year term to be served.

The Company's Articles of Association provide for:

(a) the minimum number of Directors to be two and the maximum to be twenty, unless otherwise determined by the Company by ordinary resolution;

(b) Directors to be appointed by ordinary resolution of the Company's shareholders in general meeting or by the Board;

(c) Directors to retire by rotation at an AGM if

(i) they have been appointed by the Board since the preceding AGM; or

(ii) they held office during the two preceding AGMs but did not retire at either of them; or

(iii) not being Chairman of the Board, they held non-executive office for a continuous period of nine years or more at the date of that AGM.

(d) shareholders to have the power to remove any Director by special resolution.

Subject to the Company's Articles of Association, retiring Directors are eligible for reappointment. The office of Director shall be 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 mental ill health or being absent from Board meetings for 12 months without the Board's permission.

In accordance with the Articles of Association, at the AGM to be held on 8 July 2009:

(i) Mr R H Meddings and Mrs J S Wilson, having both been appointed as Directors by the Board since the AGM in 2008, will retire and, being eligible, offer themselves for reappointment; and

(ii) Mr M J Queen, Mme C J M Morin-Postel and Mr O H J Stocken will retire by rotation and, being eligible, offer themselves for reappointment as Directors.

The Board's recommendation for the reappointment of Directors is set out in the 2009 Notice of AGM.

Directors' conflicts of interest

From October 2008, Directors have had a statutory duty under the Companies Act 2006 to avoid conflicts of interests with the Company. As permitted by the Act, at its AGM in 2008 the Company adopted new Articles of Association which enabled Directors to approve conflicts of interest and which included 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.

Directors' indemnities

As permitted by the Company's Articles of Association, the Company has maintained Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors throughout the period.

Under the rules of the 3i Group Pension Plan ("the Plan"), the Company has granted an indemnity to the directors of Gardens Pension Trustees Limited (a corporate trustee of the Plan and a wholly-owned subsidiary of the Company) against liabilities incurred as directors of that corporate trustee.

Employment

The Group's policy 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.

The Group treats applicants and employees with disabilities equally and fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure access and support to job applicants who happen to be disabled and who respond to our request to inform the Company of any requirements. Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within the Group. The Group also provides financial support to disabled employees who are unable to work, as appropriate to local market conditions.

The Group's principal means of keeping in touch with the views of its employees are through employee appraisals, informal consultations, team briefings, and staff conferences and surveys. Managers throughout the Group have a continuing responsibility to keep their staff fully informed of developments and to communicate financial results and other matters of interest. This is achieved by structured communication including regular meetings of employees.

The Group has clear grievance and disciplinary procedures in place, which include comprehensive procedures on discrimination and the Group's equal opportunities policy. The Group also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all staff and their families in the UK.

There are clearly defined staff policies for pay and working conditions. The Group's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the cost element of these rewards remains at an appropriate level.

The Group's remuneration policy is influenced by market conditions and practices in the countries in which it operates. All employees receive a base salary and are eligible for a performance-related bonus. Where appropriate, employees are eligible to participate in Group share schemes to encourage employees' involvement in the performance of the Group. Investment executives may also participate in co-investment plans and carried interest schemes, which allow executives to share directly in the future profits on investments. Employees participate in local state or company pension schemes as appropriate to local market conditions.

Charitable and political donations

Charitable donations made by the Group in the year to 31 March 2009 amounted to £483,750. Excluding the Company's matching of Give As You Earn contributions by staff, charitable donations amounted to £352,813. Of this amount approximately 56% was donated to causes which aim to relieve poverty or benefit the community, or both, approximately 26% was donated to charities which advance education, and approximately 4% was donated to medical charities. Further details of charitable donations are set out in the Corporate responsibility report on pages 53 to 64.

In line with Group policy, during the year to 31 March 2009 no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Policy for paying creditors

It is the policy of the Group to pay suppliers in accordance with the terms and conditions of the relevant markets in which it operates. Expenses are paid on a timely basis in the ordinary course of business. The Company had no trade creditors outstanding at the year end. 3i plc had trade creditors outstanding at the year end representing on average 8.5 days' purchases.

Significant agreements

As at 31 March 2009 the Company was party to the following agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

(a) £486 million Revolving Credit Facility Agreement dated 20 September 2005, between 3i Holdings plc, Barclays Capital, Bayerische Landesbank, London branch, Dresdner Kleinwort Wasserstein Limited, HSBC Bank plc, Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Société Générale, UBS Limited, WestLB AG, London branch and the Company, in relation to the provision of a multi-currency revolving credit facility to 3i Holdings plc and the Company. Under this agreement, the Company would be required to notify Lloyds TSB Bank plc, in its capacity as agent for the banks, within five days of any change of control of the Company. Such notification would open a negotiation period of 50 days (from the date of the change of control) to determine whether Majority Banks (as defined in the agreement) would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by the Majority Banks, amounts outstanding would be required to be repaid and the facility cancelled. If no such requirement was imposed by the Majority Banks, any dissenting bank could require amounts outstanding to it to be repaid and cease to participate in the facility;

(b) £150 million Revolving Credit Facility Agreement dated 24 November 2005, between 3i Holdings plc, the Company and Nordea Bank AB (publ) in relation to the provision of a multi-currency revolving credit facility to 3i Holdings plc and the Company. Under this agreement, the Company would be required to notify Nordea Bank AB (publ) within five days of any change of control of the Company. Such notification would open a negotiation period of 50 days (from the date of the change of control) to determine whether Nordea Bank AB (publ) would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by Nordea Bank AB (publ), amounts outstanding would be required to be repaid and the facility cancelled;

(c) Limited Partnership Agreements dated 12 July 2006, between 3i EFV GP Limited, 3i Europartners V Verwaltungs GmbH & Co. KG, the Company and other investors from time to time in relation to the formation of partnerships to carry on the business of investing as the fund known as 3i Eurofund V. Under these agreements, the manager, 3i Investments plc, would be required to notify the investors of any change of control of the Company. If such a change of control occurs before the end of the relevant investment period, the manager's powers to make new investments on behalf of the partnerships would be suspended unless the investors had given consent before the change of control occurred. Where suspension occurs, the investors may consent at any time before the end of the investment period to the resumption of the manager's powers; and

(d) 3i Group plc £430,000,000 3.625 per cent Convertible Bonds due 2011 (the "bonds"). Condition 6 of the terms and conditions of the bonds sets out the conversion rights of the holders of the bonds and the calculation of the conversion price payable. The conversion price will decrease if a "Relevant Event" occurs. Condition 6(b)(x) sets out the definition of Relevant Event and the consequential adjustment to the conversion price. In summary, a Relevant Event occurs if an offer is made to all (or as nearly as may be practicable all) shareholders to acquire all or a majority of the issued shares of the Company or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme (as defined)) and (such offer or scheme having become unconditional in all respects) the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become unconditionally vested in the offeror and/or an associate (as defined) of the offeror. Condition 7(d) of the terms and conditions of the bonds gives bondholders an early redemption option (early repayment at face value plus accrued interest) upon a Relevant Event occurring.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the profit for the year. The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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. Suitable accounting policies, which follow generally accepted accounting practice and are explained in the notes to the financial statements, have been applied consistently and applicable accounting standards have been followed. In addition, these financial statements comply with International Financial Reporting Standards as adopted by the European Union and reasonable and prudent judgments and estimates have been used in their preparation.

In accordance with the FSA'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 Directors' 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 66 and 67.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year ended 31 March 2009.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review section. The financial position of the Group, its capital structure, gearing and liquidity positions are described in the Financial review section. The Group's policies on risk management, including treasury and funding risks, are contained in the Risk section. Further details are contained in the financial statements and notes and, in particular, notes 17 and 18 provide details on financial risk management and derivative financial instruments.

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have considered the uncertainties inherent in current and expected future market conditions and their possible impact upon the financial performance of the Group. Due regard has also been given to the material post balance sheet events disclosed in note 34 to the financial statements. After consideration, the Directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Audit information

Pursuant to section 234ZA (2) of the Companies Act 1985, each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Company's 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 Company's auditors are aware of such information.

Appointment of auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the reappointment of Ernst & Young LLP as the Company's auditors will be put to members at the forthcoming AGM.

By order of the Board

K J Dunn Company Secretary
8 May 2009

Registered Office:
16 Palace Street, London SW1E 5JD

Corporate governance statement

Corporate governance

Throughout the year, the Company complied with the provisions of section 1 of the Combined Code on corporate governance published by the Financial Reporting Council in June 2006.

The Company's approach to corporate governance

The Company has a policy of seeking to comply with established best practice in the field of corporate governance. 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. One of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business.

The Board's responsibilities and processes

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 Memorandum and 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 dispose of the unissued shares of the Company (subject to relevant statutes) on such terms as the Board may decide. The Articles of Association empower the Board to issue and buy-back shares, which powers are exercisable in accordance with authorities approved from time to time by shareholders in general meeting. At the AGM in July 2008, shareholders renewed the Board's authority to allot ordinary shares and to buy-back ordinary shares on behalf of the Company subject to the limits set out in those resolutions. At the AGM in July 2008, shareholders authorised the Board to buy-back B shares on behalf of the Company, again subject to the limits set out in the resolution. Details of the authorities which the Board will be seeking at its 2009 AGM are set out in the 2009 Notice of AGM.

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.

The Board determines matters including financial strategy and planning and takes major business decisions. The Board has put in place an organisational structure. This is further described under the heading "internal control".

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision. These include:

– approval of the Group's overall strategy, strategic plan and annual operating budget;

– approval of the Company's half-yearly and annual financial statements and changes in the Group's accounting policies or practices;

– changes relating to the capital structure of the Company or its regulated status;

– major capital projects;

– major changes in the nature of business operations;

– investments and divestments in the ordinary course of business above certain limits set by the Board from time to time;

– adequacy of internal control systems;

– appointments to the Board and Management Committee;

– principal terms and conditions of employment of members of Management Committee; and

– changes in employee share schemes and other long-term incentive schemes.

Matters delegated by the Board to management include implementation of the Board approved strategy, day-to-day operation of the business, the appointment and remuneration of all executives below Management Committee and the formulation and execution of risk management policies and practices.

A Group succession and contingency plan is prepared by management and reviewed periodically by the Board. The purpose of this plan is to identify suitable candidates for succession to key senior management positions, agree their training and development needs, and ensure the necessary human resources are in place for the Company to meet its objectives.

Meetings of the Board

During the year, there were seven scheduled meetings of the Board of Directors as well as eleven ad hoc meetings called to deal with matters arising at short notice (2008: six scheduled meetings). The Directors who served throughout the year attended all seven scheduled meetings. Mr R H Meddings attended the five scheduled meetings held since his appointment on 1 September 2008 and Mrs J S Wilson attended three of the four scheduled meetings held since her appointment on 1 October 2008. Mr F G Steingraber attended the one scheduled meeting before he ceased to be a Director on 9 July 2008. Mr S P Ball attended two of the four scheduled meetings before he ceased to be a Director on 30 November 2008. Mr P E Yea attended the six scheduled meetings held before his resignation as a Director on 27 January 2009.

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

– the 3i Vision Plan 2008-2012, budget and financial resources;

– the Group's capital structure;

– regular reports from the Chief Executive;

– the recommendations of the Valuations Committee on valuations of investments;

– the progress of the 3i India Infrastructure Fund;

– the acquisition of the assets of 3i QPE plc;

– a review of the Group's advisory and corporate broking relationships;

– the financial risk management framework;

– the performance of co-investment funds;

– independence of non-executive Directors;

– the issue of new convertible bonds; and

– currency hedging issues.

Information
Reports and papers are circulated to the Directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

Performance evaluation
During the year, the Board conducted its annual evaluation of its own performance and that of its committees and individual Directors. The Chairman led the process, meeting with each of the Directors to ascertain their views and discuss their answers to a questionnaire developed with the aid of external consultants. The Chairman subsequently reported formally to the Nominations Committee and the Board and also gave feedback to individual Directors. In the course of this process, the Board decided that it should make a change in the executive leadership of the Company, and appoint a successor to Mr Yea as Chief Executive to manage the Company through a deep recession, delivering actions to strengthen the Company's financial position. In considering possible candidates, the Board unanimously took the view that Mr Queen's experience as Finance Director, his stewardship of Growth Capital, his success in launching and managing 3i's infrastructure business, the respect in which he was held within 3i and his deep knowledge of private equity made him the outstanding choice.

The Board performance evaluation included consideration of the overall functioning of the Board including strategic planning, risk management processes, Board balance and succession issues, meeting management and the work of the Board's Committees, and agreed on a number of changes designed to maintain focus on the challenges facing the Company in turbulent economic times. It was agreed that it was helpful to continue to hold additional ad-hoc Board Meetings where circumstances warranted this, and the Board continued to identify areas where its working practices could be developed further.

The Board reviewed its non-executive membership and agreed to commence processes to recruit Directors to replace those likely to leave the Board in the next two years. It further decided to appoint Mr Robert Swannell as Senior Independent Director in 2009-10, succeeding Mr Oliver Stocken, who would by then have been on the Board for nine years. Mr Stocken remained Deputy Chairman. In his role as Senior Independent Director during 2008-09 Mr Stocken led a review by the Directors of the performance of the Chairman and subsequently reported back to the Board. In view of the change in executive leadership, the Board asked the Chairman to delay her retirement from the Board for an appropriate period.

The roles of the Chairman, Chief Executive and Senior Independent Director
The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined and has been approved by the Board.

The Chairman
The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and constructive relations between executive and non-executive Directors. The Chairman ensures that regular reports from the Company's brokers are circulated to the non-executive Directors to enable non-executive Directors to remain aware of shareholders' views. The Chairman ensures effective communication with the Company's shareholders.

The Chief Executive
The Chief Executive has 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. The Chief Executive has formed a committee called Management Committee to enable him to carry out the responsibilities delegated to him by the Board. The Committee comprises the executive Directors, Mr K J Dunn, Mr I M Nolan, Mr J B C Russell, Mr R Stefanowski, Mr P Waller, and Mr G A R Zarzavatdjian. The Committee meets on a regular basis to consider operational matters and the implementation of the Group's strategy.

Senior Independent Director
Throughout the year Mr O H J Stocken served as Senior Independent Director, to whom, in accordance with the Combined Code, concerns were able to be conveyed. Mr R W A Swannell was appointed Senior Independent Director with effect from 1 April 2009.

Directors
The Board comprises the Chairman, five independent non-executive Directors, one other non-executive Director and two executive Directors. Biographical details for each of the Directors are set out on pages 66 and 67. Baroness Hogg (Chairman), Mr O H J Stocken, Mr W Mesdag, Mme C J M Morin-Postel, Mr M J Queen, Lord Smith of Kelvin and Mr R W A Swannell served throughout the period under review. Mr R H Meddings served as a Director from 1 September 2008, Mrs J S Wilson served as a Director from 1 October 2008, Mr F G Steingraber served as a Director until 9 July 2008, Mr S P Ball served as a Director until 30 November 2008 and Mr P E Yea served as a Director until 27 January 2009. Mrs J S Wilson is currently on maternity leave and the Board has granted her leave of absence from Board meetings.

In addition to fulfilling their legal responsibilities as Directors, non-executive Directors are expected to bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct, and to help the Board provide the Company with effective leadership. They are also expected to ensure high standards of financial probity on the part of the Company and to monitor the effectiveness of the executive Directors.

The Board's discussions, and its approval of the Group's strategic plan and annual budget, provide the non-executive Directors with the opportunity to contribute to and validate management's plans and assist in the development of strategy. The non-executive Directors receive regular management accounts, reports and information which enable them to scrutinise the Company's and management's performance against agreed objectives.

Directors' independence

All the non-executive Directors (other than the Chairman, who was independent on appointment) were considered by the Board to be independent for the purposes of the Combined Code in the year to 31 March 2009. Since 1 April 2009 all of the non-executive Directors have been considered by the Board to be independent for the purposes of the Combined Code with the exception of Mr O H J Stocken, who has served as a non-executive Director for in excess of nine years. Mr Stocken ceased to be a member of the Audit and Compliance and the Remuneration Committees with effect from 1 April 2009. The Board assesses and reviews the independence of each of the non-executive Directors at least annually, having regard to the potential relevance and materiality of a Director's interests and relationships rather than applying rigid criteria in a mechanistic manner. No Director was materially interested in any contract or arrangement subsisting during or at the end of the financial period that was significant in relation to the business of the Company. The Board considered the common directorship of Mr O H J Stocken and Mr R H Meddings in Standard Chartered PLC where Mr Stocken is a non-executive Director and Mr Meddings is an executive Director. The Board concluded this common directorship did not affect Mr Meddings' independence from the Company and its management as no executive Director of the Company has any influence over Mr Meddings' position or remuneration at Standard Chartered PLC.

Directors' employment contracts

Details of executive Directors' employment contracts are set out in the Directors' remuneration report on page 88.

Training and development

The Company has developed 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 update their skills and maintain their familiarity with the Company and its business continually. Presentations on different aspects of the Company's business are made regularly to the Board. 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 about the performance of their duties.

The Board's committees

The Board is assisted by various standing committees of the Board which report regularly to the Board. The membership of these committees is regularly reviewed by the Board. When considering committee membership and chairmanship, the Board aims to ensure that undue reliance is not placed on particular Directors.

These committees all have clearly defined terms of reference which are available at www.3igroup.com. The terms of reference of the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee provide that no one other than the particular committee chairman and members may attend a meeting unless invited to attend by the relevant committee.

Audit and Compliance Committee

The Audit and Compliance Committee comprises Mr R W A Swannell (Chairman), Mr R H Meddings, Mme C J M Morin-Postel and Lord Smith of Kelvin, all of whom served throughout the period, save for Mr R W A Swannell who served from 9 July 2008 and Mr R H Meddings who served from 1 January 2009. Mr O H J Stocken also served as a member of the Committee throughout the period, and Mr F G Steingraber served as a member of the Committee until 9 July 2008. All the members of the Committee are independent non-executive Directors. The Board is satisfied that the Committee Chairman, Mr R W A Swannell, has recent and relevant financial experience.

During the year, there were seven meetings of the Committee (2008: three meetings). The members who served throughout the period attended all meetings. Mr R W A Swannell and Mr R H Meddings attended the five and two meetings respectively following their appointments. Mr F G Steingraber attended one meeting before he ceased to be a member.

During the year, the Committee:

– reviewed the findings of the FSA Arrow review;

– reviewed the effectiveness of the internal control environment of the Group and the Group's compliance with its regulatory requirements and received reports on bank covenants, third-party liabilities and off balance sheet liabilities;

– reviewed and recommended to the Board the accounting disclosures comprised in the half-yearly and annual financial statements of the Company and reviewed the scope of the annual external audit plan and the external audit findings;

– received the reports of the Valuations Committee on the valuation of the Group's investment assets;

– received regular reports from Group Risk Assurance and Audit (the Group's internal audit function), monitored its activities and effectiveness, and agreed the annual internal audit plan;

– received regular reports from Group Compliance (the Group's regulatory compliance function) and Group Risk Management Committee, and monitored their activities and effectiveness;

– oversaw the Company's relations with its external auditors including assessing auditor performance, independence and objectivity, recommending the auditors' reappointment and approving the auditors' fees; and

– met with the external auditors in the absence of management.

Remuneration Committee
The Remuneration Committee comprises Lord Smith of Kelvin (Chairman), Baroness Hogg, Mr W Mesdag and Mme C J M Morin-Postel, all of whom served throughout the period. Mr O H J Stocken also served as a member of the Committee throughout the period until 31 March 2009. All the current members of the Committee are independent non-executive Directors, save for Baroness Hogg who was independent on appointment as Chairman of the Board.

During the year, there were five scheduled meetings of the Remuneration Committee as well as four ad hoc meetings called to deal with matters arising at short notice (2008: six scheduled meetings). The members who served throughout the period attended all the scheduled meetings. Details of the work of the Remuneration Committee are set out in the Directors' remuneration report.

Nominations Committee
The Nominations Committee comprises Baroness Hogg (Chairman), Mr O H J Stocken, Mr M J Queen, Mr R H Meddings, Mr W Mesdag, Mme C J M Morin-Postel, Lord Smith of Kelvin and Mr R W A Swannell, all of whom served throughout the year, save for Mr R H Meddings who served from 1 January 2009 and Mr M J Queen who served from 28 January 2009. Mr F G Steingraber served as a member until 9 July 2008 and Mr P E Yea served as a member until 27 January 2009.

During the year, there were three scheduled meetings of the Nominations Committee as well as two ad hoc meetings called to deal with matters arising at short notice (2008: two scheduled meetings). The members who served throughout the year attended all three scheduled meetings save for Mr R W A Swannell and Mr W Mesdag who attended two of the scheduled meetings. Mr R H Meddings and Mr M J Queen each attended the one scheduled meeting following their appointments. Mr F G Steingraber attended the one meeting held before he ceased to be a Director and Mr P E Yea attended the two scheduled meetings held before he ceased to be a member. The terms of reference of the Nominations Committee provide that the Chairman of the Board shall not chair the Committee when dealing with the appointment of the Chairman's successor.

During the year, the Nominations Committee:

- considered and recommended a candidate for appointment as a non-executive Director of the Company;
- considered the size, balance and composition of the Board;
- recommended a candidate for appointment as the Finance Director of the Company; and
- recommended a candidate for appointment as the Chief Executive of the Company.

A formal, rigorous and transparent process for the appointment of Directors has been established with the objective of identifying the skills and experience profile required of new Directors and identifying suitable candidates. The procedure includes the appraisal and selection of potential candidates, including (in the case of non-executive Directors) whether they have sufficient time to fulfil their roles. Specialist recruitment consultants assist the Committee to identify suitable candidates for appointment. The Committee's recommendations for appointment are put to the full Board for approval.

Valuations Committee
The Valuations Committee comprises Baroness Hogg (Chairman), Mr O H J Stocken, Mr M J Queen, Mrs J S Wilson and Mr R W A Swannell, all of whom served throughout the year, save for Mrs J S Wilson who served from 1 December 2008 and Mr M J Queen who served from 28 January 2009. Mr S P Ball served as a member until 30 November 2008 and Mr P E Yea served as a member until 27 January 2009.

During the year there were three meetings of the Valuations Committee (2008: three meetings). The members who served throughout the year attended all meetings. Mrs J S Wilson attended the one meeting held following her appointment. Mr S P Ball attended the two meetings held before he ceased to be a member and Mr P E Yea attended the three meetings held before he ceased to be a member.

During the year, the Valuations Committee considered and made recommendations to the Audit Committee on valuations of the Group's investments to be included in the half-yearly and annual financial statements of the Group and reviewed valuations policy and methodology.

The Company Secretary
All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board, through the Chairman, on governance matters. The Company's Articles of Association and the schedule of matters reserved to the Board or its duly authorised committees for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Relations with shareholders
The Board recognises the importance of maintaining a purposeful relationship with the Company's shareholders. The Chief Executive and the Finance Director, together with the Group Communications Director, meet with the Company's principal institutional shareholders to discuss relevant issues as they arise. The Chairman maintains a dialogue with shareholders on strategy, corporate governance and Directors' remuneration as required.

The Board receives reports from the Company's brokers on shareholder issues and non-executive Directors are invited to attend the Company's presentations to analysts and are offered the opportunity to meet shareholders.

The Company's major shareholders are offered the opportunity to meet newly-appointed non-executive Directors.

The Company also uses its AGM as an opportunity to communicate with its shareholders. At the Meeting, business presentations are generally made by the Chief Executive and the Finance Director. The Chairmen of the Remuneration, Audit and Compliance, and Nominations Committees are generally available to answer shareholders' questions.

During the year, at the invitation of the Chairman, the Company's major shareholders met with the Chairman, the Chairmen of the Audit and Compliance Committee and the Remuneration Committee and the Company Secretary to discuss matters of corporate governance and corporate responsibility relevant to the Company and its shareholders.

The 2008 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.

Governance

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. In relation to quoted investments, the Group's policy is to exercise voting rights on matters affecting its interests.

Internal control

The Board is responsible for the Group's system of internal control and reviews its effectiveness at least annually. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Through the regular meetings of the Board and the schedule of matters reserved to the Board or its duly authorised committees for decision, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Board considers and approves a strategic plan every two years and approves a budget on an annual basis. In addition, there are established procedures and processes for planning and controlling expenditure and the making of investments. There are also information and reporting systems for monitoring the Group's businesses and their performance.

The Group Risk Management Committee is a management committee formed by the Chief Executive and its purpose is to review the business of the Group in order to ensure that business risk is considered, assessed and managed as an integral part of the business. There is an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place for the year to 31 March 2009 and up to the date of this report.

The Group Risk Management Committee's activities are supported by the activities of Investment Committee as well as two sub-committees, Financial Risk Committee and Operational Risk Committee. Details of the risk management framework can be found in the Risk section on pages 47 to 52.

The overall internal control process is regularly reviewed by the Board and the Audit and Compliance Committee and complies with the internal control guidance for Directors on the Combined Code issued by the Turnbull Committee. The process established for the Group includes:

Policies

- core values and global policies together comprising the Group's high level principles and controls, with which all staff are expected to comply;
- manuals of policies and procedures, applicable to all business units, with procedures for reporting weaknesses and for monitoring corrective action;
- a code of business conduct, with procedures for reporting compliance therewith;

Processes

- appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities;
- a planning framework which incorporates a Board approved strategic plan, with objectives for each business unit;
- formal business risk reviews performed by management which evaluate the potential financial impact and likelihood of identified risks and possible new risk areas;
- the setting of control, mitigation and monitoring procedures and the review of actual occurrences, identifying lessons to be learnt;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reporting of actual results, analysis of variances, scrutiny of key performance measures including gearing and net debt levels, and regular re-forecasting;
- regular treasury reports to the Board, which analyse the funding requirements of each class of assets, track the generation and use of capital and the volume of liquidity, measure the Group's exposure to interest and exchange rate movements and record the level of compliance with the Group's funding objectives;
- a Group Compliance function whose role is to integrate regulatory compliance procedures and best practices into the Group's systems;
- well defined procedures governing the appraisal and approval of investments, including detailed investment and divestment approval procedures, incorporating appropriate levels of authority and regular post-investment reviews;

Verification

- an internal audit function which undertakes periodic examination of business units and processes and recommends improvements in controls to management;
- the external auditors who are engaged to express an opinion on the annual financial statements; and
- an Audit and Compliance Committee which considers significant control matters and receives reports from the internal audit function and the external auditors and the Group Compliance function on a regular basis.

The internal control system is monitored and supported by an internal audit function which operates on an international basis and reports to management and the Audit and Compliance Committee on the Group's operations. The work of the internal audit function is focused on the areas of greatest risk to the Group determined on the basis of the Group's risk management process.

The external auditors independently and objectively review the approach of management to reporting operating results and financial condition. In co-ordination with the internal audit function, they also review and test the system of internal financial control and the information contained in the annual financial statements to the extent necessary for expressing their opinion.

Auditors' independence and objectivity

Subject to annual appointment by shareholders, auditor performance is monitored on an ongoing basis and formally reviewed every five years, the last review being held during the year to 31 March 2009. Following this review the Audit and Compliance Committee concluded that Ernst & Young LLP's appointment as the Company's auditors should be continued.

The Audit and Compliance Committee recognises the importance of ensuring the independence and objectivity of the Company's auditors. It reviews the nature and extent of the services provided by them, the level of their fees and the element comprising non-audit fees.

The Audit and Compliance Committee Chairman is notified of all assignments allocated to Ernst & Young over a set threshold, other than those related to due diligence within the Group's investment process where the team engaged would be independent of the audit team. Safeguards have been put in place to reduce the likelihood of compromising auditor independence, including the following principles which are applied in respect of services provided by the auditors and other accounting firms and monitored by the Audit and Compliance Committee:

– services required to be undertaken by the auditors, which include regulatory returns, formalities relating to borrowings, shareholder and other circulars. This work is normally allocated directly to the auditors;

– services which it is most efficient for the auditors to provide. In this case, information relating to the service is largely derived from the Company's audited financial records; for example, corporate tax services. This work is normally allocated to the auditors subject to consideration of any impact on their independence; and

– services that could be provided by a number of firms including general consultancy work. All significant consultancy projects are normally put out to tender and work would be allocated to the auditors only if it did not present a potential threat to the independence of the audit team. Included in this category is due diligence work relating to the investment process. If this service were to be provided by the auditors, the specific team engaged would be independent of the audit team.

Details of the fees paid to the auditors are disclosed in note 6 to the financial statements on page 102.

Directors' remuneration report

Remuneration Committee

Composition and terms of reference

The Remuneration Committee (the "Committee") comprises independent non-executive Directors, together with Baroness Hogg, the Chairman of the Board. Its members during the year to 31 March 2009 (the "year") were Lord Smith of Kelvin (Committee Chairman), Baroness Hogg, Mr W Mesdag, Mme C J M Morin-Postel and Mr O H J Stocken (who stepped down from the Committee on 31 March 2009). The Committee's terms of reference are available on the Company's website.

Activities during the year

The Committee held five regular scheduled meetings during the year to consider remuneration policy and to determine, on behalf of the Board, the specific remuneration packages and co-investment and carried interest arrangements for executive Directors and other members of Management Committee. Ad hoc meetings were also held to deal with various matters as they arose during the year. The table below shows the attendance of Committee members at the regular scheduled meetings during the year.

Name	Scheduled meetings attended
Lord Smith of Kelvin	5
Baroness Hogg	5
Mr W Mesdag	5
Mme C J M Morin-Postel	5
Mr O H J Stocken	5

Assistance to the Committee

Persons who materially assisted the Committee with advice on Directors' remuneration in the year were: Kepler Associates, external remuneration advisers appointed by the Committee; the Chief Executive, Mr M J Queen from his appointment on 28 January 2009; and, until his resignation from the Board on 27 January 2009, the former Chief Executive, Mr P E Yea. Mr M J Queen and Mr P E Yea did not advise the Committee on their own remuneration. Kepler Associates did not provide any other services to the Group during the year.

Remuneration policy

Executive Directors

The Company's policy is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Variable remuneration linked to performance (comprising discretionary annual cash bonuses, deferred share bonuses and long-term incentives) is intended to form a substantial component of total remuneration. For the Chief Executive and Finance Director, the policy is to provide remuneration competitive with other financial services companies of broadly comparable size, while for any other executive Directors (of which at present there are none) appropriate benchmarks are sought within the private equity industry.

The Company's defined benefit pension scheme has not been offered to new employees joining the Company since 1 April 2006, and all Management Committee members now remaining within it are either subject to the plan earnings cap (currently £123,600) or became subject to a pensionable salary cap in 2004 or 2005.

Long-term incentive arrangements for the Chief Executive and Finance Director consist of share-based schemes; for any other executives on the Board, long-term incentives have recently principally been provided by carried interest or similar plans, for which eligibility is usually determined by commitments to co-invest.

The Committee considered the guidance issued by the Financial Services Authority on remuneration and in particular its emphasis on the need to ensure that remuneration schemes do not incentivise excessive risk taking and short-termism. Most of the long-term variable incentive available within the Group consists of "carried interest", which only delivers on cash-to-cash performance. So far as short-term remuneration is concerned the Committee took the view that the economic conditions of 2008-09, which have had a significant effect on Company performance, required particular restraint with respect to remuneration in general and variable pay in particular. Looking forward, the Company has made no structural changes in remuneration for 2009-10, but will be undertaking a full review of its remuneration policies in the course of the year which may result in changes.

The Committee has also agreed that, going forward, executive Directors will be subject to share ownership and retention guidelines. These will require executive Directors to build up over time, and then maintain, a shareholding equivalent to 1.5 times salary in the Company's shares. Following the introduction of an Employee Share Investment Plan for employees who invest in the Company's shares following the rights issue, the Committee also proposes to consider the mix of shareholding and co-investment requirements for members of the Management Committee as part of this year's review.

(a) Salaries

The Committee seeks the advice of its remuneration advisers in reviewing salary benchmarks for the Chief Executive and Finance Director (drawn from UK financial services companies of similar market capitalisation). When considering pay increases, the Committee is also sensitive to wider issues, including pay and employment conditions elsewhere in the Group.

Salary increases for the years to 31 March 2009 and 2010

The average percentage increase in base salaries for members of Management Committee (including executive Directors) granted in July 2008 was 4.2% compared with 9.4% for other executive staff. Mrs J S Wilson received an increase of 33% in base salary on her appointment to the Board as Finance Director in October 2008. Mr M J Queen received an increase of 21% on his appointment as Chief Executive in January 2009. No member of Management Committee will receive an increase in base salary in the summer of 2009, except in consequence of promotion to a new role. No executive Director will receive such an increase.

(b) Bonuses

Executive Directors are eligible for discretionary annual bonuses, which are non-pensionable. Target bonuses for each executive Director are determined by the Committee at the beginning of each year, expressed as a multiple of salary, together with the split between cash and deferred shares. The maximum bonus payable is twice the target bonus. Annual bonus awards are determined on the basis of corporate and personal performance for the Chief Executive and the Finance Director. Bonuses above target will only be given for outstanding performance. The Committee retains discretion to make adjustments to bonus arrangements in appropriate circumstances, and is able to take into account factors relating to social responsibility, governance and environmental performance.

Bonus arrangements for 2008-09 and 2009-10

For 2008-09 the target bonus for the Chief Executive was set at 125% of base salary and the maximum at 250%, whilst the Finance Director had a target bonus of 100% of base salary and a maximum of 200%. Any bonus over target would be in shares deferred for two years. The target bonus set for Mr M J Queen as Managing Partner, Infrastructure, was 125% of base salary with a maximum bonus of twice the target bonus; any bonus over 1.5 times target was to be in shares deferred for two years. The indicators to be used as a guide to the corporate performance element were set out in the 2007-08 Remuneration Report. However, in current economic and financial conditions, and following a sharp fall in 3i's share price, the Committee did not think it would be appropriate to pay any bonuses at all with respect to 2008-09 to executive Directors and other members of Management Committee, other than in fulfilment of contractual requirements.

For 2009-10 the bonus ranges for the Chief Executive and Finance Director will be the same as they were in 2008-09, and any bonus over 100% of salary will be in shares deferred for two years. The indicators to be used as a guide to the corporate performance element for 2009-10 will reflect the Company's current short term priorities and will include the level of realisations, income (fees, dividends, interest), cost control, provisions, vintage year returns (for the last three years relative to the market) and net debt. The bonus arrangements for future periods will reflect the outcome of the proposed review of remuneration policies.

(c) Long-term incentives

Long-term incentive arrangements for the Chief Executive and Finance Director consist of share options, Performance Share and Super-performance Share awards under The 3i Group Discretionary Share Plan ("the Discretionary Share Plan"). This is a shareholder-approved executive share plan, conforming with the Association of British Insurers' guidelines on dilution limits.

Share options and/or share awards may be awarded under this plan, at a level that is determined each year, taking account of market practice, individual performance, the specific circumstances facing the Company and calculations of the fair values of awards. The Company's current policy is that the annual maximum for an award of options should be an aggregate market price at the time of issue of six times salary, and for an award of Performance Shares an aggregate market price of three times salary. A further limit is that the combination of all share-based awards should not have a fair value of more than 2.5 times salary in any year.

Options under the Company's executive share option plans entitle executives to acquire ordinary shares, at an exercise price not less than market price at the date of grant, from the third until the tenth anniversaries of grant. Vesting of such options is normally subject to the satisfaction of a performance condition, set at the time of the grant, which is calculated over a three-year performance period. Since 2005, the condition has been that no options will vest if the increase in net asset value per share, with dividends re-invested, is less than RPI + 3% per year; that 30% of options will vest if this threshold is reached; that 100% will vest if net asset value per share, with dividends re-invested, increases by RPI + 8% a year; and that options vest pro rata along the range of outcomes in between. (Performance conditions for options granted to Directors before 2005 are given in the notes to the table on page 85.)

For awards of Performance Shares since 1 April 2007, the extent to which they vest depends on comparison of the growth in value of a shareholding in the Company over three years (averaged over a 60 day period) with the FTSE 100 Index (both with dividends re-invested). If the growth in value for the Company is below that for the FTSE 100 Index, no shares will vest. If growth in value is the same as the index, 35% of the award will vest and if it is 8% per annum higher the full award will vest. Between these two levels of performance, the award will vest on a pro rata basis. (Performance conditions for Performance Shares granted to Directors before 2007 are given in the notes to the table on page 86).

Super-performance Shares are subject to particularly challenging conditions, and were introduced into the mix of long-term incentives in 2006 to enable the Committee to draw from a wider range of incentive schemes in determining incentive packages for each year. They are still subject to the overall cap on awards of a maximum fair value of 2.5 times salary. The performance condition is measured over a three-year period. If the increase in net asset value per share with dividends re-invested is less than RPI+ 10% per year then none of the award vests. At that level 25% of the award vests. At a level of RPI+ 13.5% per year 50% of the award vests and at a level of RPI+ 17.5% per year 100% of the award vests. Between those points the award vests on a pro-rata basis.

Fair values are calculated by the Committee's remuneration advisers. Performance conditions are regularly reviewed by the Committee to determine whether they are appropriate to current market, commercial and Company-specific conditions.

The Committee may also make grants of restricted shares subject only to forfeiture conditions on departure from the Company within a specified period, in order to meet recruitment or retention objectives.

3i's co-investment and carried interest schemes, comparable to those available in private equity firms with which 3i competes for talent, have been used to provide long-term incentives for senior executives other than the Chief Executive and Finance Director. (Further details are provided on pages 89 and 90). The Chief Executive and Finance Director are not eligible for these schemes, although the Chief Executive is entitled to retain certain interests in such schemes he had acquired before his appointment as Chief Executive.

Awards for the years to 31 March 2009 and 2010

In February 2009 share-based awards were made to Mr Queen on his appointment as Chief Executive with face values of approximately four times salary in share options and three times salary in Performance Shares, with a combined "fair value" calculated by the Committee's remuneration advisers amounting to 1.72 times salary. In view of the low share price at the date of grant, the options were granted "out of the money" at £3.50, approximately 50% above the market price at the time of the grant. The fair values were calculated to be 10% of face value for the share options and 44% of face value for the Performance Shares.

As Managing Partner, Infrastructure, Mr Queen was due to receive a substantial cash payment from a recent disposal. The Committee decided that instead he should receive a one-off grant of 170,000 shares, deferred for three years. Unlike the cash payment, these shares will be forfeitable if Mr Queen leaves within three years.

As part of these arrangements and to reflect his commitment to 3i, Mr Queen has undertaken that until at least 28 January 2011 he will maintain at not less than their current level his shareholdings in 3i Group plc and 3i Infrastructure plc amounting to some 240,000 3i Group plc shares and some 450,000 3i Infrastructure plc shares. He has also agreed to retain until at least that same date any shares vesting under the Group's share plans (after allowing sales to cover tax, exercise costs etc.).

Governance

In November 2008, awards were made to Mrs Wilson on her appointment as Finance Director with face values of approximately 3.55 times salary in share options and 2.47 times salary in Performance Shares. The options were granted at the exercise price of £4.81 per share. The fair value of the total award was calculated to be 1.36 times salary, at 17% of face value per option and 44% of face value per Performance Share.

Earlier awards made to the previous Chief Executive and Finance Director are detailed on pages 84, 86 and 87.

The Committee will make its judgment as to the appropriate awards for 2009-10 at the usual time, in the summer of 2009.

As part of the arrangements for the Company's rights issue, the Remuneration Committee has approved a specific Employee Share Investment Plan to create alignment between employees and shareholders. The plan will allow employees who have taken up their rights and who agree to subscribe for additional shares at full market price to receive an award of matching shares. The matching shares will be awarded on the basis of one matching share for every two shares purchased, subject to a performance condition. Directors will not be eligible to receive these matching shares. Details of the arrangement are set out in the Circular to Shareholders.

Full details of the interests Mr Queen was awarded during his period as Managing Partner, Infrastructure and Managing Partner, Growth Capital are given on pages 89 and 90. In considering Mr Queen's remuneration and incentive arrangements as Chief Executive the Committee believes it is important to recognise the very considerable potential financial benefits which Mr Queen would have received had he remained in his previous position as Managing Partner, Infrastructure, where he would have continued to benefit from further awards under the Infrastructure Incentive Plan as well as interests in certain carried interest and co-investment arrangements. On becoming Chief Executive Mr Queen forfeited certain of his interests in carried interest plans and became ineligible for participation in future carried interest and co-investment arrangements. Whilst it would be difficult to quantify the value of these opportunities they have significant potential value.

Performance graphs

The left hand graph below compares the Company's total shareholder return ("3i TSR") for the five financial years to 31 March 2009 with the total shareholder return of the FTSE All-Share Index. The Directors consider that since the Company invests in a broad range of industrial and commercial sectors, this continues to be the most appropriate index against which to compare the Company's total shareholder return. Additional information is provided by the right hand graph below, which compares percentage changes in the Company's diluted net asset value per share over each of the last five financial years (with dividends re-invested) with the FTSE All-Share Index total return over the same periods. This has been included as net asset value growth is one of the tests used in the Company's long-term incentive schemes.

Chairman and non-executive Directors

The Company's policy continues to be to pay fees which are competitive with the fees paid by other financial services companies of broadly similar size. The Chairman and non-executive Directors are not eligible for bonuses, long-term incentives, pensions or performance-related remuneration. Non-executive Directors' fees are regularly reviewed and determined by the Board as a whole, within the limits set by the Company's Articles of Association from time to time, having taken advice from the Committee's remuneration advisers. The Chairman's fee is determined by the Committee.

Fees during the year to 31 March 2009 and 2010

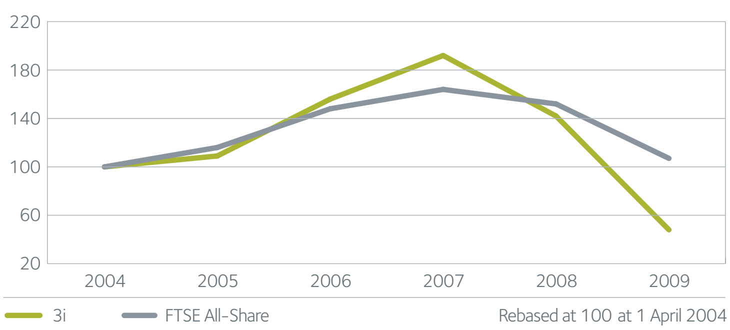
In 2008-09, the only increases in fees were for chairing the Audit and Compliance and Remuneration Committees (which rose to £20,000 each) and an increase in the Deputy Chairman's fee of £10,000. For 2009-10, the only change follows from Mr Robert Swannell's appointment as Senior Independent Director in place of the Deputy Chairman, Mr Oliver Stocken. The Deputy Chairman's fee is therefore being reduced by £10,000 and a fee of £10,000 is being paid to the Senior Independent Director.

The table below shows the current annual fee structure.

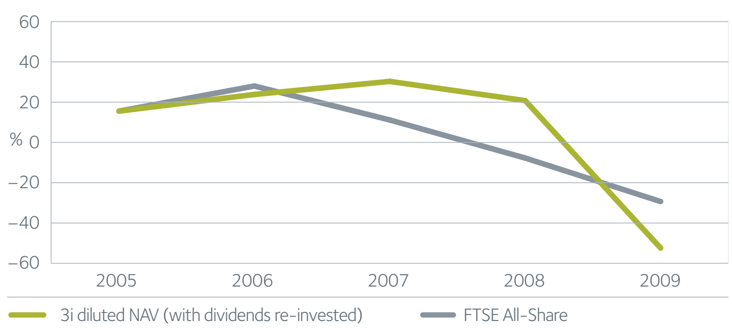
Chairman	£260,000 plus 5,000 shares
Non-executive Directors	
Board membership	£48,000 plus 1,000 shares
Deputy Chairman	£78,000 plus 1,000 shares
Senior Independent Director	£58,000 plus 1,000 shares
Committee fees*	
Chairman	£20,000
Member	£3,000

*No fees are payable in respect of the Nominations Committee or the Valuations Committee.

3i total shareholder return versus FTSE All-Share total return
(cumulative)



3i diluted NAV versus FTSE All-Share total return
(non-cumulative)



Directors' remuneration during the year

	Salary and fees £'000	(note 1) Salary supplements £'000	Total salary, fees and supplements £'000	(note 2) Award deferred from prior periods £'000	(note 3) Deferred share award £'000	(note 4) Benefits In kind £'000	(note 5) Pay in lieu of notice £'000	**Total remuneration year to 31 March 2009 £'000**	Total remuneration year to 31 March 2008 £'000
Executive Directors (note 8)									
M J Queen	475	–	475	375	400	2	–	**1,252**	2,045
J S Wilson (from 1 October 2008)	206	–	206	–	–	1	–	**207**	–
Chairman and non-executive Directors (note 10)									
Baroness Hogg	287	–	287	–	–	–	–	**287**	290
O H J Stocken (note 9)	109	–	109	–	–	–	–	**109**	113
R H Meddings (from 1 September 2008)	32	–	32	–	–	–	–	**32**	–
C J M Morin-Postel	60	–	60	–	–	–	–	**60**	64
W Mesdag	63	–	63	–	–	–	–	**63**	42
Lord Smith of Kelvin	75	–	75	–	–	–	–	**75**	74
R W A Swannell	71	–	71	–	–	–	–	**71**	61
Former Directors									
F G Steingraber (until 9 July 2008)	17	–	17	–	–	–	–	**17**	60
S P Ball (until 30 November 2008) (note 5)	347	51	398	–	–	2	168	**568**	1,311
P E Yea (until 27 January 2009) (note 11)	694	226	920	–	–	7	–	**927**	2,576
Total	2,436	277	2,713	375	400	12	168	**3,668**	6,636

Notes

1. Mr P E Yea and Mr S P Ball received salary supplements to enable them to make additional pension provision.
2. The £375,000 award shown for Mr Queen represented the exceptional payment described in note 1 on page 90 and paid in July 2008.
3. On appointment as Chief Executive, Mr Queen received a one-off award over 170,000 shares, forfeitable if employment ceases within three years. This was a deferred award, intended to compensate Mr Queen for a cash payment he would otherwise have received arising from the recent disposal of an Infrastructure investment.
4. "Benefits in kind" were health insurance (Mr M J Queen, Mrs J S Wilson, Mr P E Yea and Mr S P Ball) and company car (Mr P E Yea).
5. On ceasing to be a Director on 30 November 2008, Mr S P Ball received pay in lieu of notice, in respect of his unexpired contractual notice period, as shown in the table, being a sum equal to his base salary, salary supplement, pension contributions and car allowance for the period from 1 December 2008 to 8 March 2009.
6. In addition to the salaries and fees shown, fees retained from outside directorships during the year were: Mr M J Queen, £4,791 (Northern Rock plc, until 1 May 2008); Mr S P Ball (until 30 November 2008), £49,167 (Cable & Wireless plc); and Mr P E Yea (until 27 January 2009), £91,667 (Vodafone Group plc). The Company's policy is that executive Directors are permitted to take a maximum of one outside directorship at a listed company and to retain the fee from such directorship.
7. After ceasing to be a Director on 27 January 2009, Mr P E Yea remained an employee until 31 March 2009. During that period, in addition to the amounts shown above, Mr Yea was paid salary, salary supplements and benefits totalling approximately £201,000. Other amounts payable to former Directors in respect of the year were as follows: Dr P Mihatsch, £138,197 (Chairman of the Company's German Advisory Board); and Mr W J R Govett, £7,559 (as director of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan, until his resignation on 17 November 2008).
8. As at 31 March 2009, executive Directors' salaries were as follows: Mr M J Queen, £550,000 per annum and Mrs J S Wilson, £400,000 per annum.
9. The fees shown for Mr O H J Stocken include £15,000 as Chairman of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan.
10. During the year, non-executive Directors (other than those based in the US) were required to take part of their basic fee in the form of ordinary shares in the Company: for the Chairman this amounted to 5,000 shares and for non-executive Directors 1,000 shares (583 on a pro-rated basis for Mr R H Meddings who was appointed during the year). Figures in the table reflect the market value at the date of receipt (6 November 2008), which was 90% above the market value at 31 March 2009.
11. For the period from 31 March 2009 to 31 January 2010, in accordance with his service agreement, Mr Yea is entitled to receive monthly payments equal to his former salary and benefits less amounts earned from alternative employment.

Share options held by Directors during the year:

	Date of grant	Held at 1 April 2008 (or appointment if later)	Granted during the year	Exercised during the year	Lapsed during the year	**Held at 31 March 2009 (or cessation if earlier)**	Exercise Price £	Market price on date of exercise £	Earliest normal exercise date	Expiry Date
M J Queen	06.07.99	36,002	–	–	–	**36,002**	7.28		06.07.02	05.07.09
	28.06.00	30,795	–	–	–	**30,795**	13.75		28.06.03	27.06.10
	27.06.02	131,603	–	–	–	**131,603**	6.73		27.06.05	26.06.12
	25.06.03	57,218	–	–	–	**57,218**	5.68		25.06.06	24.06.13
	23.06.04	89,552	–	–	–	**89,552**	6.03		23.06.07	22.06.14
	21.06.05	44,733	–	–	–	**44,733**	6.93		21.06.08	20.06.15
	09.02.09	–	936,170	–	–	**936,170**	3.50*		31.03.12	08.02.19
		389,903	936,170	–	–	**1,326,073**				
J S Wilson (appointed 1 October 2008)										
	11.01.06	13,113**	–	–	–	**13,113**	8.96		11.01.09	10.01.16
	14.06.06	8,433**	–	–	–	**8,433**	8.36		14.06.09	13.06.16
	18.06.07	21,303**	–	–	–	**21,303**	11.74		18.07.10	17.06.17
	23.06.08	26,537**	–	–	–	**26,537**	8.29		23.06.11	22.06.18
	12.11.08	–	249,739	–	–	**249,739**	4.81		12.11.11	11.11.18
		69,386	249,739	–	–	**319,125**				
S P Ball (until 30 November 2008)										
	17.05.05	245,022	–	–	–	**245,022**	6.53		17.05.08	16.05.15
	21.06.05	48,100	–	–	–	**48,100**	6.93		21.06.08	20.06.15
	14.06.06	200,956	–	–	–	**200,956**	8.36		14.06.09	13.06.16
	18.06.07	230,080	–	–	–	**230,080**	11.74		18.06.10	17.06.17
	23.06.08	–	354,644	–	–	**354,644**	8.29		23.06.11	22.06.18
		724,158	354,644	–	–	**1,078,802**				
P E Yea (until 27 January 2009)										
	21.07.04	314,410	–	–	–	**314,410**	5.73		21.07.07	20.07.14
	21.06.05	259,740	–	–	–	**259,740**	6.93		21.06.08	20.06.15
	14.06.06	322,966	–	–	–	**322,966**	8.36		14.06.09	13.06.16
	18.06.07	368,129	–	–	–	**368,129**	11.74		18.06.10	17.06.17
	23.06.08	–	571,773	–	–	**571,773**	8.29		23.06.11	22.06.18
		1,265,245	571,773	–	–	**1,837,018**				

The performance condition has not yet been met for those options shown in blue.

*The exercise price of these options was set approximately 50% above the market price at the date of grant.

**Awarded before appointment as a Director.

Notes

1. Options granted before 1 April 2001 were granted under The 3i Group 1994 Executive Share Option Plan and vested provided a performance condition was met over a rolling three-year period. This required adjusted Net Asset Value per share (after adding back dividends paid during the performance period) at the end of the three-year period to equal or exceed the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.
2. Options granted after 1 April 2001 were granted under The 3i Group Discretionary Share Plan. Performance conditions for awards are measured over a three-year performance period and are as set out below (NAV growth refers to annual percentage compound growth in net asset value per share with dividends re-invested, relative to the annual percentage change in RPI). For options granted after 31 March 2004 there is no opportunity for the performance condition to be re-tested after the three-year period.

Award granted	NAV growth required for minimum vesting	% vesting	NAV growth required for maximum vesting	% vesting	For NAV growth between minimum and maximum vesting levels
Since 31 March 2005	RPI + 3 percentage points	30%	More than RPI + 8 percentage points	100%	The grant vests pro rata
In year to 31 March 2005	RPI + 3 percentage points	50%	More than RPI + 8 percentage points	100%	The grant vests pro rata
Between 1 April 2001 and 31 March 2004	RPI + 5 percentage points	50%	RPI + 10 percentage points	100%	The grant vests pro rata

3. The fair values of awards made during 2008-09 were as follows: Mr M J Queen, £220,000; Mrs J S Wilson, £241,400; Mr S P Ball, £499,800; and Mr P E Yea, £805,800. These fair values have been calculated by the Committee's remuneration advisers using a Monte Carlo simulation based on appropriate assumptions. The fair value of the share options granted during the year (other than the premium priced options granted to Mr Queen in February 2009) was calculated as being 17% of the market value at the date of grant of the shares under option.
4. The Committee determines the fulfilment of performance conditions based on calculations which are independently reviewed by the Company's auditors. These performance conditions require Net Asset Value per ordinary share at the beginning and end of the performance period to be calculated on a consistent basis using the same accounting policies. Where accounting policies have altered between the beginning and end of the period, the Committee adjusts the Net Asset Value calculations appropriately to ensure consistency. The Committee also has power to adjust the calculations to reflect circumstances including changes to the capital of the Company.
5. Following the cessation of Mr Yea's and Mr Ball's employment with the Company during the year, the exercise periods of the options held by them were altered in accordance with the rules of the Discretionary Share Plan so as to expire on the later of 12 months following the cessation of employment and six months following the satisfaction of the performance conditions.
6. The market price of ordinary shares in the Company at 31 March 2009 was 271p and the range during the period 1 April 2008 to 31 March 2009 was 956.5p to 176.2p. No Directors exercised share options during the year. Accordingly, no gains were made by the highest paid Director (2008: nil) or by the Directors in aggregate (2008: nil).
7. As at 31 March 2009, 14.37 million ordinary shares had been issued or remained issuable in respect of share options granted under Discretionary Share Plans within the past 10 years. This was within the 5% dilution limit for such plans specified in the guidelines issued by the Association of British Insurers. As at 31 March 2009, 15.53 million ordinary shares had been issued or remained issuable in respect of awards granted under "all employee" plans within the past 10 years. This was within the 10% dilution limit for such plans specified in the above-mentioned guidelines.

Performance Shares held by Directors during the year:

Date of award	Held at 1 April 2008 (or appointment if later)		Granted/issued during the year		Vested during the year		Lapsed during the year		**Held at 31 March 2009 (or cessation if earlier)**		Market price on date of grant £	Date of vesting
	Ord	B	Ord	B	Ord	B	Ord	B	**Ord**	**B**	Ord	
M J Queen												
06.02.09	–	–	702,127	–	–	–	–	–	**702,127**	**–**	2.35	06.02.12
	–	–	702,127	–	–	–	–	–	**702,127**	**–**		
J S Wilson (appointed 1 October 2008)												
23.06.08	46,988*	–	–	–	–	–	–	–	**46,988**	**–**	8.29	23.06.11
12.11.08	–	–	124,869	–	–	–	–	–	**124,869**	**–**	4.81	12.11.11
	46,988	–	124,869	–	–	–	–	–	**171,857**	**–**		
S P Ball (until 30 November 2008)												
14.07.05	18,076	54,376	–	–	11,351	34,147	6,725	20,229	**–**	**–**	6.98	14.07.08
20.07.06	19,323	31,259	–	–	–	–	4,294	6,947	**15,029**	**24,312**	8.60	20.07.09
30.07.07	77,656	–	–	–	–	–	43,143	–	**34,513**	**–**	11.01	30.07.10
23.06.08	–	–	177,322	–	–	–	152,694	–	**24,628**	**–**	8.29	23.06.11
	115,055	85,635	177,322	–	11,351	34,147	206,856	27,176	**74,170**	**24,312**		
P E Yea (until 27 January 2009)												
14.07.05	65,078	195,758	–	–	40,868	122,935	24,210	72,823	**–**	**–**	6.98	14.07.08
20.07.06	31,056	50,238	–	–	–	–	–	–	**31,056**	**50,238**	8.60	20.07.09
30.07.07	124,250	–	–	–	–	–	13,805	–	**110,445**	**–**	11.01	30.07.10
23.06.08	–	–	285,886	–	–	–	119,119	–	**166,767**	**–**	8.29	23.06.11
	220,384	245,996	285,886	–	40,868	122,935	157,134	72,823	**308,268**	**50,238**		

*Awarded before appointment as a Director.

Notes

1. During the year awards made in 2005 lapsed, as the performance condition was not met. On Mr S P Ball and Mr P E Yea ceasing to be employees on 30 November 2008 and 31 March 2009, respectively, certain other awards held by them were forfeited as shown above. The remaining Performance Shares remain subject to the original performance condition.
2. The fair values of Performance Share awards made in the year were as follows: Mr M J Queen, £726,000; Mrs J S Wilson, £435,396; Mr S P Ball, £646,800; and Mr P E Yea, £1,042,800. These fair values were calculated by the Committee's remuneration adviser using a Monte Carlo simulation based on appropriate assumptions. The fair value of the Performance Shares awarded during the year was calculated as being 44% of the market value at the date of award of the shares subject to the award.
3. For Performance Share awards granted prior to 1 April 2007 (including related B shares), dividends during the year (including dividends on related B shares) were re-invested net of tax in further ordinary shares of the Company. These shares, which are in addition to the above Performance Share awards, are required to be held for the remaining vesting period to which they relate, but are not forfeitable. Such shares attributable to Directors during the year were as follows: Mr P E Yea, 872 ordinary shares; and Mr S P Ball, 482 ordinary shares.
4. The performance conditions relating to awards made after 1 April 2007 are detailed on page 81. Performance Share awards made before 1 April 2007 vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group consisting of the FTSE 100 Index constituents at the grant date (adjusted for mergers, demergers and delistings during the performance period). A company's percentage rank is its rank in the comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest pro rata.

Super-performance Shares held by Directors during the year:

	Date of award	Held at 1 April 2008		Lapsed during the year		Vested during the year		**Held at 31 March 2009 (or cessation if earlier)**		Market price on date of grant £	Date of vesting
		Ord	B	Ord	B	Ord	B	**Ord**	**B**	Ord	
M J Queen	29.11.06	70,175	113,518	–	–	–	–	**70,175**	**113,518**	9.69	29.11.11
		70,175	113,518	–	–	–	–	**70,175**	**113,518**		
S P Ball (until 30 November 2008)											
	29.11.06	71,624	115,863	71,624	115,863	–	–	**–**	**–**	9.69	29.11.11
	29.03.07	12,750	20,625	12,750	20,625	–	–	**–**	**–**	11.44	29.03.12
	13.11.07	52,920	–	33,810	–	–	–	**19,110**	**–**	10.19	13.11.12
		137,294	136,488	118,184	136,488	–	–	**19,110**	**–**		
P E Yea (until 27 January 2009)											
	29.11.06	113,271	183,233	113,271	183,233	–	–	**–**	**–**	9.69	29.11.11
	29.03.07	21,250	34,375	21,250	34,375	–	–	**–**	**–**	11.44	29.03.12
	13.11.07	85,321	–	16,590	–	–	–	**68,731**	**–**	10.19	13.11.12
		219,842	217,608	151,111	217,608	–	–	**68,731**	**–**		

Notes

1. The performance condition relating to these awards is detailed on page 81.
2. On Mr S P Ball and Mr P E Yea ceasing to be employees on 30 November 2008 and 31 March 2009, respectively, certain Super-performance Shares held by them were forfeited as shown above. The remaining Super-performance Shares remain subject to the original performance condition.

Share Incentive Plan

The HM Revenue and Customs approved Share Incentive Plan is open to eligible UK employees and is intended to encourage employees to invest in the Company's shares. Participants invest up to £125 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 normally forfeited if employment ceases (other than on retirement or other "qualifying reasons") within three years of grant. Dividends are re-invested in further ordinary shares ("dividend shares"). The extent of executive Directors' participation in the Plan is detailed below.

	Held at 1 April 2008 (or appointment if later) Partnership Shares		Held at 1 April 2008 (or appointment if later) Matching Shares		Held at 1 April 2008 (or appointment if later) Dividend Shares		**Held at 31 March 2009 (or cessation if earlier) Partnership Shares**		**Held at 31 March 2009 (or cessation if earlier) Matching Shares**		**Held at 31 March 2009 (or cessation if earlier) Dividend Shares**	
	Ord	B	Ord	B	Ord	B	**Ord**	**B**	**Ord**	**B**	**Ord**	**B**
M J Queen	926	2,154	1,850	4,313	281	575	**1,282**	**1,527**	**2,562**	**3,082**	**415**	**490**
J S Wilson (appointed 1 October 2008)												
	374	344	748	689	24	4	**642**	**344**	**1,284**	**689**	**60**	**4**
S P Ball (until 30 November 2008)												
	379	623	757	1,247	26	22	**522**	**623**	**1,043**	**1,247**	**42**	**22**
P E Yea (until 27 January 2009)												
	466	886	933	1,777	59	98	**658**	**886**	**1,317**	**1,777**	**78**	**98**

Notes

1. In the period from 1 April 2009 to 1 May 2009, Mr M J Queen and Mrs J S Wilson each acquired a further 40 partnership ordinary shares and 80 matching ordinary shares.
2. During the year, ordinary shares were awarded under the Plan at prices between 888.7p and 199p per share and with an average price of 433.3p per share.

Pension arrangements

The executive Directors are members of the 3i Group Pension Plan, a defined benefit contributory scheme. The Plan provides for a maximum pension of two-thirds of final pensionable salary (limited, in the case of members joining on or after 1 June 1989, to the plan earnings cap) on retirement (normally at age 60). The Plan also provides death-in-service cover of four times final pensionable salary (limited to the earnings cap where this applies), pensions payable in the event of ill health and spouses' pensions on death. Further details of the Plan are set out in note 9 to the financial statements on pages 105 and 106.

	(note 1)	(note 1)	(notes 1 & 2)	(note 3)	(note 1)	(notes 1 & 2)	(note 4)	(note 4)		
	Age at 31 March 2009	Complete years of pensionable service at 31 March 2009	Increase in accrued pension (excluding inflation) during the year to 31 March 2009 £'000 p.a.	Total accrued pension at 31 March 2009 £'000 p.a.	Director's own contributions (excluding AVCs) paid into the plan during the year to 31 March 2009 £'000 p.a.	Increase in accrued pension (including inflation) during the year to 31 March 2009 £'000 p.a.	Transfer value of the accrued benefits at 31 March 2009 £'000	Transfer value of the accrued benefits at 31 March 2008 £'000	Difference between transfer values at start and end of the accounting year, less Director's contribution £'000	Transfer value at the end of the year of the increase in accrued benefits during the year less Director's contribution £'000
M J Queen	47	21	(0.4)	232.0	20.0	10.7	3,926.3	2,916.7	989.6	(31.5)
J S Wilson	41	3	2.3	7.6	5.9	2.6	98.2	50.4	41.9	23.9
S P Ball	48	3	1.5	9.0	3.9	1.9	159.7	99.5	56.3	22.9
P E Yea	54	4	2.3	11.2	5.9	2.7	239.8	145.7	88.2	43.3

Notes

1. In the cases of Mr P E Yea and Mr S P Ball, 31 March 2009 and 30 November 2008, respectively, being the dates that they left pensionable service.
2. The increase in accrued pension shown reflects the difference between deferred pensions on leaving, payable from age 60.
3. The pensions shown are deferred pensions payable from age 60.
4. The transfer values have been calculated on the basis of actuarial advice in accordance with pensions regulations.
5. Additional voluntary contributions are excluded from the above table.
6. The pensions shown above become payable at a Normal Retirement Age of 60.

Directors' service contracts

The Chairman and the non-executive Directors hold office under the Company's Articles of Association and do not have service contracts. Their appointment letters provide that there is no entitlement to compensation or other benefits on ceasing to be a Director.

The main terms of the service contracts of the executive Directors who served in the year are shown in the following table:

Dates of contracts	Mr M J Queen:	31 March 2009
	Mrs J S Wilson:	1 October 2008
	Mr S P Ball:	19 April 2005
	Mr P E Yea:	27 July 2004
Notice period – by the Director	– Six months	
– by the Company	– 12 months	
	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.	
Termination payments	There were no provisions for compensation of executive Directors on early termination save as follows: (a) the contracts for Mr Queen and Mr Yea contained provisions entitling 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; and (b) all Directors' contracts entitled the Company to give pay in lieu of notice.	

Arrangements relating to Mr Queen's previous responsibilities

Before his appointment as Chief Executive on 28 January 2009 Mr Queen had been awarded interests in various arrangements relating to his responsibilities as Managing Partner, Infrastructure and, before that, Managing Partner, Growth Capital.

(a) The Infrastructure Incentive Plan

The Infrastructure Incentive Plan was established to align the remuneration of infrastructure executives with both the interests of the Group and the objectives of infrastructure investors, who expect to see much of their return in the form of yield. Executives are granted a percentage interest in a bonus pool for each year, and required to invest from their own resources in shares in 3i Infrastructure plc as a condition of their award. The bonus pool comprises Advisory Fees and Performance Fees received by the Group as investment adviser to 3i Infrastructure plc. In general 50% of the participant's share of the bonus pool is paid out shortly after the end of the year to which the fees relate, 25% a year later and 25% two years later. Mr Queen undertook to invest approximately £1 million in 3i Infrastructure plc shares over three years from 13 March 2007 (and to retain these shares for a three-year period) and has to date invested a total of £889,000. Mr Queen remains entitled to his existing participation in the Infrastructure Incentive Plan for periods to 31 March 2009 and will continue to receive payments in relation to that participation. However, following his appointment as Chief Executive, Mr Queen will not be eligible to receive further awards under this plan and will not be required to make the final instalment of the investment referred to above.

	Scheme interests, being the percentage of the bonus pool in which the participant is interested					
	Award as at 1 April 2008	Awarded in year	**As at 31 March 2009**	End of period over which interests may vest	Amounts received in respect of scheme interests in year £'000	Amounts receivable in respect of scheme interests in future years £'000
M J Queen						
Vintage year 2007-08	16.4%	5.94%	**22.34%**	31.03.10	1,524	1,524
Vintage year 2008-09	–	15.5%	**15.5%**	31.03.10	–	1,413

Note

Amounts receivable under scheme interests are payable as follows: for vintage year 2007-08, 50% was paid in July 2008 and 25% is expected to be paid in each of July 2009 and July 2010; for vintage year 2008-09, 50% will be paid in July 2009 and 25% is expected to be paid in each of July 2010 and July 2011.

(b) Co-investment plans

	Invested to 1 April 2008 £'000	Invested during the year £'000	**Total invested to 31 March 2009 £'000**
M J Queen			
Global Growth Co-invest 2006-08 plans	97	–	**97**

	Scheme interests, being the percentage of the relevant pool of investments in which the participant is interested					
	As at 1 April 2008	Acquired in year	**As at 31 March 2009**	End of period over which interests may vest	Amounts receivable in respect of scheme interests vested in year £'000	**Accrued value of scheme interests as at 31 March 2009 £'000**
M J Queen						
Global Growth Co-invest 2006-08 plans	0.023%	–	**0.023%**	31.07.08	Nil	**30**

Notes

1. Mr Queen ceased to be eligible to make any further related co-investment in the above plan with effect from 1 April 2007, following his appointment as Managing Partner, Infrastructure.
2. The accrued value of the scheme interest is calculated on the basis set out in note 5 on page 102. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to an actual payment to the participant.

(c) Carried interest plans

	Scheme interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits					
	As at 1 April 2008	Awarded in year	**As at 31 March 2009**	End of period over which interests may vest	Amounts receivable in respect of scheme interests vested in year £'000	**Accrued value of scheme interests as at 31 March 2009 £'000**
M J Queen						
Pan-european Growth Capital 2005-06	0.44%	–	**0.44%**	31.03.10	342	**642**
Infrastructure 2005-06	0.69%	–	**0.69%**	16.05.10	Nil	**469**
Primary Infrastructure 2005-06	0.53%	–	**0.53%**	19.08.10	Nil	**33**
Global Growth 2006-08 plans	0.34%	–	**0.34%**	31.03.11	Nil	**Nil**

Notes

1. As disclosed previously, in recognition of Mr Queen's increased focus on infrastructure investment on his appointment in 2007 as Managing Partner, Infrastructure, his level of participation in the Global Growth 2006–08 carried interest plan was cut by half, from 0.68% to 0.34% of investments. After consultation with major shareholders, it was decided that he would instead receive an exceptional payment, part of which was deferred over the three years from 2007-08 to 2009-10. The second payment as part of this arrangement, in respect of 2008-09, is set out in note 2 to the table on page 83.
2. Normally, before any payment to a participant becomes due under the carried interest plans, the Group and funds under its management must first have received back the amount of their investment in the relevant vintage together with a management charge (ranging between 1% and 2.5% per annum) and a hurdle rate of 8% per annum compound on their investment.
3. The accrued values of the scheme interests are calculated on the basis set out in note 5 on page 102. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to a payment to the participant.
4. Total carried interest, for all executives eligible to participate, does not exceed 15% of the relevant pool of investments made over a specific period (usually two years).

(d) Combined carried interest and co-investment plans

	Amounts co-invested		Scheme interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits					
	Invested during the year £'000	**Total invested to 31 March 2009 £'000**	As at 1 April 2008	Awarded in year	Forfeited in year	**As at 31 March 2009**	End of period over which interests may vest	Amounts receivable in respect of scheme interests vested in year £'000	**Accrued value of scheme interests as at 31 March 2009 £'000**
M J Queen									
Global Growth 08-10			–	0.24%	0.21%	**0.03%**	31.03.13	Nil	**Nil**
India Infrastructure 07-10			–	2.43%	1.43%	**1.00%**	30.09.12	Nil	**418**

Note

In accordance with the provisions of the relevant plans, following his appointment as Chief Executive, Mr Queen forfeited a proportion of his interests in the Global Growth 08-10 and India Infrastructure 07-10 plans.

Audit

The tables in this report (including the notes thereto) on pages 83 to 90 have been audited by Ernst & Young LLP.

By Order of the Board

Lord Smith of Kelvin Chairman, Remuneration Committee

8 May 2009

8

Financial statements

Pages 91-120

Independent auditors' report to the members of 3i Group plc

We have audited the Group and parent company financial statements (the "financial statements") of 3i Group plc for the year ended 31 March 2009 which comprise the Consolidated income statement, the Group and parent company Balance sheets, the Group and parent company Cash flow statements, the Group and parent company Reconciliation of movements in equity, the Group and parent company Statement of recognised income and expense and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the corporate governance information reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report and portfolio and additional information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;

– the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;

– the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

– the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP Registered auditor
8 May 2009

London

Income statement

for the year to 31 March

	Notes	**2009 £m**	2008 £m
Realised profits over value on the disposal of investments	2	**63**	523
Unrealised (losses)/profits on the revaluation of investments	3	**(2,440)**	291
		(2,377)	814
Portfolio income			
Dividends		**65**	56
Income from loans and receivables		**108**	149
Fees receivable	4	**(2)**	22
Gross portfolio return	1	**(2,206)**	1,041
Fees receivable from external funds	1	**75**	60
Carried interest			
Carried interest receivable from external funds	5	**(3)**	60
Carried interest and performance fees payable	5	**56**	(152)
Operating expenses	6	**(250)**	(274)
Net portfolio return		**(2,328)**	735
Interest receivable	10	**34**	89
Interest payable	10	**(120)**	(105)
Movement in the fair value of derivatives	11	**(38)**	158
Exchange movements	13	**505**	(44)
Other finance income		**3**	1
(Loss)/profit before tax		**(1,944)**	834
Income taxes	12	**(4)**	(6)
(Loss)/profit for the year		**(1,948)**	828
Earnings per share			
Basic (pence)	28	**(522.2)**	207.9
Diluted (pence)	28	**(522.2)**	173.4

Statement of recognised income and expense

for the year to 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
(Loss)/profit for the year		**(1,948)**	828	**(1,602)**	882
Exchange differences on translation of foreign operations		**(190)**	6	**–**	–
Revaluation of own-use property		**(4)**	(1)	**(3)**	(1)
Actuarial losses	9	**(8)**	(41)	**–**	–
Total recognised income and expense for the year		**(2,150)**	792	**(1,605)**	881
Analysed in reserves as:					
Revenue	26	**99**	111	**20**	94
Capital	26	**(2,059)**	675	**(1,625)**	787
Translation reserve	26	**(190)**	6	**–**	–
		(2,150)	792	**(1,605)**	881

Reconciliation of movements in equity

for the year to 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Total equity at start of year		**4,057**	4,249	**3,930**	4,020
Equity settled call option		**5**	–	**5**	–
Total recognised income and expense for the year		**(2,150)**	792	**(1,605)**	881
Share-based payments	8	**3**	8	**3**	8
Ordinary dividends	29	**(64)**	(70)	**(64)**	(70)
Issue of B shares	21	**–**	(808)	**–**	(808)
Issues of ordinary shares	26	**9**	19	**9**	19
Buy-back of ordinary shares	26	**–**	(120)	**–**	(120)
Own shares	26	**2**	(13)	**–**	–
Total equity at end of year		**1,862**	4,057	**2,278**	3,930

Balance sheet
as at 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Assets					
Non-current assets					
Investments					
Quoted equity investments	13	611	889	551	770
Unquoted equity investments	13	1,970	3,209	715	1,050
Loans and receivables	13	1,469	1,918	303	513
Investment portfolio		4,050	6,016	1,569	2,333
Carried interest receivable		44	75	44	75
Interests in Group entities	14	–	–	2,641	3,140
Property, plant and equipment	15	22	30	4	8
Total non-current assets		4,116	6,121	4,258	5,556
Current assets					
Other current assets	16	70	49	176	182
Derivative financial instruments	18	10	24	10	24
Deposits		59	44	26	25
Cash and cash equivalents		675	752	545	611
Total current assets		814	869	757	842
Total assets		4,930	6,990	5,015	6,398
Liabilities					
Non-current liabilities					
Carried interest payable		(51)	(110)	–	–
Loans and borrowings	19	(1,793)	(1,509)	(1,522)	(1,224)
B shares	21	(12)	(21)	(12)	(21)
Convertible bonds	20	(384)	–	(384)	–
Subordinated liabilities	22	(7)	(14)	–	–
Retirement benefit deficit	9	(18)	(38)	–	–
Deferred income taxes	12	–	(2)	–	–
Provisions	24	(18)	(5)	–	–
Total non-current liabilities		(2,283)	(1,699)	(1,918)	(1,245)
Current liabilities					
Trade and other payables	23	(255)	(166)	(358)	(308)
Carried interest payable		(61)	(140)	–	–
Loans and borrowings	19	(349)	(373)	(349)	(373)
Convertible bonds	20	–	(433)	–	(433)
Derivative financial instruments	18	(112)	(108)	(112)	(108)
Current income taxes		(3)	(5)	–	(1)
Provisions	24	(5)	(9)	–	–
Total current liabilities		(785)	(1,234)	(819)	(1,223)
Total liabilities		(3,068)	(2,933)	(2,737)	(2,468)
Net assets		1,862	4,057	2,278	3,930
Equity					
Issued capital	25	284	283	284	283
Share premium	26	405	397	405	397
Capital redemption reserve	26	42	42	42	42
Share-based payment reserve	26	20	21	20	21
Translation reserve	26	(179)	11	–	–
Capital reserve	26	968	3,026	1,257	2,877
Revenue reserve	26	394	359	265	310
Other reserves	26	5	–	5	–
Own shares	27	(77)	(82)	–	–
Total equity	26	1,862	4,057	2,278	3,930

Baroness Hogg Chairman
8 May 2009

Cash flow statement

for the year to 31 March

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash flow from operating activities				
Purchase of investments	**(827)**	(2,072)	**(777)**	(2,246)
Proceeds from investments	**1,308**	1,824	**1,072**	1,733
Interest received	**23**	47	**14**	21
Dividends received	**65**	56	**46**	45
Portfolio fees received	**–**	22	**–**	–
Fees received from external funds	**63**	61	**–**	–
Carried interest received	**43**	67	**43**	67
Carried interest paid	**(103)**	(154)	**–**	–
Operating expenses	**(316)**	(243)	**(144)**	(108)
Income taxes paid	**(5)**	(7)	**–**	3
Net cash flow from operations	**251**	(399)	**254**	(485)
Cash flow from financing activities				
Proceeds from issues of share capital	**9**	19	**9**	19
Buy-back of ordinary shares	**–**	(120)	**–**	(120)
Purchase of own shares	**–**	(21)	**–**	–
Disposal of own shares	**2**	8	**–**	–
Repurchase of B shares	**(9)**	(798)	**(9)**	(798)
Dividend paid	**(64)**	(70)	**(64)**	(70)
Interest received	**34**	95	**28**	88
Interest paid	**(80)**	(125)	**(79)**	(79)
Premium on call options acquired	**(78)**	–	**(78)**	–
Premium on call options sold	**29**	–	**29**	–
Proceeds from long-term borrowings	**686**	591	**686**	592
Repayment of long-term borrowings	**(585)**	(413)	**(566)**	(401)
Net cash flow from short-term borrowings	**(46)**	(23)	**(46)**	(23)
Net cash flow from derivatives	**(249)**	(110)	**(249)**	(110)
Net cash flow from deposits	**(15)**	1,624	**(1)**	1,643
Net cash flow from financing activities	**(366)**	657	**(340)**	741
Cash flow from investing activities				
Purchases of property, plant and equipment	**(4)**	(6)	**–**	–
Sales of property, plant and equipment	**3**	1	**–**	–
Net cash flow from investing activities	**(1)**	(5)	**–**	–
Change in cash and cash equivalents	**(116)**	253	**(86)**	256
Cash and cash equivalents at start of year	**752**	486	**611**	346
Effect of exchange rate fluctuations	**39**	13	**20**	9
Cash and cash equivalents at end of year	**675**	752	**545**	611

Significant accounting policies

3i Group plc (the "Company") is a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements for the year to 31 March 2009 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented. The accounting policies of the Company are the same as for the Group except where separately disclosed.

The financial statements were authorised for issue by the Directors on 8 May 2009.

A Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 1985.

New standards and interpretations not applied
The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

		Effective for period beginning on or after
IFRS 2	Amendment – Share-based payments: Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Borrowing Costs (Revised)	1 January 2009
IAS 27	Amendment – Consolidation and Separate Financial Statements	1 July 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IAS 32/IAS 1	Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39	Eligible Hedged Items	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estates	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to early adopt.

B Basis of preparation

The financial statements are presented in sterling, the functional currency of the Company, rounded to the nearest million pounds (£m) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 relating to the investment portfolio (Section E).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The income statement of the Company has been omitted from these financial statements in accordance with section 230 of the Companies Act 1985.

The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

C Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

(iii) Joint ventures
Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value. This treatment is permitted by IAS 31 Interests in Joint Ventures, which requires venturer's interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.

Significant accounting policies

D Exchange differences

(i) Foreign currency transactions

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

(ii) Financial statements of non-sterling operations

The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation are recognised directly in a separate component of equity, the Translation reserve, and are released upon disposal of the non-sterling operation.

In respect of non-sterling operations, cumulative translation differences on the consolidation of non-sterling operations are being accumulated from the date of transition to IFRS, 1 April 2004, and not from the original acquisition date.

E Investment portfolio

(i) Recognition and measurement

Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Group manages its investments with a view to profiting from the receipt of dividends and changes in fair value of equity investments.

Quoted investments are designated at fair value through profit and loss and subsequently carried in the balance sheet at fair value. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted equity investments are designated at fair value through profit and loss and are subsequently carried in the balance sheet at fair value. Fair value is measured using the International Private Equity and Venture Capital valuation guidelines, details of which are in the section called Portfolio valuation – an explanation.

Other investments including loan investments, bonds, fixed income shares and variable funding notes are included as loans and receivables. Loans, bonds and fixed income shares are carried in the balance sheet at amortised cost less impairment. For more detail see the section called Portfolio valuation – an explanation. Variable funding notes are used to invest in debt instruments and are carried in the balance sheet at the value derived from the bid prices of the underlying debt instruments taking into account the Group's obligations under the funding contract. The fair value of loans and receivables is not anticipated to be substantially different to the holding value.

All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying 3i Group's valuation policies.

(ii) Income

Gross portfolio 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 but excluding exchange movements. Investment income is analysed into the following components:

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

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

(c) 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:

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value.
- Dividends from equity investments are recognised in the income statement when the shareholders' rights to receive payment have been established, except to the extent that dividends paid out of pre-acquisition reserves adjust the fair value of the equity investment.
- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

F Fees receivable from external funds

(i) Fund management fees

The Group manages private equity funds, which primarily co-invest alongside the Group. Fees earned from the ongoing management of these funds are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(ii) Advisory fees

The Group acts as investment adviser to private equity funds. Fees earned from the provision of investment advisory services are recognised on an accruals basis in accordance with the substance of the relevant investment advisory agreement.

(iii) Performance fees

The Group earns a performance fee from funds to which it provides investment advisory services where specified performance targets are achieved. Performance fees are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(iv) Support services fees

The Group provides support services to external funds, including accounting, treasury management, corporate secretariat and investor relations. Fees earned from the provision of these support services are recognised on an accruals basis in accordance with the relevant support services agreement.

G Carried interest

(i) Carried interest receivable

The Group earns a share of profits ("carried interest receivable") from funds which it manages on behalf of third parties. These profits are earned once the funds meet certain performance conditions.

Carried interest receivable is only accrued on those managed funds in which the fund's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the fund were realised at fair value. Fair value is determined using the Group's valuation methodology and is measured at the balance sheet date. An accrual is made equal to the Group's share of profits in excess of the performance conditions, taking into account the cash already returned to fund investors and the fair value of assets remaining in the fund.

(ii) Carried interest payable

The Group offers investment executives the opportunity to participate in the returns from successful investments. "Carried interest payable" is the term used for amounts payable to executives on 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 scheme. Carried interest payable is only accrued on those schemes in which the scheme's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the scheme 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 scheme.

H Property, plant and equipment

(i) Land and buildings

Land and buildings are carried in the balance sheet at fair value less depreciation and impairment. Fair value is determined at each balance sheet date from valuations undertaken by professional valuers using market-based evidence. Any revaluation surplus is credited directly to the Capital reserve in equity except to the extent that it reverses a previous valuation deficit on the same asset charged in the income statement in which case the surplus is recognised in the income statement to the extent of the previous deficit. Any revaluation deficit that offsets a previously recognised surplus in the same asset is directly offset against the surplus in the Capital reserve. Any excess valuation deficit over and above that previously recognised in surplus is charged in the income statement.

Depreciation on revalued buildings is charged in the income statement over their estimated useful life, generally over 50 years.

(ii) Vehicles and office equipment

Vehicles and office equipment are depreciated by equal annual instalments over their estimated useful lives as follows: office equipment five years; computer equipment three years; computer software three years; motor vehicles four years.

(iii) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The interest element of the rental obligations is charged in the income statement over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

I Treasury assets and liabilities

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

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

(ii) Deposits

Deposits in the balance sheet comprise longer term deposits with an original maturity of greater than three months.

(iii) Bank loans, loan notes and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. 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. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(iv) Convertible Bonds

The Convertible Bonds are cash settled and are regarded as compound instruments consisting of a liability and a derivative instrument (see policy below for derivatives). Subsequent to initial recognition the conversion option is measured as a derivative financial instrument with the market value of the instrument at period end used as its fair value. The remainder of the proceeds are allocated to the liability component and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

(v) Derivative financial instruments

Derivative financial instruments have historically been used to manage the risk associated with foreign currency fluctuations of the investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of foreign currency contracts, currency swaps and interest rate swaps. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts for contracts with similar maturity profiles. The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. All changes in the fair value of financial instruments are taken to the income statement.

Derivatives over own shares are classified as equity when they will be settled by the exchange of a fixed amount of shares for a fixed amount of cash.

(vi) Subordinated liabilities

The Group has some limited recourse funding, which individually finances investment assets, at various fixed rates of interest and whose maturity is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the individual Group entity to which the funds have been advanced and becomes non-repayable as the assets fail. These liabilities are held in the balance sheet at the amount expected to be repayable based on the underlying assets. Changes in the amounts repayable as a result of changes in the underlying assets are treated as other income in the income statement. Interest payable on subordinated liabilities is charged as it accrues by reference to the principal outstanding and the effective interest rate applicable.

Significant accounting policies

J Employee benefits

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged to the income statement 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. Current service costs are recognised in the income statement. Past service costs are recognised to the extent that they are vested in the income statement. Actuarial gains or losses are recognised in full as they arise as part of the statement of recognised income and expense.

A retirement benefit deficit is recognised in the balance sheet 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 balance sheet 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.

(ii) Share-based payments

In accordance with the transitional provisions of IFRS 1, the requirements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005. The costs of share-based payments made by the Company in respect of subsidiaries' employees are treated as additional investments in those subsidiaries.

The Group enters into arrangements that are equity-settled share-based payments with certain employees. These are measured at fair value at the date of grant, which is then recognised in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model. 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 period. The movement in cumulative charges since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

K Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in the level of impairment is recognised directly in the income statement. An impairment loss is reversed at subsequent balance sheet dates to the extent that the asset's carrying amount does not exceed its carrying value had no impairment been recognised.

L Other liabilities

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.

M Share capital

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.

N Provisions

Provisions are recognised when the Group has a present obligation of uncertain timing or amount as a result of past events, and it is probable that the Group 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 balance sheet date, and are discounted to present value if the effect is material. Changes in provisions are recognised in the income statement for the period.

O Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement, 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 income statement 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. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

1 Segmental analysis

Year to 31 March 2009	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return							
Realised profits/(losses) over value on the disposal of investments	255	(66)	(20)	–	4	(110)	63
Unrealised (losses)/profits on the revaluation of investments	(995)	(1,029)	(62)	26	(68)	(312)	(2,440)
Portfolio income	62	60	32	–	11	6	171
	(678)	(1,035)	(50)	26	(53)	(416)	(2,206)
Fees receivable from external funds	45	1	26	3	–	–	75
Net (investment)/divestment							
Realisation proceeds	494	461	117	–	27	209	1,308
Investment	(519)	(343)	(50)	(3)	–	(53)	(968)
	(25)	118	67	(3)	27	156	340
Balance sheet							
Value of investment portfolio at end of year	1,467	1,574	371	171	153	314	4,050

Year to 31 March 2008	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return							
Realised profits over value on the disposal of investments	370	75	6	–	7	65	523
Unrealised profits/(losses) on the revaluation of investments	245	160	43	(42)	(27)	(88)	291
Portfolio income	116	67	18	–	20	6	227
	731	302	67	(42)	–	(17)	1,041
Fees receivable from external funds	39	2	18	1	–	–	60
Net divestment/(investment)							
Realisation proceeds	858	503	57	18	136	170	1,742
Investment	(788)	(990)	(38)	(182)	(6)	(156)	(2,160)
	70	(487)	19	(164)	130	14	(418)
Balance sheet							
Value of investment portfolio at end of year	2,025	2,366	501	142	244	738	6,016

Year to 31 March 2009	UK £m	Continental Europe £m	Asia £m	North America £m	Rest of World £m	Total £m
Gross portfolio return	(494)	(972)	(285)	(439)	(16)	(2,206)
Fees receivable from external funds	47	19	9	–	–	75
Net (investment)/divestment						
Realisation proceeds	280	795	127	106	–	1,308
Investment	(316)	(539)	(46)	(63)	(4)	(968)
	(36)	256	81	43	(4)	340
Balance sheet						
Value of investment portfolio at end of year	1,719	1,618	491	209	13	4,050

Year to 31 March 2008	UK £m	Continental Europe £m	Asia £m	North America £m	Rest of World £m	Total £m
Gross portfolio return	372	559	149	(30)	(9)	1,041
Fees receivable from external funds	37	18	5	–	–	60
Net (investment)/divestment						
Realisation proceeds	783	894	25	40	–	1,742
Investment	(972)	(707)	(171)	(303)	(7)	(2,160)
	(189)	187	(146)	(263)	(7)	(418)
Balance sheet						
Value of investment portfolio at end of year	2,250	2,573	679	497	17	6,016

2 Realised profits over value on the disposal of investments

	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m	2008 Unquoted equity £m	2008 Quoted equity £m	2008 Loans and receivables £m	2008 Total £m
Net proceeds	1,023	172	113	1,308	1,081	199	462	1,742
Valuation of disposed investments	(896)	(214)	(117)	(1,227)	(627)	(162)	(425)	(1,214)
Investments written off	(14)	–	(4)	(18)	(2)	–	(3)	(5)
	113	(42)	(8)	63	452	37	34	523

Notes to the financial statements

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

	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m	2008 Unquoted equity £m	2008 Quoted equity £m	2008 Loans and receivables £m	2008 Total £m
Movement in the fair value of equity	**(1,323)**	**(126)**	**–**	**(1,449)**	415	64	–	479
Provisions, loan impairments and other movements*	**(110)**	**–**	**(881)**	**(991)**	(109)	–	(79)	(188)
	(1,433)	**(126)**	**(881)**	**(2,440)**	306	64	(79)	291

*Included within loan impairments for the Group and Company is an £112 million value reduction for variable funding notes relating to the debt warehouse (2008: £12 million).

Provisions have been recognised only on investments where it is considered there is a 50% risk of failure. All other value movements are included within the movement in the fair value of equity.

4 Fees receivable

	2009 £m	2008 £m
Fees receivable	**13**	45
Deal-related costs	**(15)**	(23)
	(2)	22

Fees receivable include fees arising from the ongoing management of the portfolio together with fees arising from making investments. Deal-related costs represent fees incurred in the process to acquire an investment.

5 Carried interest

	2009 £m	2008 £m
Carried interest receivable from external funds	**(3)**	60
Carried interest and performance fees payable	**56**	(152)
	53	(92)

Carried interest receivable represents the Group's share of profits from external funds. Each fund is reviewed at the balance sheet date and income is accrued based on fund profits in excess of the performance conditions within the fund, taking into account cash already returned to fund investors and the fair value of assets remaining in the fund.

Carried interest payable represents the amount payable to executives from the Group's carried interest schemes. As with carried interest receivable, each scheme is separately reviewed at the balance sheet date, and an accrual made equal to the executives' share of profits once the performance conditions in the scheme have been met. During the period, the performance of some of the schemes resulted in a reversal of the accrual recognised as at 31 March 2008 resulting in the £56 million gain.

6 Operating expenses

Operating expenses include the following amounts:

	2009 £m	2008 £m
Depreciation of property, plant and equipment	**7**	7
Audit fees	**2**	1
Staff costs (note 7)	**110**	178
Restructuring and redundancy costs	**45**	8

Services provided by the Group's auditors
During the year the Group obtained the following services from the Group's auditors, Ernst & Young LLP:

	2009 £m	2008 £m
Audit services		
Statutory audit – Company	**0.6**	0.3
– UK subsidiaries	**0.5**	0.6
– Overseas subsidiaries	**0.4**	0.4
Audit-related regulatory reporting	**0.1**	0.1
	1.6	1.4
Non-audit services		
Investment due diligence	**0.3**	0.4
Tax services (compliance and advisory services)	**0.2**	0.2
	2.1	2.0

Non-audit services
These services are services that could be provided by a number of firms, including general consultancy work. Work is allocated to the auditors only if it does not impact the independence of the audit team.

In addition to the above, Ernst & Young LLP has received fees from investee companies. It is estimated that Ernst & Young LLP receive less than 15% of the total investment-related fees paid to the four largest accounting firms.

Ernst & Young LLP also acts as auditor to the 3i Group Pension Plan. The appointment of the auditors to this Plan and the fees paid in respect of the audit are agreed by the trustees who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit services to the pension scheme during the year were less than £0.1 million (2008: less than £0.1 million).

7 Staff costs

	2009 £m	2008 £m
Wages and salaries	**73**	130
Social security costs	**11**	20
Share-based payment costs (note 8)	**12**	12
Pension costs (note 9)	**14**	16
	110	178

The average number of employees during the year was 702 (2008: 772).

Wages and salaries shown above include salaries paid in the year and bonuses relating to the year. These costs are charged against operating expenses.

8 Share-based payments

The Group has a number of share schemes that allow employees to acquire shares in the Company.

The total cost recognised in the income statement is shown below:

	2009 £m	2008 £m
Share options*	**1**	6
Performance shares*	**2**	2
Share incentive plan	**1**	1
Deferred bonus shares	**8**	3
	12	12

*Credited to equity.

The features of the Group's share schemes are set out below. For legal or regulatory 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.

Share options

(i) The 3i Group Discretionary Share Plan

Options granted after 31 March 2001 were granted under the Discretionary Share Plan and are normally exercisable between the third and tenth anniversaries of the date of grant to the extent a performance target has been met over a performance period of three years from the date of grant. For options granted between 1 April 2001 and 31 March 2003 and for options granted to three Directors in June 2003, if the minimum threshold for vesting is not achieved in the first three years from grant, the performance period is extended to four and then five years from the date of grant. For options granted between 1 April 2003 and 31 March 2004 the performance period is extended only to four years from the date of grant. For options granted after 31 March 2004, there is no opportunity for the performance condition to be re-tested after the three-year performance period.

Options granted between 1 April 2001 and 31 March 2003 were subject to a performance condition that options would vest if the annual compound growth ("ACG") in net asset value per share with dividends re-invested was RPI plus 5%. If this target was achieved then 50% of the options would vest. If the ACG was in excess of RPI plus 10% then the maximum number of shares would vest. Options would vest pro rata if the ACG was between these two amounts. For options granted between 31 March 2003 and 1 April 2004 the target ACG was RPI plus 3% with maximum vesting at RPI plus 6%, except for options granted to three Directors in June 2003 where the target ACG was RPI plus 5% with maximum vesting at RPI plus 10%. For options granted after 1 April 2005 the target ACG was RPI plus 3% with maximum vesting at RPI plus 8%.

(ii) The 3i Group 1994 Executive Share Option

Plan Options granted before 31 March 2001 were granted under this plan and are normally exercisable between the third and tenth anniversaries of the date of grant provided that a performance condition has been met over a rolling three-year period. This requires that the adjusted net asset value per share (with dividends re-invested) at the end of the three-year period is equal to or in excess of the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

Details of share options outstanding during the year are as follows:

	2009 Number of share options	2009 Weighted average exercise price (pence)	2008 Number of share options	2008 Weighted average exercise price (pence)
Outstanding at start of the year	**12,577,113**	**781**	16,894,767	712
Granted	**3,126,458**	**665**	1,360,430	1,165
Exercised	**(1,233,466)**	**661**	(4,210,287)	637
Lapsed	**(1,344,675)**	**858**	(1,467,797)	764
Outstanding at end of year	**13,125,430**	**758**	12,577,113	781
Exercisable at end of year	**7,414,046**	**713**	6,821,753	735

Included within the total number of share options are options over 2 million (2008: 3 million) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

8 Share-based payments (continued)

The range of exercise prices for options outstanding at the year end was:

Year ended 31 March Year of grant	2009 Weighted average exercise price (pence)	2009 Number	2008 Weighted average exercise price (pence)	2008 Number
1999	–	–	628	325,590
2000	832	409,165	819	579,862
2001	1,356	687,704	1,341	1,024,860
2002	895	9,300	895	16,761
2003	647	995,892	644	1,132,187
2004	571	963,684	571	1,088,933
2005	596	2,062,830	597	2,408,538
2006	691	2,285,471	692	3,312,195
2007	839	1,346,734	839	1,388,851
2008	1,165	1,260,092	1,165	1,299,336
2009	664	3,104,558	–	–
	758	13,125,430	781	12,577,113

Options are exercisable at a price based on the market value of the Company's shares on the date of grant.

The weighted average share price at the date of exercise during the year was 872p (2008: 1,136p). The options outstanding at the end of the year have a weighted average contractual life of 6.33 years (2008: 6.07 years). The cost of share options is spread over the vesting period of three to five years. The weighted average fair value of options granted during the year was 241p (2008: 456p). These fair values were calculated using the Black-Scholes option pricing model.

The inputs to this model were as follows:

	2009	2008
Weighted average share price (pence)	636	1,195
Average expected volatility (%)	47	29
Expected life (years)	8.5	8.5
Average risk-free rate (%)	4.6	5.5
Average expected dividend yield (%)	3.6	1.7

The expected life of the option is based on the best estimate of the Directors following a review of the profile of the award holders. Expected volatility was determined using an average of the implied volatility on grant and historic share price volatility of the preceding 8.5 years. No options have been repriced during the year (2008: nil).

Performance share awards

Performance Share awards made under the 3i Group Discretionary Share Plan during the year were conditional awards of shares to executives which will be transferred to the participant by the 3i Group Employee Trust on vesting. Awards are subject to a performance condition determining whether and to what extent the award will vest. There are two types of awards: conditional Performance Share awards and conditional Super-performance Share awards.

The performance condition for Performance Share awards made during the year is based on the outperformance of the theoretical growth in value of a shareholding in the Company (with dividends reinvested) for the three year performance period from grant (averaged over a 60 day period) compared to the growth in value of the FTSE 100 Index (with dividends reinvested) adjusted for mergers, demergers and delistings over that period. At an outperformance level below 0% per annum no part of the award will vest. At an outperformance level of 0% per annum, 35% of the award will vest and above 8% per annum the full award will vest. At outperformance levels between 0% and 8%, the award will vest on a pro rata basis.

Performance Share awards made before 1 April 2007, were restricted awards which vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group consisting of the FTSE 100 Index constituents at the grant date (adjusted for mergers, demergers and delistings during the performance period). A company's percentage rank is its rank in the comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest pro rata.

Super-performance Share awards made during the year were conditional awards of shares which are subject to a particularly challenging performance condition. The performance condition requires annual percentage compound growth in the net asset value per share (with dividends re-invested) over the three-year period of RPI plus 10 percentage points per annum to achieve minimum vesting of 25% of the award; RPI plus 13.5 percentage points per annum to achieve 50% vesting; and RPI plus 17 percentage points per annum to achieve maximum vesting.

The performance condition is measured over a three-year period. If the condition is satisfied, the awards remain subject to a further two-year holding period before they vest.

Super-performance Share awards made before 1 April 2007, were restricted awards which were transferred to the participants by the 3i Group Employee Trust on terms that the shares would be forfeited to the extent the performance condition was not satisfied and in certain other circumstances.

Share Incentive Plan

Eligible UK employees may participate in an Inland Revenue approved Share Incentive Plan intended to encourage employees to invest in the Company's shares. Accordingly it is not subject to a performance condition. During the year participants could invest up to £125 per month from their pre-tax salaries in the Company's shares (referred to as partnership shares). For each share so acquired the Company grants two free additional shares (referred to as matching shares) which are normally subject to forfeiture if the employee ceases to be employed (other than by reason of retirement) within three years of grant. Dividends are re-invested on behalf of participants in further shares (referred to as dividend shares).

Deferred Bonus Share Plan

Certain employees receive an element of their bonus as shares. These shares are held in trust for two years by the trustee of the 3i Group Employee Trust in a nominee capacity. The fair value of the deferred shares is the share price at date of the award.

Employee trust

The Group has established the 3i Group Employee Trust which holds shares in 3i Group plc to meet its obligations under certain share schemes. The share schemes which use this trust are the 3i Group Discretionary Share Plan and the Deferred Bonus Share Plan.

9 Retirement benefit deficit

Retirement benefit plans

(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 the country's government. The French subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognised in profit or loss is £6 million (2008: £5 million), which represents the contributions payable to these plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit scheme

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK. The plan has not been offered to new employees joining 3i since 1 April 2006. The plan is a funded scheme, the assets of which are independent of the Company's finances and are administered by the trustees.

The last full actuarial valuation as at 30 June 2007 was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2009.

The principal assumptions made by the actuaries and used for the purpose of the year end valuation were as follows:

	2009	2008
Discount rate	6.7%	6.0%
Expected rate of salary increases	5.7%	6.0%
Expected rate of pension increases	3.6%	3.8%
Price inflation	3.2%	3.5%
Expected return on Plan assets	6.2%	6.2%

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2009 are based on 80% PNA medium cohort (2008: 80%) with 1.5% pa minimum annual improvement "PA00 medium cohort table" (2008: 1.5% PA00 medium cohort table). The life expectancy of a male member reaching age 60 in 2029 (2008: 2028) is projected to be 33.8 (2008: 33.6) years compared to 30.3 (2008: 30.2) years for someone reaching 60 in 2009.

The amount recognised in the balance sheet in respect of the Group's defined benefit plan is as follows:

	2009 £m	2008 £m
Present value of funded obligations	437	515
Fair value of Plan assets	(419)	(477)
Retirement benefit deficit	18	38

Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

	2009 £m	2008 £m
Included in operating costs		
Current service cost	8	10
Included in finance costs (note 10)		
Expected return on Plan assets	(30)	(30)
Interest on obligation	31	24
Included in statement of recognised income and expenses		
Actuarial loss	8	41
	17	45

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

	2009 £m	2008 £m
Opening defined benefit obligation	515	480
Current service cost	8	10
Past service cost	–	1
Interest cost	31	24
Actuarial (gain)/loss	(102)	12
Contributions	1	1
Benefits paid	(16)	(13)
Closing defined benefit obligation	437	515

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

	2009 £m	2008 £m
Opening fair value of Plan assets	477	479
Expected returns	30	30
Actuarial loss	(110)	(29)
Contributions	38	10
Benefits paid	(16)	(13)
Closing fair value of Plan assets	419	477

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

Notes to the financial statements

9 Retirement benefit deficit (continued)

The fair value of the Plan assets at the balance sheet date is as follows:

	2009 £m	2008 £m
Equities	216	261
Gilts	204	217
Other	(1)	(1)
	419	477

The actual return on Plan assets for the year was a loss of £79 million (2008: gain of £1 million).

The Plan assets do not include any of the Group's own equity instruments nor any property in use by the Group. The expected rate of returns of individual categories of Plan assets is determined by reference to individual indices.

The history of the Plan is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	437	515	480	472	390
Fair value of Plan assets	(419)	(477)	(479)	(455)	(367)
Deficit	18	38	1	17	23
Experience adjustments on Plan liabilities	(2)%	(1)%	2%	–	(4)%
Experience adjustments on Plan assets	26%	6%	–	(11)%	(4)%

The cumulative actuarial losses recognised in equity are £52 million (2008: losses £44 million).

The Group expects to make regular contributions of approximately £12 million to the Plan in the year to 31 March 2010. The triennial valuation completed in September 2008 resulted in an actuarial deficit of £86 million. The Group has agreed to fund this over five years making contributions of £20 million per annum. Included with note 34 (Post Balance Sheet Events) are details regarding further commitments to the UK defined benefit plan.

German retirement scheme

Employees in Germany are entitled to a pension based on their length of service. 3i Deutschland GmbH contributes to individual investment policies for its employees and has agreed to indemnify any shortfall on an employee's investment policy should it arise. The total value of 3i Deutschland GmbH's investment policies intended to cover pension liabilities is £5 million (2008: £4 million) and the future liability calculated by German actuaries is £7 million (2008: £5 million). The Group carries both the asset and liability in its consolidated financial statements and has recognised an actuarial loss of £2 million (2008: £1 million).

10 Net interest payable

	2009 £m	2008 £m
Interest receivable		
Interest on bank deposits	34	83
Net finance income on pension plan	–	6
	34	89
Interest payable		
Interest on loans and borrowings	(84)	(86)
Interest on Convertible Bonds	(17)	(4)
Amortisation of Convertible Bonds	(20)	(7)
Subordinated borrowings*	2	(8)
Net finance expense on pension plan	(1)	–
	(120)	(105)
Net interest payable	(86)	(16)

*Includes fair value movement on the underlying loan.

11 Movement in the fair value of derivatives

	2009 £m	2008 £m
Forward foreign exchange contracts and currency swaps	4	(1)
Interest-rate swaps	(46)	(3)
Derivative element of Convertible Bonds	58	162
Call options	(54)	–
	(38)	158

Further information on interest-rate swaps is provided in note 18 and on 3i's Convertible Bonds in note 20.

12 Income taxes

	2009 £m	2008 £m
Current taxes		
Current year	**(6)**	(5)
Deferred taxes		
Deferred income taxes	**2**	(1)
Total income taxes in the income statement	**(4)**	(6)

Reconciliation of income taxes in the income statement
The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 28% (2008: 30%), and the differences are explained below:

	2009 £m	2008 £m
Profit before tax	**(1,944)**	834
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	**544**	(250)
Effects of:		
Permanent differences	**3**	(3)
Short-term timing differences	**4**	(8)
Current period unutilised tax losses	**–**	(2)
Prior period utilised tax losses	**–**	18
Non-taxable UK dividend income	**5**	10
Foreign tax	**(6)**	(5)
Foreign tax credits available for double tax relief	**3**	1
Realised profits, changes in fair value and impairment losses not taxable	**(557)**	233
Total income taxes in the income statement	**(4)**	(6)

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

Deferred income taxes

	2009 Group balance sheet £m	2008 Group balance sheet £m
Opening deferred income tax liability		
Tax losses	**5**	12
Income in accounts taxable in the future	**(7)**	(13)
	(2)	(1)
Recognised through income statement		
Tax losses utilised	**4**	(7)
Income in accounts taxable in the future	**(2)**	6
	2	(1)
Closing deferred income tax liability		
Tax losses	**9**	5
Income in accounts taxable in the future	**(9)**	(7)
	–	(2)

At 31 March 2009 the Group had tax losses carried forward of £751 million (2008: £867 million). It is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 28% (2008: 30%).

13 Investment portfolio

	Group 2009 Equity investments £m	Group 2009 Loans and receivables £m	Group 2009 Total £m
Opening book value	**4,098**	**1,918**	**6,016**
Additions	**489**	**479**	**968**
Disposals, repayments and write-offs	**(1,124)**	**(121)**	**(1,245)**
Revaluation	**(1,449)**	**–**	**(1,449)**
Provision and impairment of loans and receivables	**(110)**	**(881)**	**(991)**
Other movements	**677**	**74**	**751**
Closing book value	**2,581**	**1,469**	**4,050**
Quoted	**611**	**–**	**611**
Unquoted	**1,970**	**1,469**	**3,439**
Closing book value	**2,581**	**1,469**	**4,050**

Notes to the financial statements

13 Investment portfolio (continued)

	Group 2008 Equity investments £m	Group 2008 Loans and receivables £m	Group 2008 Total £m
Opening book value	3,179	1,183	4,362
Additions	1,102	1,058	2,160
Disposals, repayments and write-offs	(791)	(428)	(1,219)
Revaluation	479	–	479
Provision and impairment of loans and receivables	(109)	(79)	(188)
Other movements	238	184	422
Closing book value	4,098	1,918	6,016
Quoted	889	–	889
Unquoted	3,209	1,918	5,127
Closing book value	4,098	1,918	6,016

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 to loans and receivables includes £4 million (2008: £46 million) interest received by way of loan notes. A corresponding amount has been included in income from loans and receivables.

Other movements include foreign exchange and conversions from one instrument into another.

The variable funding note, relating to the debt warehouse, is included within loans and receivables and had a carrying value of £nil (2008: £32 million).

Included within the income statement are foreign exchange gains of £505 million (2008: £(44) million). This includes exchange movements on non-monetary items (eg equity investment portfolio) and on monetary items (eg non-sterling loans and borrowings) as well as foreign exchange gains/losses on currency swaps and forward currency contracts. Foreign exchange losses on monetary items not measured at fair value total £231 million (2008: £225 million) and on currency swaps and forward currency contracts total £251 million (2008: £200 million). A further £971 million (2008: £342 million) relates to foreign currency denominated inter-company loans.

14 Interests in Group entities

	Company 2009 Equity investments £m	**Company 2009 Loans and receivables £m**	**Company 2009 Total £m**
Opening book value	**231**	**2,909**	**3,140**
Additions	**35**	**547**	**582**
Share of profits	**–**	**494**	**494**
Disposals and repayments	**(89)**	**(611)**	**(700)**
Impairment	**(50)**	**(1,268)**	**(1,318)**
Exchange movements	**–**	**443**	**443**
Closing book value	**127**	**2,514**	**2,641**

Details of significant Group entities are given in note 35.

	Company 2008 Equity investments £m	Company 2008 Loans and receivables £m	Company 2008 Total £m
Opening book value	246	1,520	1,766
Additions	31	2,171	2,202
Share of profits	–	360	360
Disposals and repayments	(46)	(1,229)	(1,275)
Impairment	–	(27)	(27)
Exchange movements	–	114	114
Closing book value	231	2,909	3,140

15 Property, plant and equipment

Land and buildings	**Group 2009 £m**	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Opening cost or valuation	**9**	10	**8**	9
Additions at cost	**–**	–	**–**	–
Disposals	**–**	–	**–**	–
Revaluation	**(4)**	(1)	**(4)**	(1)
Closing cost or valuation	**5**	9	**4**	8
Net book amount	**5**	9	**4**	8

Depreciation charged in the year on buildings was £nil (2008: £0.2 million).

15 Property, plant and equipment (continued)

Plant and equipment	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Opening cost or valuation	**49**	44	**–**	–
Additions at cost	**4**	6	**–**	–
Disposals	**(3)**	(1)	**–**	–
Closing cost or valuation	**50**	49	**–**	–
Opening accumulated depreciation	**28**	22	**–**	–
Charge for the year	**7**	7	**–**	–
Disposals	**(2)**	(1)	**–**	–
Closing accumulated depreciation	**33**	28	**–**	–
Net book amount	**17**	21	**–**	–

Assets held under finance leases (all vehicles) have the following net book amount:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cost	**1**	1	**–**	–
Aggregate depreciation	**–**	–	**–**	–
Net book amount	**1**	1	**–**	–

Finance lease rentals are payable as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Within one year	**1**	–	**–**	–
Between one and five years	**–**	1	**–**	–

The Group's freehold properties and long leasehold properties are revalued at each balance sheet date by professional valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by CBRE and Howell Brooks, independent Chartered Surveyors.

16 Other current assets

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Prepayments	**12**	39	**6**	12
Other debtors	**58**	10	**10**	9
Amounts due from subsidiaries	**–**	–	**160**	161
	70	49	**176**	182

17 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 section. References in this note to the Risk section refer only to the contents of that section and not to other information referred to from the Risk section. This note provides further detail on financial risk management, cross-referring to the Risk section where applicable, and includes quantitative data on specific financial risks.

The Group is a highly selective investor and each investment is subject to a full 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.

Capital structure

The capital structure of the Group consists of net debt, including cash held on deposit, and shareholders' equity. The type and maturity of the Group's borrowings are analysed further in note 19 and the Group's equity is analysed into its various components in note 26. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow 3i to operate effectively in the marketplace and sustain future development of the business.

	Group 2009 £m	Group 2008 £m
Cash, deposits and derivative financial assets	**744**	820
Borrowings and derivative financial liabilities	**(2,656)**	(2,458)
Net debt	**(1,912)**	(1,638)
Total equity	**1,862**	4,057
Gearing (net debt/total equity)	**103%**	40%

Capital is managed on a consolidated basis and the gearing KPI is only applicable to the Group, not the Company.

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 obligations. No significant constraints have been identified in the past and the Group has been able to distribute profits in a tax-efficient manner. The Company operates so as to qualify as a UK Investment Trust for tax purposes which necessitates its investment in subsidiaries remaining below 15% of the Company's investment portfolio.

The Group's regulated capital requirement is reviewed regularly by the Board of 3i Investments plc, an investment firm that is regulated by the FSA. The last submission to the FSA demonstrated a significant consolidated capital surplus in excess of the FSA's prudential rules. Since 1 January 2008 the Group's capital requirement has been updated following approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP) report by the Board of 3i Investments plc. Although this has increased the regulated capital requirement, there remains a significant regulatory capital surplus. Following the Group's FSA ARROW visit in June 2008, 3i Group complies with the Individual Capital Guidance as agreed with the FSA and remains at a significant regulatory capital surplus. The Group's Pillar 3 disclosure document can be found on 3iGroup.com.

Notes to the financial statements

17 Financial risk management (continued)

Financial risks

Concentration risk

The Group's exposure to and mitigation of concentration risk is explained within "investment risks" and "liquidity risks" in the Risk section. Quantitative data regarding the concentration risk of the portfolio across economic sectors and geographies can be found in the Portfolio and additional information section in the tables 3i direct portfolio by geography and 3i direct portfolio value by sector.

Credit risk

The Group is subject to credit risk on its loans, receivables, cash and deposits. The Group's cash and deposits are held with a variety of counterparties with circa 79% of the Group's surplus cash held on demand in AAA Liquidity funds. The balance is held on short-term deposit with 3i's relationship banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due it is believed that the risk of default is small and that capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the Group's investment. Where the portfolio company has failed or is expected to fail in the next 12 months, the Group's policy is to record a provision for the full amount of the loan. Loan impairments are made when the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall. Further information on how credit risk is managed is given in the Risk section. In accordance with IFRS7, the amounts shown as past due represent the total credit exposure, not the amount actually past due.

	Group 2009 not past due £m	Group 2009 up to 12 months past due £m	Group 2009 more than 12 months past due £m	Group 2009 Total £m	Company 2009 not past due £m	Company 2009 up to 12 months past due £m	Company 2009 more than 12 months past due £m	Company 2009 Total £m
Loans and receivables before provisions and impairments	**1,749**	**415**	**82**	**2,246**	**401**	**99**	**55**	**555**
Provisions on investments that have failed or expected to fail in the next 12 months	**(37)**	**(3)**	**(6)**	**(46)**	**(13)**	**(3)**	**(6)**	**(22)**
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment*	**(421)**	**(280)**	**(30)**	**(731)**	**(158)**	**(48)**	**(24)**	**(230)**
Total	**1,291**	**132**	**46**	**1,469**	**230**	**48**	**25**	**303**

	Group 2008 not past due £m	Group 2008 up to 12 months past due £m	Group 2008 more than 12 months past due £m	Group 2008 Total £m	Company 2008 not past due £m	Company 2008 up to 12 months past due £m	Company 2008 more than 12 months past due £m	Company 2008 Total £m
Loans and receivables before provisions and impairments	1,772	174	128	2,074	432	83	108	623
Provisions on investments that have failed or expected to fail in the next 12 months	(44)	(1)	(40)	(85)	(6)	(1)	(37)	(44)
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment*	(4)	(31)	(36)	(71)	(9)	(27)	(30)	(66)
Total	1,724	142	52	1,918	417	55	41	513

*Included within impairments not past due for the Group and Company is a £112 million value reduction for variable funding notes relating to the debt warehouse (2008: £12 million).

Movements on loan impairments and provisions are shown below.

	Group Provisions £m	Group Impairments £m	Group Total £m	Company Provisions £m	Company Impairments £m	Company Total £m
Balance as at 31 March 2007	(109)	(107)	(216)	(98)	(72)	(170)
Other movements	65	74	139	60	30	90
Charged to income statement in year	(41)	(38)	(79)	(6)	(24)	(30)
Balance as at 31 March 2008	(85)	(71)	(156)	(44)	(66)	(110)
Other movements	85	175	260	33	77	110
Charged to income statement in year	(46)	(835)	(881)	(11)	(241)	(252)
Balance as at 31 March 2009	**(46)**	**(731)**	**(777)**	**(22)**	**(230)**	**(252)**

Liquidity risk

Further information on how liquidity risk is managed is provided in the Risk section. The table below analyses the maturity of the Group's contractual liabilities.

Financial liabilities (excluding currency swaps and forward foreign exchange contracts)

As at 31 March 2009	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	**41**	**76**	**184**	**1,161**	**1,462**	**41**	**76**	**184**	**1,161**	**1,462**
Variable loan notes	**142**	**21**	**691**	**–**	**854**	**142**	**21**	**691**	**–**	**854**
Convertible Bond 2011 £430 million 3.625%	**15**	**15**	**438**	**–**	**468**	**15**	**15**	**438**	**–**	**468**
Committed multi-currency facility	**7**	**349**	**–**	**–**	**356**	**2**	**73**	**–**	**–**	**75**
Euro commercial paper	**240**	**–**	**–**	**–**	**240**	**240**	**–**	**–**	**–**	**240**
Interest rate swaps	**10**	**14**	**11**	**8**	**43**	**10**	**14**	**11**	**8**	**43**
Equity element of Convertible Bond	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**2**	**–**	**2**
Carried interest payable within one year	**61**	**–**	**–**	**–**	**61**	**61**	**–**	**–**	**–**	**61**
Total	**516**	**475**	**1,326**	**1,169**	**3,486**	**511**	**199**	**1,326**	**1,169**	**3,205**

17 Financial risk management (continued)

Currency swaps and forward foreign exchange contracts

As at 31 March 2009	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross amount receivable from currency swaps	258	–	–	–	258	258	–	–	–	258
Gross amount receivable from forward foreign currency contracts	220	–	–	–	220	220	–	–	–	220
Total amount receivable	478	–	–	–	478	478	–	–	–	478
Gross amount payable for currency swaps	(305)	–	–	–	(305)	(305)	–	–	–	(305)
Gross amount payable for forward foreign currency contracts	(214)	–	–	–	(214)	(214)	–	–	–	(214)
Total amount payable	(519)	–	–	–	(519)	(519)	–	–	–	(519)
Total net amount payable	(41)	–	–	–	(41)	(41)	–	–	–	(41)

Financial liabilities (excluding currency swaps and forward foreign exchange contracts)

As at 31 March 2008	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	39	39	165	1,198	1,441	39	39	165	1,198	1,441
Variable loan notes	131	114	437	–	682	131	114	437	–	682
Convertible bond 2008 €550 million 1.375%	437	–	–	–	437	437	–	–	–	437
Committed multi-currency facility	19	19	385	–	423	4	4	89	–	97
Euro commercial paper	267	–	–	–	267	267	–	–	–	267
Interest rate swaps	(1)	8	17	9	33	(1)	8	17	9	33
Equity element of Convertible Bond	6	–	–	–	6	6	–	–	–	6
Carried interest payable within one year	140	–	–	–	140	–	–	–	–	–
Total	1,038	180	1,004	1,207	3,429	883	165	708	1,207	2,963

Currency swaps and forward foreign exchange contracts

As at 31 March 2008	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross amount receivable from currency swaps	2,290	–	–	–	2,290	2,290	–	–	–	2,290
Gross amount receivable from forward foreign currency contracts	347	–	–	–	347	347	–	–	–	347
Total amount receivable	2,637	–	–	–	2,637	2,637	–	–	–	2,637
Gross amount payable for currency swaps	(2,354)	–	–	–	(2,354)	(2,354)	–	–	–	(2,354)
Gross amount payable for forward foreign currency contracts	(346)	–	–	–	(346)	(346)	–	–	–	(346)
Total amount payable	(2,700)	–	–	–	(2,700)	(2,700)	–	–	–	(2,700)
Total net amount payable	(63)	–	–	–	(63)	(63)	–	–	–	(63)

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.

(i) Interest rate risk

Further information on how interest rate risk is managed is provided in the Risk section. The direct impact of a movement in interest rates is relatively small. An increase of 100 Basis Points would lead to an approximate exposure of £5 million (2008: £4 million) for the Group and £3 million (2008: £1 million) for the Company. This exposure arises principally from changes in interest payable and receivable on floating rate and short-term instruments and changes in the fair value of interest rate derivatives held at the year end. In addition the Group and Company have indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations.

(ii) Currency risk

Further information on how currency risk is managed is provided in the Risk section. The Group's net assets in Euro, US dollar, Swedish krona, Indian rupee, Swiss franc and all other currencies combined is shown in the table below. This sensitivity analysis is based on the sensitivity of the Group and Company's net assets to movements in foreign currency exchange rates. The Group manages currency risk on a consolidated basis.

	Group 2009 Sterling £m	Group 2009 Euro £m	Group 2009 US dollar £m	Group 2009 Swedish krona £m	Group 2009 Indian rupee £m	Group 2009 Swiss franc £m	Group 2009 Other £m	Group 2009 Total £m
Net assets	750	176	707	(75)	97	(8)	215	1,862
Sensitivity analysis								
Assuming a 5% movement in exchange rates against sterling:								
Impact on exchange movements in the income statement	n/a	58	107	(11)	(2)	30	n/a	182
Impact on the translation of foreign operations in statement of recognised income and expense	n/a	(46)	(79)	10	7	(30)	n/a	(138)
Total	n/a	12	28	(1)	5	–	–	44

Notes to the financial statements

17 Financial risk management (continued)

	Company 2009 Sterling £m	Company 2009 Euro £m	Company 2009 US dollar £m	Company 2009 Swedish krona £m	Company 2009 Indian rupee £m	Company 2009 Swiss franc £m	Company 2009 Other £m	Company 2009 Total £m
Net assets	1,007	390	912	19	–	(147)	97	2,278
Sensitivity analysis								
Impact on exchange movements in the income statement assuming a 5% movement in exchange rates against sterling	n/a	14	40	5	–	(8)	7	58

	Group 2008 Sterling £m	Group 2008 Euro £m	Group 2008 US dollar £m	Group 2008 Swedish krona £m	Group 2008 Indian rupee £m	Group 2008 Swiss franc £m	Group 2008 Other £m	Group 2008 Total £m
Net assets	4,077	(24)	91	(14)	(67)	(6)	–	4,057
Sensitivity analysis								
Assuming a 5% movement in exchange rates against sterling:								
Impact on exchange movements in the income statement	n/a	10	25	(1)	(5)	–	n/a	29
Impact on the translation of foreign operations in statement of recognised income and expense	n/a	(17)	(19)	–	–	–	n/a	(36)
Total	n/a	(7)	6	(1)	(5)	–	n/a	(7)

	Company 2008 Sterling £m	Company 2008 Euro £m	Company 2008 US dollar £m	Company 2008 Swedish krona £m	Company 2008 Indian rupee £m	Company 2008 Swiss franc £m	Company 2008 Other £m	Company 2008 Total £m
Net assets	4,125	203	238	(89)	(281)	(184)	(82)	3,930
Sensitivity analysis								
Impact on exchange movements in the income statement assuming a 5% movement in exchange rates against sterling	n/a	2	8	(5)	(15)	(10)	n/a	(20)

(iii) Price risk – market fluctuations
Further information about the management of price risk, which arises principally from quoted and unquoted equity investments, is provided in the Risk section. A 5% change in the fair value of those investments would have the following direct impact on the income statement:

	2009 Quoted equity £m	2009 Unquoted equity £m	2009 Total £m	2008 Quoted equity £m	2008 Unquoted equity £m	2008 Total £m
Group	30	96	126	44	160	204
Company	28	33	61	39	53	92

In addition, other price risk arises from carried interest balances and the derivative element of the Convertible Bonds.

18 Derivative financial instruments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current assets				
Forward foreign exchange contracts	7	5	7	5
Currency swaps	–	8	–	8
Interest rate swaps	–	11	–	11
Call options	3	–	3	–
	10	24	10	24
Current liabilities				
Forward foreign exchange contracts	(2)	–	(2)	–
Currency swaps	(46)	(79)	(46)	(79)
Interest rate swaps	(59)	(23)	(59)	(23)
Derivative element of Convertible Bonds	(3)	(6)	(3)	(6)
Call options	(2)	–	(2)	–
	(112)	(108)	(112)	(108)

Forward foreign exchange contracts and currency swaps
The Group has historically used forward exchange contracts and currency swaps to minimise the effect of fluctuations in the value of the investment portfolio from movements in exchange rates. During the year the decision was taken to unwind these positions and consequently the income statement is currently subject to these movements. Foreign currency interest-bearing loans and borrowings continue to be used to partially hedge the portfolio.

The contracts entered into by the Group are principally denominated in the currencies of the geographic areas in which the Group operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the income statement.

18 Derivative financial instruments (continued)

At the balance sheet date, the notional amount of outstanding forward foreign exchange contracts is as follows:

	2009 £m	2008 £m
Currency swaps	259	2,322
Forward foreign currency contracts	198	346
	457	2,668

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its interest-bearing loans and borrowings. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the income statement.

At the balance sheet date, the notional amount of outstanding interest rate swaps is as follows:

	2009 £m	2008 £m
Variable rate to fixed rate	634	510
Variable rate to variable rate	150	150
	784	660

The Group does not trade in derivatives. In general, derivatives held hedge specific exposures and have maturities designed to match the exposures they are hedging. It is the intention to hold both the financial instruments giving rise to the exposure and the derivative hedging them until maturity and therefore no net gain or loss is expected to be realised.

The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement.

As a result of the bankruptcy filing in the US by Lehman Brothers in September 2008 and insolvency proceedings being commenced in respect of a number of its affiliates, the Company terminated the call spread overlay arrangements it had entered into with Lehman Brothers International (Europe) in May 2008 as part of the £430 million 3.625% three year Convertible Bond issued by the Company. Termination of this call spread overlay arrangement resulted in a £12 million adjustment to the fair value of derivatives. The original call spread overlay arrangement with Lehman Brothers International (Europe) has been replaced at a net cost of £13 million, with an equivalent arrangement with another counterparty, which will continue to offset the volatility within the Convertible Bond.

19 Loans and borrowings

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Loans and borrowings are repayable as follows:				
Within one year	349	373	349	373
In the second year	379	92	108	92
In the third year	35	394	35	109
In the fourth year	500	398	500	398
In the fifth year	279	25	279	25
After five years	600	600	600	600
	2,142	1,882	1,871	1,597

Principal borrowings include:

	Rate	Maturity	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	200	200	200	200
£400 million notes (public issue)	5.750%	2032	400	400	400	400
Other			105	50	105	50
Variable rate						
€500 million notes (public issue)	EURIBOR+0.100%	2012	465	398	465	398
Other			389	195	389	195
			1,559	1,243	1,559	1,243
Committed multi-currency facilities						
£486 million	LIBOR+0.210%	2010	200	200	–	–
£150 million	LIBOR+0.175%	2010	143	169	73	85
			343	369	73	85
Other						
Euro commercial paper			239	269	239	269
Finance lease obligations			1	1	–	–
			240	270	239	269
Total loans and borrowings			2,142	1,882	1,871	1,597

19 Loans and borrowings (continued)

The drawings under the committed multi-currency facilities are repayable within one year but have been classified as repayable at the maturity date as immediate replacement funding is available until those maturity dates. The undrawn commitment fee on the £150 million committed multi-currency facility is 0.05%. The margin on this facility increases to 0.20% if the drawn amount is greater than 50% of the facility. The £143 million liability on the £150 million multi-currency facility represents a 1.7 billion Swedish Krona drawing being re-translated at the year end exchange rate. The undrawn commitment fee on the £486 million committed multi-currency facility is 0.08%. The margin on this facility increases to 0.235% if the drawn amount is between 33% and 66% of the facility, and to 0.26% if the drawn amount is greater than 66% of the facility.

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 £1,922 million (2008: £1,840 million), determined where applicable with reference to their published market price.

20 Convertible Bonds

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Opening balance	433	363	433	363
Amortisation on €550 million convertible	4	7	4	7
Amortisation on £430 million convertible	16	–	16	–
Exchange movements on €550 million convertible	(3)	63	(3)	63
Repayments during the year	(434)	–	(434)	–
New borrowings during the year	368	–	368	–
Closing balance	384	433	384	433

On 1 August 2008 the Group repaid its €550 million 1.375% 5-year convertible. The convertible element of the €550 million bond was cash settled. On 29 May 2008 a £430 million three year 3.625% convertible bond was raised. The derivative element of the £430 million convertible is cash settled. The Group share price on issue was £8.86 and the conversion price for bondholders is £11.32.

On issue, part of the proceeds was recognised as a derivative financial instrument and the remaining amount recognised as a loan held at amortised cost with an effective interest rate of 8.5%. The fair value of the loan at 31 March 2009 was £341 million, and is determined by its published market price.

21 B shares

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Opening balance	21	11	21	11
Issued	–	808	–	808
Repurchased and cancelled	(9)	(798)	(9)	(798)
Closing balance	12	21	12	21

The Company repurchased and cancelled 7,260,201 B shares on 28 July 2008. The Company expects to make further purchase offers in July 2009.

22 Subordinated liabilities

	Group 2009 £m	Group 2008 £m
Subordinated liabilities are repayable as follows:		
After five years	7	14

Subordinated liabilities comprise limited recourse funding from Kreditanstalt für Wiederaufbau ("KfW"), a German federal bank. Repayment of the funding, which individually finances investment assets, is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the German subsidiaries to which these funds have been advanced and in certain circumstances become non-repayable should assets fail.

23 Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Other accruals	255	166	144	67
Amounts due to subsidiaries	–	–	214	241
	255	166	358	308

24 Provisions

	Group 2009 Property £m	Group 2009 Redundancy £m	Group 2009 Total £m
Opening balance	7	7	14
Charge for the year	7	11	18
Utilised in the year	(4)	(5)	(9)
Closing balance	10	13	23

24 Provisions (continued)

	Group 2008 Property £m	Group 2008 Redundancy £m	Group 2008 Total £m
Opening balance	7	11	18
Charge for the year	2	6	8
Utilised in the year	(2)	(10)	(12)
Closing balance	7	7	14

The provision for redundancy relates to staff reductions announced prior to 31 March 2009. Most of the provision is expected to be utilised in the next year.

The Group has a number of leasehold properties whose rent and unavoidable costs exceed the economic benefits expected to be received. These costs arise over the period of the lease, and have been provided for to the extent they are not covered by income from subleases. The leases covered by the provision have a remaining term of up to 15 years.

25 Issued capital

Authorised	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of $73^{19}/_{22}$p	555,076,720	410	555,076,720	410
B shares of 1p	660,000,000	7	660,000,000	7
Unclassified shares of 10p	1,000,000	0.1	1,000,000	0.1

Issued and fully paid	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of $62^{69}/_{88}$p				
Opening balance	–	–	461,106,007	289
Issued on exercise of share options and under the 3i Group Share Incentive Plan	–	–	1,794,733	2
Share consolidation	–	–	(462,900,740)	(291)
Closing balance	–	–	–	–

During the period 1 April 2007 to 15 July 2007, the Company issued shares for cash on the exercise of share options at various prices from 512p to 1,012p per share.

On 16 July 2007, the Company consolidated its issued share capital on the basis of 17 ordinary shares of $73^{19}/_{22}$p each for every 20 ordinary shares of $62^{69}/_{88}$p each held. This occurred immediately following the issue of the B shares.

During the period 16 July 2007 to 31 March 2008, the Company issued shares for cash on exercise of share options at various prices from 470p to 895p per share.

Issued and fully paid	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of $73^{19}/_{22}$p				
Opening balance	382,741,094	283	–	–
Share consolidation	–	–	393,465,629	291
Issued on exercise of share options, conversion of bonds, and under the 3i Group Share Incentive Plan	1,229,786	1	1,275,465	1
Shares cancelled	–	–	(12,000,000)	(9)
Closing balance	383,970,880	284	382,741,094	283

During the period 1 April 2008 to 31 March 2009, the Company issued shares for cash on the exercise of share options at various prices from 567p to 728p per share.

26 Equity

Year to 31 March 2009 Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other* reserves £m	Own shares £m	Total equity £m
Total equity at start of year	283	397	42	21	11	3,026	359	–	(82)	4,057
Equity settled call option								5		5
Total recognised income and expense					(190)	(2,059)	99			(2,150)
Share-based payments				3						3
Release on exercise/forfeiture of share options				(4)		1			3	–
Ordinary dividends							(64)			(64)
Issue of ordinary shares	1	8								9
Own shares									2	2
Total equity at end of year	284	405	42	20	(179)	968	394	5	(77)	1,862

*Other reserves include the cost of the option relating to the call spread overlay set up as part of the £430 million Convertible Bond. This equity settled element of the call spread overlay has a strike price of £14.09 and 9,498,061 exercisable shares

Notes to the financial statements

26 Equity (continued)

Year to 31 March 2008 Group	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 start of year	289	387	27	18	5	3,280	318	(75)	4,249
Total recognised income and expense					6	675	111		792
Share-based payments				8					8
Release on exercise/forfeiture of share options				(5)		(1)		6	–
Ordinary dividends							(70)		(70)
Issue of ordinary shares	3	16							19
Issue of B shares		(6)	6			(808)			(808)
Buy-back of ordinary shares	(9)		9			(120)			(120)
Own shares								(13)	(13)
Total equity at end of year	283	397	42	21	11	3,026	359	(82)	4,057

Year to 31 March 2009 **Company**	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**	**Capital reserve £m**	**Revenue reserve £m**	**Other reserves £m**	**Total equity £m**
Total equity at start of year	**283**	**397**	**42**	**21**	**2,877**	**310**		**3,930**
Equity settled call option							**5**	**5**
Total recognised income and expense					**(1,625)**	**20**		**(1,605)**
Share-based payments				**3**				**3**
Release on exercise/forfeiture of share options				**(4)**	**4**			**–**
Ordinary dividends						**(64)**		**(64)**
Issue of ordinary shares	**1**	**8**						**9**
Total equity at end of year	**284**	**405**	**42**	**20**	**1,256**	**266**	**5**	**2,278**

Year to 31 March 2008 Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Total equity £m
Total equity at start of year	289	387	27	18	3,013	286	4,020
Total recognised income and expense					787	94	881
Share-based payments				8			8
Release on exercise/forfeiture of share options				(5)	5		–
Ordinary dividends						(70)	(70)
B share issue		(6)	6		(808)		(808)
Issue of ordinary shares	3	16					19
Buy-back of ordinary shares	(9)		9		(120)		(120)
Total equity at end of year	283	397	42	21	2,877	310	3,930

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

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

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

Capital reserve
The capital reserve recognises all profits that are capital in nature or have been allocated to capital. These profits are not distributable by way of dividend.

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

27 Own shares

	2009 £m	2008 £m
Opening cost	**82**	75
Additions	**–**	21
Disposals	**(5)**	(14)
Closing cost	**77**	82

Own shares consists of shares in 3i Group plc held by The 3i Group Employee Trust. As at 31 March Trust held 10,259,767 shares in 3i Group plc (2008:10,867,901). The market value of these shares at 31 March 2009 was £28 million (2008: £90 million). The Trust is funded by an interest-free loan from 3i Group plc.

28 Per share information

The earnings and net assets per share attributable to the equity shareholders of the Company are based on the following data:

	2009	2008
Earnings per share (pence)		
Basic	(522.2)	207.9
Diluted	(522.2)	173.4
Earnings (£m)		
(Loss)/profit for the year attributable to equity holders of the Company	(1,948)	828
Effect of dilutive ordinary shares	–	(87)
	(1,948)	741

	2009 Number	2008 Number
Weighted average number of shares in issue		
Ordinary shares	383,495,547	408,633,804
Own shares	(10,465,956)	(10,458,932)
	373,029,591	398,174,872
Effect of dilutive potential ordinary shares		
Share options*	–	4,663,864
Convertible bonds	–	24,408,684
Diluted shares	373,029,591	427,247,420

*The potential effect of share options is excluded from the dilution calculation, as the impact is anti-dilutive.

	2009	2008
Net assets per share (pence)		
Basic	498	1,091
Diluted	496	1,077
Net assets (£m)		
Net assets attributable to equity holders of the Company	1,862	4,057

	2009 Number	2008 Number
Number of shares in issue		
Ordinary shares	383,970,880	382,741,094
Own shares	(10,259,767)	(10,867,901)
	373,711,113	371,873,193
Effect of dilutive potential ordinary shares		
Share options	1,399,354	4,954,110
Diluted shares	375,110,467	376,827,303

29 Dividends

	2009 pence per share	2009 £m	2008 pence per share	2008 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	10.9	41	10.3	47
Interim dividend	6.3	23	6.1	23
	17.2	64	16.4	70
Proposed dividend	–	–	10.9	42

30 Operating leases

Leases as lessee

Future minimum payments due under non-cancellable operating lease rentals are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Less than one year	14	13	–	–
Between one and five years	37	38	–	–
More than five years	37	44	–	–
	88	95	–	–

The Group leases a number of its offices under operating leases. None of the leases include contingent rentals.

During the year to 31 March 2009, £15 million (2008: £14 million) was recognised as an expense in the income statement in respect of operating leases. £1 million (2008: £1 million) was recognised as income in the income statement in respect of subleases.

Notes to the financial statements

31 Commitments

	Group 2009 due within one year £m	Group 2009 due 2-5 years £m	Group 2009 due over 5 years £m	Total £m
Equity and loan investments	331	57	2	390

	Group 2008 due within one year £m	Group 2008 due 2-5 years £m	Group 2008 due over 5 years £m	Total £m
Equity and loan investments	220	126	10	356

	Company 2009 due within one year £m	Company 2009 due 2-5 years £m	Company 2009 due over 5 years £m	Total £m
Equity and loan investments	143	31	2	176

	Company 2008 due within one year £m	Company 2008 due 2-5 years £m	Company 2008 due over 5 years £m	Total £m
Equity and loan investments	95	78	1	174

32 Contingent liabilities

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	6	15	1	6

The Company has guaranteed the payment of principal, premium if any, and interest on all the interest rate swap agreements of 3i Holdings plc.

The Company has guaranteed the payment of principal and interest on amounts drawn down by 3i Holdings plc under the £150 million and the £486 million revolving credit facilities. At 31 March 2009, 3i Holdings plc had drawn down £72 million (2008: £84 million) under the first facility and £200 million (2008: £200 million) under the second facility.

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.

At 31 March 2009, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

33 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio, its advisory arrangements and its key management personnel. In addition the Company has related parties in respect of its subsidiaries.

Limited partnerships

The Group manages a number of third-party 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:

Income statement	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Carried interest receivable	(3)	60	(3)	60
Fees receivable from external funds	53	60	–	–

Balance sheet	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Carried interest receivable	44	75	44	75

Investments

The Group makes minority investments in the equity of unquoted and quoted investments. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts included for these investments are as follows:

Income statement	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Realised profit over value on the disposal of investments	151	369	2	180
Unrealised (losses)/profits on the revaluation of investments	(1,372)	196	(421)	59
Portfolio income	138	204	45	65

33 Related parties (continued)

Balance sheet	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Quoted equity investments	496	661	487	654
Unquoted equity investments	1,224	1,990	502	738
Loans and receivables	1,219	1,679	8	323

From time to time transactions occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. There has been no single transaction in the year with a material effect on the Group's financial statements and all such transactions are fully included in the above disclosure.

Advisory arrangements

The Group acts as an adviser to 3i Infrastructure plc and 3i Quoted Private Equity plc, companies listed on the London Stock Exchange. The following amounts have been included in respect of these advisory relationships:

Income statement	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Unrealised losses on the revaluation of investments	(47)	(11)	(47)	(11)
Fees receivable from external funds	19	12	19	12
Dividends	17	6	17	6

Balance sheet	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Quoted equity investments	395	503	395	503

Key management personnel

The Group's key management personnel comprises the members of Management Committee and the Board's non-executive Directors.

Income statement	Group 2009 £m	Group 2008 £m
Salaries, fees, supplements and benefits in kind	6	5
Bonuses and deferred share bonuses	1	12
Increase in accrued pension	–	–
Carried interest payable	(1)	19
Share-based payments	2	4
Termination benefits	3	–

Balance sheet	Group 2009 £m	Group 2008 £m
Bonuses and deferred share bonuses	1	12
Carried interest payable within one year	4	11
Carried interest payable after one year	7	11

Carried interest paid in the year to key management personnel was £14 million (2008: £18 million).

Subsidiaries

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

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly owned subsidiary of the Company incorporated in England and Wales, as investment manager of the Group. 3i Investments plc received a fee of £39 million (2008: £39 million) for this service.

The Company has appointed 3i plc, a wholly owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £143 million (2008: £223 million) for this service.

Investment entities

The Company makes investments through a number of subsidiaries by providing funding in the form of capital contributions or loans depending on the legal form of the entity making the investment. The legal form of these subsidiaries may be limited partnerships or limited companies or equivalent depending on the jurisdiction of the investment. The Company receives interest on this funding, amounting in 2009 to £1 million (2008: £1 million).

Other subsidiaries

The Company borrows funds from certain subsidiaries and pays interest on the outstanding balances. The amounts that are included in the Company's income statement are £nil (2008: £1 million).

34 Post balance sheet events

UK Defined Benefit Scheme

Since the balance sheet date the Group has agreed with the Trustees of the 3i Group Pension plan to provide additional contributions of £25.0 million per annum to the plan over the next two financial years to 31 March 2011. These contributions are incremental to the contributions agreed in September 2008 of £20.4 million per annum over five years. Under IFRIC 14 the Group is required to assess whether any additional contributions would result in a pension surplus arising where the full economic benefit is not available to the company. The potential impact of this on the financial statements in future accounting periods would be to increase both the pension liability and the actuarial loss recognised in the financial statements.

3i Quoted Private Equity

On 23 February 2009, the Boards of 3i QPEP "the Company" and 3i Group "3i" announced proposals for the acquisition of the assets of the Company by 3i to be effected by way of a solvent winding up of the Company. On 28 April 2009, at an EGM of the Company, shareholders passed the resolutions which supported the proposal. Under the terms of the scheme each independent non 3i shareholder became entitled to 50p in cash and 0.1706 of a New 3i Share. The financial impact of this transaction being that 3i issued 37.6 million new shares representing 8.9% of 3i's post-transaction issued share capital, received net cash proceeds of £110 million (being the difference between the cash consideration paid to Company shareholders (£110 million) and the cash on Balance Sheet of the Company (£220 million) and took ownership of the investment assets of the Company (£148 million).

Rights issue

On 8 May the Group announced that it was proposing to raise £732 million (before expenses) by way of a rights issue. Under the rights issue, the Board is proposing to issue 542 million new ordinary shares at 135p per new ordinary share on the basis of nine new ordinary shares for every seven ordinary shares held.

35 Group entities

Significant subsidiaries

Name	Country of incorporation	Issued and fully paid share capital	Principal activity	Registered office
3i Holdings plc	England and Wales	1,000,000 shares of £1	Holding company	16 Palace Street London SW1E 5JD
3i International Holdings	England and Wales	2,715,973 shares of £10	Holding company	
3i plc	England and Wales	110,000,000 shares of £1	Services	
3i Investments plc	England and Wales	10,000,000 ordinary shares of £1	Investment manager	
3i Europe plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Nordic plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Asia Pacific plc	England and Wales	140,000 ordinary shares of £1	Investment adviser	
Gardens Pension Trustees Limited	England and Wales	100 ordinary shares of £1	Pension fund trustee	
3i Corporation	USA	15,000 shares of common stock (no par value)	Investment manager	375 Park Avenue Suite 3001 New York NY 10152, USA
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	Germany	€25,564,594	Investment manager	Bockenheimer Landstrasse 55 60325 Frankfurt am Main, Germany
3i Gestion SA	France	1,762,500 shares of €10	Investment manager	3 rue Paul Cezanne Paris,75008 France

The list above comprises the principal subsidiary undertakings as at 31 March 2009 all of which were wholly owned. They are incorporated in Great Britain and registered in England and Wales unless otherwise stated.

Each of the above subsidiary undertakings is included in the consolidated accounts of the Group.

As at 31 March 2009, the entire issued share capital of 3i Holdings plc was held by the Company. The entire issued share capital of all the other principal subsidiary undertakings listed above was held by subsidiary undertakings of the Company, save that four shares in 3i Gestion SA were held by individuals associated with the Group.

The Directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 5 to the Companies Act 1985 is such that compliance would result in information of excessive length being given. Full information will be annexed to the Company's next annual return.

Advantage has been taken of the exemption conferred by regulation 7 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993 from the requirements to deliver to the Register of Companies and publish the accounts of those limited partnerships included in the consolidated accounts of the Group.

9

Portfolio and additional information

Pages 121-144

Extensive detail about our portfolio and some guides to understanding key aspects of our business.

Portfolio valuation – an explanation

Our policy is to value 3i's investment portfolio at fair value and achieve this by valuing individual investments on an appropriate basis using a consistent methodology across the portfolio. The following guide explains the valuation methods used.

What is fair value?
Fair value is the value of an asset or liability in an arm's-length transaction between two willing and knowledgeable parties. This generally provides the best estimate of what we would receive if we sold the investment at the date of valuation. The Group's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), many of which are based on the concept of fair value.

Does 3i follow industry guidelines?
Yes. The Group complies with all material aspects of the International Private Equity and Venture Capital ("IPEVC") valuation guidelines. The IPEVC valuation guidelines specify the valuation methodology which is most appropriate to individual investments at a particular point in time.

Is an investment valued on the same basis throughout the period 3i is invested?
3i carries out a detailed valuation of its investment portfolio twice yearly. At each valuation point the investment is valued on the most appropriate basis. For example, if a portfolio company lists its shares on a stock exchange it would be valued on a quoted basis at the next valuation.

How are quoted investments valued?
Quoted investments are valued at closing bid price at the date of valuation. No discounts are applied for illiquidity of the stock or dealing restrictions, such as lock-up periods, provided investments are traded on an active stock market.

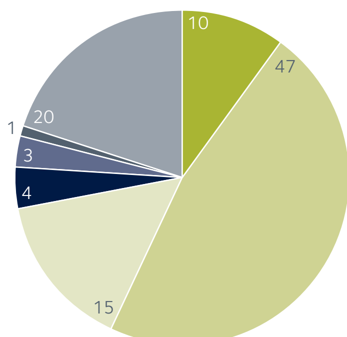
How are unquoted investments valued?
The IPEVC valuation guidelines recommend a number of different valuation methods for unquoted investments:

- Cost;
- Earnings;
- Net assets;
- Price of recent investment; or
- Imminent sale or IPO.

With effect from 31 March 2009, 3i only uses cost as the most appropriate estimate of fair value until the first update on an investment's trading performance, unless there is a significant downward movement in public markets.

What proportion of the portfolio is valued on each valuation basis?
The portfolio for the year ended 31 March 2009 is valued on the following basis:

Cost less provisions	nil
Market adjustment	10%
Earnings	47%
Quoted	15%
Price of recent investment	4%
Imminent sale or IPO	3%
Net assets	1%
Other	20%



Note: Cost includes unquoted equity investments and loans and receivables.

Under what circumstances would an investment be valued on a cost basis?
Immediately after investing 3i's cost is the best estimate of fair value. Once we receive a full set of audited accounts the investment will be valued on an earnings basis. However, if we receive a set of accounts from the company that shows worse performance, or if there is a significant downward movement in public markets, the investment will be valued on a market adjustment basis. Under the market adjustment basis, the total enterprise value at acquisition is simply adjusted for the change in multiples (no marketability discount is applied) since our initial investment and 3i's share of the enterprise value is recomputed.

What does valuing an investment on an earnings basis actually mean?
The "earnings" basis is a very common basis of valuing unquoted companies when they are being bought or sold. Essentially a multiple is applied to the earnings of the company, to calculate an enterprise value. This enterprise value is the total value of the investment, including debt, any preferred financial instruments and equity.

Before calculating the value of 3i's shareholding in the company, the debt and any preferred instruments need to be deducted from the enterprise value. The total value of 3i's investment is then the value of its equity plus any debt or preferred financial instruments that are due to 3i.

How do we calculate 3i's share of the enterprise value?
We allocate the enterprise value to financial instruments which rank above 3i, such as senior loans. We generally apply a marketability discount of 10%–30% in accordance with the IPEVC valuation guidelines. We then allocate the remaining balance between 3i and other holders of equal ranking and subordinated instruments such as preference shares and equity consistent with the capital structure of the investee company.

What level of marketability discount is applied?
The marketability discount of 10% to 50% is based on the Group's influence over the exit prospects and timing for the company. A greater influence gained through a greater equity holding implies a smaller discount. In a small number of cases a greater discount may be applied if there are particular factors affecting the ability to sell. Most marketability discounts applied are either 15% or 25%.

What happens if 3i's share of the enterprise value is less than the loan amount?
This implies that there is a shortfall in the value of the loan. A decision based on the performance of the investment and the likelihood of full repayment is then taken as to whether to recognise this shortfall. Any shortfall recognised is shown as an impairment.

How do we value loans?
We value loans using the "amortised cost" method, which is in accordance with IFRS. The amortised cost represents the amount at which the loan is measured at initial recognition, less principal repayments taking into account any premium or discount on the original loan amount. Effectively, this is cost less any impairment recognised. Interest income is recognised using the effective interest rate based on all the loan's cash flows.

How are earnings defined?
The objective is to use maintainable earnings of the company in which 3i is invested. These are the "normal" earnings of the company, and are calculated by removing any ad hoc amounts included in the current year figures, such as profits on disposal of fixed assets or one-off expenses. A common measure of earnings used for this calculation is earnings before interest and tax "EBIT". Other measures used are earnings before interest, tax, depreciation and amortisation "EBITDA", or profit after tax. These figures are usually taken from the latest audited accounts, which cover a period of at least six months since the date of investment. We take into account more recent management accounts, and forecasts from management and 3i. Where those indicate a rapid change in performance, we may use forecast earnings as the basis for estimating fair value.

Which multiple is appropriate to use?
Multiples need to be consistent with the measure of earnings chosen. Therefore EBIT multiples must be used with EBIT, EBITDA multiples with EBITDA and Price Earnings ("PE") multiples used with profit after tax. Similarly, multiples are selected based on actually realised or forecast earnings (historical or forward looking multiples). The multiple used can be calculated using recent transaction information, external valuations or quoted sector multiples. In general we value a company based on an average multiple from a selection of comparable companies, using a broader sector multiple as a cross check.

What happens if an investment is reporting a loss?
One of the other valuation methodologies can be used. For example the valuation can be prepared on a net asset basis.

What happens if the investment is failing?
If a company is failing or we consider that there is a 50% chance or more that it will fail within the next 12 months, the equity element is valued at nil, and any loan element is valued at the lower of cost or net recoverable amount.

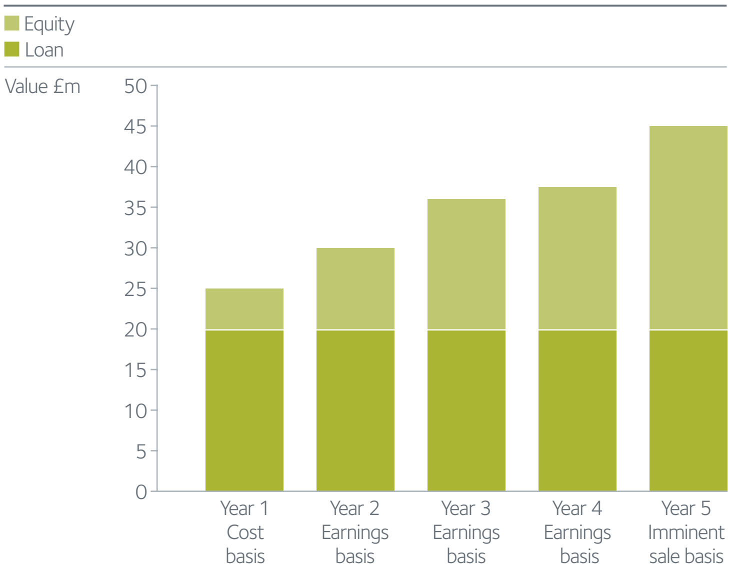
When is the price of recent investment basis used?
Some investments have a number of financing rounds during the life of the investment. The last round of financing can be used as a reference point to calculate fair value. To change the value of an investment, the round of financing must have external parties investing.

What is the "other" basis of valuation?
"Other" includes DCF calculations, which estimate the present value of an investment's future cash flows. This methodology is most appropriate where cash flows over the life of an investment are relatively predictable. This basis is commonly used for infrastructure investments, which are usually held over a long period of time and generate regular and predictable cash flows. "Other" could also include investments in funds, valued based on 3i's share of net assets, or investments in sectors such as insurance where industry specific benchmarks are used.

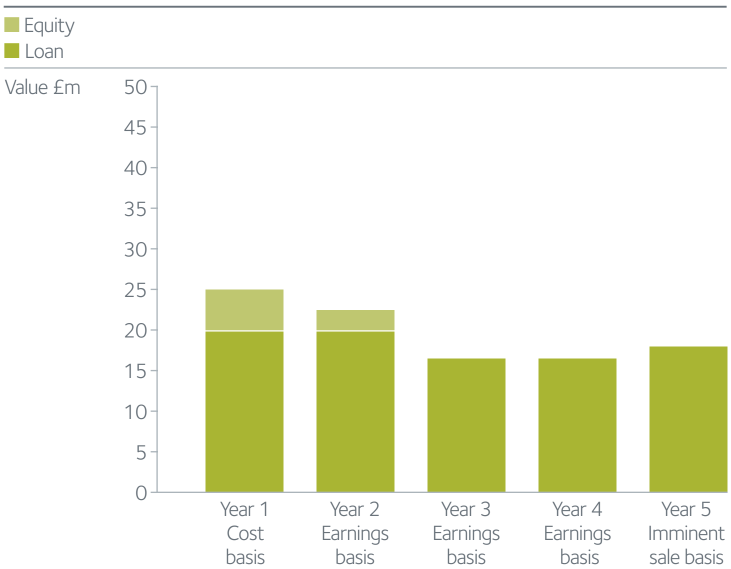
What happens if an investment is in the process of being sold?
When an investment is in an advanced sales process, we will use the imminent sale basis of valuation, which uses the expected proceeds from the sale, applying a 10% discount until we actually receive the sale proceeds. We will consider the potential effect of completion conditions before moving an asset to this basis.

The valuation lifecycle
The following illustration walks through the valuation of an asset from investment to realisation. Scenario A depicts a successful outcome where 3i ultimately realises a gain; scenario B an unsuccessful outcome resulting in a loss.

Scenario A



Scenario B



Scenario A. 3i invests in an oil and gas production company, based in Europe.

Year 1 – Market adjustment
Three months after investing, we do not yet have updated earnings or audited accounts, and in the absence of significant public market movements our cost of £25 million remains the best estimate of fair value. If we have received updated accounts or other information that suggests a decline in value, the investment will be valued on a market adjustment basis.

Year 2 – Earnings basis
The audited accounts for Investment A are now available and the valuation can be prepared on an earnings basis, using a sector multiple as the most accurate multiple available for Investment A.

The audited EBITDA of Investment A are £10 million and the sector EBITDA multiple for the quoted European oil and gas production sector is 10x. There is also £20 million of external debt within Investment A that ranks above 3i's investment and needs to be included in the valuation calculation. Total value for 3i: £30 million.

	£m
Earnings – EBITDA	10
Multiple – Oil and Gas sector EBITDA multiple	x10
Enterprise value (earnings x multiple)	100
Less:	
Higher ranking loans (external debt)	(20)
Net enterprise value	80
Less:	
Marketability discount 25%	(20)
	60
Less:	
3i Loan	(20)
Amount attributable to equity holders	40
3i equity holding at 25%	10
Total value for 3i (loan and equity)	30

Year 3 – Earnings basis
Earnings have increased to £12 million and the sector multiple has increased to 11x. There is no reason to change the valuation basis. As other factors have remained unchanged, the valuation of 3i's equity investment has increased to £16 million and the loan remains valued at £20 million. Total value for 3i: £36 million.

Year 4 – Earnings basis
Earnings have increased to £14 million and the multiple has fallen back to 10x. The valuations calculation now shows an equity value of £17.5 million for a total value of £17.5 million. The loan remains valued at £20 million. Total value for 3i: £37.5 million.

Year 5 – Imminent sale basis
We have been approached by an external buyer to purchase our equity and loan investment in Investment A for £50 million, and discussions are now in their final stages. This is now valued on an imminent sale basis. The cash has not been received at the time of valuation and therefore a 10% discount has been applied. The total value for 3i is now calculated as the sum of the loan value (£20 million) and of the equity element (£25 million) which together total £45 million.

Scenario B
We track the same oil and gas production company, based in Europe, but now in a scenario where the company fails to grow earnings, in a challenging economic climate.

Year 1 – Market adjustment
Three months after investing, we do not yet have updated earnings or audited accounts, and in the absence of significant public market movements our cost of £25 million remains the best estimate of fair value. If we have received updated accounts or other information that suggests a decline in value, the investment will be valued on a market adjustment basis.

Year 2 – Earnings basis
The earnings are £8 million and the sector EBITDA multiple for the quoted European oil and gas production sector is 7.5x. The enterprise value is now £60 million, and after the senior debt and the marketability discount, the attributable enterprise value is £30 million. 3i's loan continues to be valued at £20 million but the equity stake is now worth £2.5 million. An unrealised loss of £2.5 million is recognised. Total value for 3i: £22.5 million.

Year 3 – Earnings basis
Earnings have fallen further to £7 million and the sector multiple has declined to 6x. The attributable enterprise value is now £16.5 million which is below the nominal value of 3i's loan, and consequently there is no equity value. Upon consideration of the company's prospects, 3i recognises the shortfall in the value of its loan and that value is now stated at £16.5 million. A further loss of £6 million is recognised, being £2.5 million resulting from equity and £3.5 million from the loan. Total value for 3i: £16.5 million.

Year 4 – Earnings basis
No change in the situation. The total value for 3i remains at £16.5 million.

Year 5 – Imminent sale basis
Conditions have improved slightly and an external buyer to purchase our equity and loan investment has offered £20 million, and discussions are now in their final stages. The investment is now valued on an imminent sale basis. The cash has not been received at the time of valuation and therefore a 10% discount has been applied. The total value for 3i is now calculated at £18 million (loan) and £nil (equity).

Ten largest investments

The table below provides information on our ten largest investments in respect of the Group's holding excluding any managed or advised external funds. The valuation basis provides further information on how the Group's valuation has been derived. Income represents dividends received (inclusive of overseas withholding tax) and gross interest receivable in the year to 31 March 2009. Net assets and earnings figures are taken from the most recently audited accounts of the investee business, and are the net assets of each business and the total earnings on ordinary activities after tax respectively. It should be noted that, because of the varying rights attached to the classes of shares held by the Group, it could be misleading to attribute a certain proportion of the earnings and net assets to the proportion of equity capital held by the Group.

Further information on our portfolio investments is provided as case studies within the Business review section, and more generally at 3i.com

Investment	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m	Income in the year £m	Net assets £m	Earnings £m
3i Infrastructure plc 3i-infrastructure.com Quoted investment company, investing in infrastructure	Infrastructure	UK	2007	Quoted						
Equity shares					33.3%	271	228	17		
						271	**228**	**17**	**922**	**44**
3i Quoted Private Equity plc 3iqpe.com Quoted investment company, investing in quoted companies	QPE	UK	2007	Quoted						
Equity shares					44.9%	180	167	–		
						180	**167**	**–**	**409**	**15**
Venture Production plc[1] vpc.co.uk Oil and gas production	Growth	UK	2007	Quoted						
Equity shares					5.4%	34	64	1		
Loans						76	76	2		
						110	**140**	**3**	**425**	**77**
Enterprise Group Holdings Limited enterprise.plc.uk UK utilities and public sector maintenance outsourcing	Buyouts	UK	2007	Earnings						
Equity shares					32.2%	3	–	–		
Loans						125	125	16		
						128	**125**	**16**	**194**	**48**
ACR Capital Holdings Pte Limited asiacapitalre.com Reinsurance in large risk segments	Growth	Singapore	2006	Other						
Equity shares					31.6%	105	125	–		
						105	**125**	**–**	**307**	**8**
Sortifandus, S.L. (GES – Global Energy Services) services-ges.com Wind power service provider	Buyouts	Spain	2006	Earnings						
Equity shares					43.2%	6	79	–		
Loans						31	41	3		
						37	**120**	**3**	**20**	**6**
Foster and Partners[2] fosterandpartners.com Architectural services	Growth	UK	2008	Earnings						
Equity shares					40.0%		–	–		
Loans							111	16		
							111	**16**	**(14)**	**(15)**

Investment	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m	Income in the year £m	Net assets £m	Earnings £m
Quintiles Transnational Corporation[3] quintiles.com Clinical research outsourcing solutions	Growth	US	2008	Earnings						
Equity shares					7.0%	100	109	–		
						100	**109**	**–**	**(421)**	**24**
Inspicio Sarl inspicioplc.com Global testing and inspection	Buyouts	UK	2007	Other						
Equity shares					38.2%	2	–	–		
Loans						105	105	14		
						107	**105**	**14**	**107**	**3**
Memora Inversiones Funerarias[3] memora.es Funeral service provider	Buyouts	Spain	2008	Market adjustment						
Equity shares					38.1%	8	9	–		
Loans						79	93	4		
						87	**102**	**4**	**85**	**7**

Notes

1 Equity element is valued as listed, and loans are valued using amortised cost.
2 The residual cost for this investment cannot be disclosed per a confidentiality agreement in place at investment.
3 The increase in the difference between valuation and residual costs is due to foreign exchange movements between the date of investment and 31 March 2009.

Forty other large investments

In addition to the ten largest investments shown on pages 124 and 125, detailed below are forty other large investments which are substantially all of the Group's investments valued over £19 million. This does not include four investments that have been excluded for commercial reasons.

Investment	Description of business	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Ambea AB ambea.se	Elderly, primary and specialist care	Buyouts	Sweden	2005	Earnings	44.7%	20	102
Telecity Group plc telecitygroup.com	Operator of carrier neutral data centres	Buyouts	UK	1998	Quoted	22.6%	16	95
3i India Infrastructure Holdings Limited[1]	Fund investing in Indian infrastructure	Infrastructure	India	2007	Other	21.2%	57	91
MWM GmbH mwm.net	Provider of decentralised power generation systems	Buyouts	Germany	2007	Earnings	41.3%	75	91
Labco SAS labco.eu	Clinical laboratories	Growth	France	2008	Market adjustment	17.4%	93	89
Socieded de Servicios Radiofonicos Union Radio, S.L. cadenaser.com	Hispanic radio operator	Growth	Spain	2008	Market adjustment	8.1%	80	83
DNA Oy dnaoy.fi	Telecom operator	Growth	Finland	2007	Earnings	12.8%	88	71
British Seafood Distribution Group Holdings Limited britishseafood.co.uk	Seafood sourcer, processor and importer from Far East	Growth	UK	2007	Earnings	28.5%	76	69
Cornwall Topco Limited (Civica) civica.co.uk	Public sector IT and services	Buyouts	UK	2008	Market adjustment	40.6%	65	65
Hyva Investments BV hyva.com	Branded hydraulics for commercial vehicles	Buyouts	Netherlands	2004	Earnings	44.1%	4	65
Eltel Networks Oy eltelnetworks.com	Network services	Buyouts	Finland	2007	Earnings	36.9%	85	54
Mayborn Group plc mayborngroup.com	Manufacturer and distributor of baby products	Buyouts	UK	2006	Earnings	45.7%	64	52
Anglian Water Group Limited osprey-water.co.uk	Provider of drinking water and waste water services	Infrastructure	UK	2006	Other	2.8%	46	50
Inspecta Holding OY inspecta.fi	Supplier of testing and inspection services	Buyouts	Finland	2007	Earnings	40.7%	45	50
EUSA Pharma Inc eusapharma.com	Business focused on pain control, oncology and critical care	Venture Portfolio	UK	2007	Further round	21.6%	30	42
NORMA Group Holding GmbH norma.de	Provider of plastic and metal connecting technology	Buyouts	Germany	2005	Earnings	30.2%	31	42
Joyon Southside[1]	Real estate	Growth	China	2008	Other	49.9%	27	41
Scandferries Holding GmbH (Scandlines) scandlines.de	Ferry operator in the Baltic Sea	Buyouts	Germany	2007	Other	22.7%	31	40
Gain Capital Holdings Inc gaincapital.com	Retail online foreign exchange trading	Growth	US	2008	Earnings	13.8%	48	31
Otnortopco AS (Axellia/Alpharma) alpharma.com	Developer and supplier of specialist active pharmaceutical ingredients	Buyouts	Norway	2008	Earnings	49.9%	59	31

Notes

1 No company website is available for this investment.

Investment	Description of business	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Navayuga Engineering Company Limited necltd.com	Engineering and construction	Growth	India	2006	Earnings	10.0%	23	30
Boomerang TV, S.A. grupoboomerangtv.com	Production of audiovisual contents	Growth	Spain	2008	Earnings	40.0%	27	29
Goromar XXI,S.L. (Esmalglass) esmalglass.com	Manufacture of frites, glazes and colours for tiles	Buyouts	Spain	2002	Earnings	21.6%	19	28
Radius Systems Limited radius-systems.com	Manufacture of thermoplastic pipe systems for gas and water distribution	Buyouts	UK	2008	Market adjustment	31.6%	26	26
APB SpA (AP Bags) antichipellettieri.it	Luxury handbags	Buyouts	Italy	2008	Earnings	27.5%	52	26
Alö Intressenter AB alo.se	Manufacturer of front end loaders	Growth	Sweden	2002	Earnings	35.2%	33	26
Advanced Power AG advancedpower.ch	Developer of traditional power stations	Growth	Switzerland	2008	Net Assets	38.1%	21	25
Kneip Communication SA kneip.com	Outsourced publication of investment fund data	Growth	Luxembourg	2007	Earnings	41.1%	25	25
Beijing Digital Telecom Co. Limited dixintong.com	Mobile phone retailer	Growth	China	2006	Earnings	17.4%	11	24
Hyperion Insurance Group Limited hyperiongrp.com	Specialist insurance intermediary	Growth	UK	2008	Other	26.5%	28	22
SLR Holdings Limited slrconsulting.co.uk	Specialist environmental consultancy	Growth	UK	2008	Market adjustment	34.0%	33	22
Hobbs Holding No. 1 Limited hobbs.co.uk	Retailer of women's clothing and footwear	Buyouts	UK	2004	Earnings	42.2%	49	22
LHI Technology Private Limited lhitechnology.com	Medical cable assemblies	Buyouts	China	2008	Earnings	37.5%	17	21
Delta Hydrocarbons eep-llp.com	Oil and gas exploration	Growth	Netherlands	2007	Other	23.2%	42	21
RBG Limited rbgltd.com	Oil and gas service provider	Buyouts	UK	1996	Earnings	39.5%	4	20
Apatech Limited apatech.com	Synthetic bone products	Venture Portfolio	UK	2001	Further round	44.6%	22	20
Dockwise dockwise.com	Specialist in heavy transport shipping within the marine and oil and gas industry	Buyouts	Netherlands	2007	Quoted	14.7%	1	20
Franklin Offshore International Pte Limited franklin.com.sg	Manufacture installation and maintenance of mooring and rigging equipment	Growth	Singapore	2007	Other	30.9%	15	20
Everis Participaciones S.L. everis.com	IT consulting business	Growth	Spain	2007	Earnings	18.3%	30	19
Polyconcept Investments B.V. polyconcept.com	Supplier of promotional products	Growth	Netherlands	2005	Earnings	13.0%	21	19

Assets under management

Total assets under management include portfolio assets directly owned by the Group, assets and uninvested commitments in funds managed by the Group, and investment companies advised by the Group.

3i direct portfolio (£m)	2009	2008	2007	2006	2005
Buyouts	1,467	2,025	1,281	1,465	1,521
Growth Capital	1,574	2,366	1,460	1,192	1,292
Infrastructure	371	501	469	92	–
QPE	171	142	20	–	–
SMI	153	244	391	564	756
Venture Portfolio	314	738	741	826	748
Total	4,050	6,016	4,362	4,139	4,317

Managed funds (£m)	2009	2008	2007	2006	2005
Buyouts	2,312	2,594	2,129	1,090	1,292
Growth Capital	157	183	227	401	527
Infrastructure	599	348	–	–	–
SMI	–	–	16	52	59
Venture Portfolio	11	18	15	30	35
Total	3,079	3,143	2,387	1,573	1,913

Advised investment companies (£m)	2009	2008	2007	2006	2005
3i Infrastructure plc[1]	688	364	385	–	–
3i Quoted Private Equity plc[1]	202	269	–	–	–
Total	890	633	385	–	–
Total assets under management	8,019	9,792	7,134	5,712	6,230

Notes

1 The value of the advised investment companies is based on the most recently disclosed net asset value. For both 3i Infrastructure plc and 3i Quoted Private Equity plc this was as at 31 March 2009.

3i portfolio

3i direct portfolio by geography (£m)	2009	2008	2007	2006	2005
Continental Europe	**1,618**	2,573	1,894	1,923	1,693
UK	**1,719**	2,250	1,792	1,736	2,258
India	**196**	334	148	56	–
China	**105**	171	60	63	21
Other Asia*	**190**	174	165	48	68
North America	**209**	497	283	307	277
Rest of World	**13**	17	20	6	–
Total	**4,050**	6,016	4,362	4,139	4,317

*Includes Japan, Singapore and South Korea.

3i direct continental European portfolio value (£m)	2009	2008	2007	2006	2005
Benelux	**170**	419	326	124	180
France	**206**	195	257	344	292
Germany/Austria/Switzerland	**286**	428	297	489	503
Italy	**41**	351	113	142	69
Nordic	**384**	653	491	394	344
Spain	**457**	443	370	342	249
Other European*	**74**	84	40	88	56
Total	**1,618**	2,573	1,894	1,923	1,693

*Other European includes investments in countries where 3i did not have an office at 31 March 2009.

3i direct portfolio value by sector* (£m)	2009	2008	2007
Business services	**749**	819	586
Consumer	**327**	703	494
Financial services	**265**	415	222
General industrial	**764**	1,423	970
Healthcare	**545**	572	501
Media	**214**	455	338
Oil, gas and power	**253**	316	175
Technology	**391**	670	587
Infrastructure	**371**	501	469
Quoted private equity	**171**	142	20
Total	**4,050**	6,016	4,362

*The Group's sector analysis was updated at 31 March 2008. The figures in 2007 have been reclassified for comparison.

3i direct portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Imminent sale or IPO	**110**	185	254	340	452
Quoted	**611**	889	570	259	235
Earnings	**1,925**	1,660	1,432	1,490	1,757
Cost	**–**	2,007	1,431	1,239	933
Price of recent investment	**145**	308	159	122	206
Net assets	**47**	46	67	121	135
Market adjustment	**387**	–	–	–	–
Fund	**167**	145	69	46	32
Industry metric	**125**	110	–	–	–
DCF	**91**	98	–	–	–
Other	**442**	568	380	522	567
Total	**4,050**	6,016	4,362	4,139	4,317

3i direct Buyouts portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Imminent sale or IPO	**–**	150	–	115	164
Quoted	**116**	141	23	26	49
Earnings	**985**	781	658	719	853
Cost	**–**	767	490	475	372
Net assets	**–**	–	–	2	6
Market adjustment	**194**	–	–	–	–
Fund	**7**	5	3	–	–
Other	**165**	181	107	128	77
Total	**1,467**	2,025	1,281	1,465	1,521

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for Portfolio valuation – an explanation

3i portfolio

3i direct Growth Capital portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Imminent sale or IPO	**57**	12	197	130	147
Quoted	**78**	174	55	58	71
Earnings	**785**	710	543	425	448
Cost	**–**	1,041	481	376	289
Price of recent investment	**24**	26	9	11	14
Net assets	**26**	16	17	25	48
Market adjustment	**193**	–	–	–	–
Fund	**63**	133	61	44	32
Industry metric	**125**	110	–	–	–
DCF	**41**	–	–	–	–
Other	**182**	144	97	123	243
Total	**1,574**	2,366	1,460	1,192	1,292

3i direct Infrastructure portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Quoted	**229**	362	334	–	–
Cost	**–**	38	135	80	–
Net assets	**–**	–	–	12	–
Fund	**92**	1	–	–	–
DCF	**50**	98	–	–	–
Other	**–**	2	–	–	–
Total	**371**	501	469	92	–

3i direct QPE portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Quoted	**168**	142	19	–	–
Cost	**–**	–	1	–	–
Other	**3**	–	–	–	–
Total	**171**	142	20	–	–

3i direct SMI portfolio value by valuation method (£m)	2009	2008	2007	2006	2005
Imminent sale or IPO	**8**	9	36	62	102
Quoted	**–**	–	9	16	21
Earnings	**112**	150	216	329	431
Cost	**–**	4	9	16	25
Price of recent investment	**–**	–	4	5	3
Net assets	**20**	23	48	76	80
Other	**13**	58	69	60	94
Total	**153**	244	391	564	756

Note

The Venture Portfolio has been excluded from this analysis.

Investment

3i direct investment by business line (£m)	**2009**	2008	2007	2006	2005
Buyouts	**519**	788	498	451	338
Growth Capital	**343**	990	482	497	263
Infrastructure	**50**	38	380	–	–
QPE	**3**	182	14	–	–
SMI	**–**	6	2	6	11
Venture Portfolio	**53**	156	200	156	143
Total	**968**	2,160	1,576	1,110	755

3i direct investment by geography (£m)	**2009**	2008	2007	2006	2005
Continental Europe	**539**	707	560	538	341
UK	**316**	972	650	405	334
India	**28**	95	99	52	–
China	**17**	53	39	26	12
Other Asia*	**1**	23	121	13	17
US	**63**	303	92	70	51
Rest of World	**4**	7	15	6	–
Total	**968**	2,160	1,576	1,110	755

*Includes Japan, Singapore and South Korea.

3i direct continental European investment (£m)	**2009**	2008	2007	2006	2005
Benelux	**61**	24	218	62	17
France	**96**	40	71	88	73
Germany/Austria/Switzerland	**45**	155	44	76	92
Italy	**52**	142	–	65	20
Nordic	**38**	226	87	126	81
Spain	**178**	93	124	94	41
Other European*	**69**	27	16	27	17
Total	**539**	707	560	538	341

*Includes investments in countries where 3i did not have an office at 31 March 2009.

3i direct investment by sector* (£m)	**2009**	2008	2007
Business services	**196**	456	137
Consumer	**106**	237	109
Financial services	**122**	218	152
General industrial	**52**	353	309
Healthcare	**189**	234	106
Media	**112**	56	380
Oil, gas and power	**48**	187	162
Technology	**91**	199	86
Infrastructure	**49**	38	14
Quoted private equity	**3**	182	121
Total	**968**	2,160	1,576

*The Group's sector analysis was updated at 31 March 2008. The figures for 2007 have been reclassified for comparison.

Investment

3i direct first and subsequent investment (£m)	2009	2008	2007	2006	2005
First investment in new investee companies	**514**	1,617	1,184	755	488
Drawdown on existing arrangements for first investments	**152**	92	38	12	10
Investment by 3i in external funds	**57**	253	168	111	26
Newly arranged further investment in existing portfolio companies	**120**	130	102	162	167
Other – including capitalised interest	**125**	68	84	70	64
Total	**968**	2,160	1,576	1,110	755

Investment by business line (including managed and advised external funds) (£m)	2009	2008	2007	2006	2005
Buyouts	**930**	1,520	781	655	532
Growth Capital	**344**	991	489	503	274
Infrastructure	**296**	340	380	–	–
QPE	**94**	182	14	–	–
SMI	**–**	6	2	8	12
Venture Portfolio	**53**	156	200	156	144
Total	**1,717**	3,195	1,866	1,322	962

Investment by geography (including managed and advised external funds) (£m)	2009	2008	2007	2006	2005
Continental Europe	**776**	1,275	765	652	433
UK	**706**	1,308	731	498	440
Asia	**151**	302	263	96	38
US	**80**	303	92	70	51
Rest of World	**4**	7	15	6	–
Total	**1,717**	3,195	1,866	1,322	962

Realisations

Realisations proceeds by business line (£m)	**2009**	2008	2007	2006	2005
Buyouts	**494**	858	1,341	877	505
Growth Capital	**461**	503	691	855	443
Infrastructure	**117**	57	5	–	–
QPE	**–**	18	–	–	–
SMI	**27**	136	214	268	198
Venture Portfolio	**209**	170	187	207	156
Total	**1,308**	1,742	2,438	2,207	1,302

Realisations proceeds by geography (£m)	**2009**	2008	2007	2006	2005
Continental Europe	**795**	894	1,159	891	365
UK	**280**	783	1,169	1,173	897
India	**28**	–	–	–	–
China	**47**	5	39	23	–
Other Asia*	**52**	20	15	44	6
US	**106**	40	56	76	34
Total	**1,308**	1,742	2,438	2,207	1,302

*Includes Japan, Singapore and South Korea.

Realisations proceeds by method (£m)	**2009**	2008	2007	2006	2005
IPO	**37**	94	124	229	41
Sale of quoted investments	**135**	105	116	143	134
Sale of unquoted equity	**1,023**	1,081	1,546	1,271	744
Refinancing and loan repayments	**113**	462	652	564	383
Total	**1,308**	1,742	2,438	2,207	1,302

Private equity – a lexicon

Like any industry, the Private Equity industry has its own language. This Lexicon provides a description of some of the key terms.

Types of investment

Private Equity involves the medium to long-term investment of equity capital in high-growth private businesses.

In **"Growth Capital"** investments, the Private Equity investor typically makes a minority equity investment in a company to support growth.

When financing **"Buyouts"**, the investor, together with funds they manage, typically takes a majority equity position and the capital is used both to purchase the company from its existing owners as well as to fund the business's development.

In addition to **"Growth Capital"** and **"Buyouts"**, some Private Equity investors, including 3i, also invest in Infrastructure assets.

The term **"Venture Capital"** applies to investments made in 'early' and 'late' stage technology and healthcare companies.

Buyouts

This involves the purchase of an existing independent business or a subsidiary or division of a corporate group from its current owners. This category of investment includes management buyouts, management buy-ins, and institutional buyouts. The equity in the post-buyout business is usually shared between the management team and the Private Equity investor ("PE investor"), with the PE investor usually holding a majority stake.

The financing for the buyout would traditionally comprise around 50% of senior and mezzanine debt (usually provided by banks and mezzanine providers), with substantially all of the balance of the purchase price coming from the PE investor and a relatively small amount coming from the management team. In the current post "credit crunch" environment, this balance has changed with higher proportions of equity being deployed. A large part of the PE investor's finance is generally provided in the form of redeemable preference shares or shareholder loans. This is to provide both a significant equity incentive for management and to reflect the difference in scale of finance provided by the PE investor and that of the management team.

An example of a Buyouts investment can be found on page 20.

Growth Capital (or development capital)

This involves the provision of capital to accelerate the growth of established businesses and generally involves the PE investor taking a minority equity position. It is a type of investment suited to a diverse range of growth opportunities, including acquisitions, increasing production capacity, market or product development, turnaround opportunities, shareholder succession and change of ownership situations.

An example of a Growth Capital investment can be found on page 25.

Infrastructure

3i also invests in infrastructure assets. These are investments in asset-intensive businesses which provide essential services over the long term, often on a regulated basis or with a significant component of revenue and costs that are subject to long-term contracts. Infrastructure assets can be categorised into transport infrastructure (eg toll roads, ports, airports, rail); utilities (eg water treatment and distribution, power generation, waste processing, communications infrastructure); and social infrastructure (eg healthcare facilities, education facilities, government accommodation). They include a range of asset maturities from mature, typically high-yielding assets, to early-stage development projects. 3i's infrastructure sector investment is achieved primarily through its shareholding in 3i Infrastructure plc and its commitment to the 3i India Infrastructure Fund.

An example of infrastructure investments can be found on page 30.

3i also has a portfolio of Smaller Minority Investments ("SMI") and Venture Capital investments, which it is in the process of realising.

Investment objective

The objective of the PE investor is to earn attractive returns on its investment, commensurate with the risk being taken. The returns come in the form of income (interest, dividends or fees) and capital gains. The PE investor will invest capital and bring its knowledge, experience and network to bear on the asset to improve its performance and value. The PE investor will usually prefer to crystallise its capital gain through a trade sale of the underlying business (ie a sale to a corporate purchaser), a sale to a financial purchaser (a 'secondary' transaction) or a flotation on the public markets (an 'IPO'). This preference tends to make private equity investment medium to long term in nature, since time is required to implement the value growth strategy for the business and there will also be a wish to optimise the timing of the "exit".

P20 to 32
for detailed case studies

Investment lifestyle

The lifecycle for an investment can be broken down into five distinct phases, with each requiring significant resource and capability on the part of the PE investor:

1. Origination
The ability to access and create investment opportunities. This is a critical component of a PE investor's business model.

2. Developing and validating the investment case
In this phase, the PE investor draws upon its knowledge, experience, network, commercial judgment and other capabilities to develop and validate its investment case. This might involve building a potential board and management team and working with them to develop the strategy for value growth and exit; as well as conducting "due diligence" on all significant assumptions and inputs to the investment case.

3. Structuring and making the investment
This phase involves financial structuring, negotiation and project management skills on the part of the PE investor. Relationships with banks, mezzanine finance providers, intermediaries and others are important.

4. Implementing the value creation plan
This phase involves "actually making it happen", creating value between making the investment and exit. If the strategy involves corporate acquisitions or mergers, restructuring the business, achieving growth in turnover or operating profits, the PE investor would need to have the required capability to ensure these are achieved. The ability to assess and strengthen the management team as the life cycle proceeds is also important. This might involve having access to a pool of management talent in order to match a particular need to a particular management skill-set.

5. Exit
This phase generally involves a trade sale, a listing on a stock exchange or a sale to another private equity firm ("a secondary"). Exit prospects and strategy should generally be reviewed on an ongoing basis during the investment's life – and the sale or flotation itself requires resource and capability from the PE investor, since both are lengthy and complex processes.

Types of investment vehicle

The predominant vehicle through which private equity firms invest is the independent, private, fixed-life, closed-end fund, usually organised as a "Limited Partnership". These funds typically have a fixed life of 10 years. Investments generally consist of an initial commitment of capital by investors in the fund which is then drawn down as the investment manager finds investment opportunities. Capital is returned to the investors via earnings distributions and sales of investments.

3i invests with capital from the Group's own balance sheet and from funds which the Group manages or advises for others.

There are also a limited number of private equity investment companies, such as 3i, whose shares are listed on a stock exchange. These tend to be evergreen in nature and offer investors a more liquid access to private equity returns.

The language of returns and reward

The measurement of returns, whether realised or unrealised, is described on pages 38 to 42 of this report. Pages 138 and 139 contain both descriptions and worked examples of how rewards are split between investors, private equity professionals and portfolio management teams.

P138 to 139
for Carried interest – an explanation

Returns and IRRs – an explanation

Our aim is to achieve consistent market-beating returns measured by using "cash-to-cash vintage year IRRs".

How does 3i's total return equate to the IRR measures?

Total return is calculated as the gross portfolio return plus other fee income, less costs and net interest payable. Total return can be expressed as a quantum or as a percentage of opening shareholders' funds.

Gross portfolio return is made up of the income and value movement (both realised and unrealised) generated from our portfolio.

Costs include expenses and net carried interest payable.

The elements that make up the gross portfolio return are the same constituents used in an IRR calculation.

Gross portfolio return (stated as a percentage of opening portfolio value) will equate to an IRR measure over time. So, if 3i achieves 20% gross portfolio returns each year, the long-term IRR will also move to 20%.

What is total shareholder return?

Total shareholder return is the change in share price over a period, plus dividends re-invested.

What is an IRR measure?

The Internal Rate of Return ("IRR") is the interim return earned by 3i through investing in an asset from the date of initial investment up until the particular point in time at which it is calculated. The calculation uses monthly cash flows generated from the asset to work out the annualised effective compound rate of return. For assets that have yet to be sold, and therefore have not generated a final cash inflow from sale proceeds, the asset value at the date of calculation of the IRR is used to calculate the return. An IRR can apply to a single asset or a pool of assets (eg all new investments made in financial year 2008 can be pooled to calculate an IRR for vintage year 2008).

An IRR calculated using the current value of the asset as the terminal cash flow is called a Fund IRR. A cash-to-cash IRR does not include any terminal value for unsold assets and is a pure, more simple measure of cash invested compared to cash returned as it does not include any judgmental asset valuation for the unsold assets.

In the business line IRR tables included in the Business review, total investment represents all first and further investment in a vintage and investment in externally managed funds, while return flow consists of capital proceeds and income. Value remaining represents the value still held within the vintage's portfolio based on our latest valuation.

What is a vintage and a vintage year?

A vintage is a collection of assets in which 3i makes its first investment during a defined period of time. The most common time period measured in the private equity industry is a year. A vintage year at 3i includes all new investments made within our financial year, ie vintage year 2008 covers new investments made from 1 April 2007 to 31 March 2008.

Why does 3i track the performance of vintage years?

Looking at the performance of a vintage enables 3i to assess the returns on pools of assets invested during a vintage year. It gives a measure of the performance of each year's investment activity in isolation.

It also allows an assessment of the return generated from assets over the length of time they are held, rather than just looking at the performance between the beginning and end of a financial year, which is shown in the annual total return statement. The annual total return analysis has limitations as a measure of longer-term performance, as it is only a representation of how the assets have performed in one financial year and is heavily influenced by the valuation of the asset at the beginning and end of the year. It does not show the evolution of how a vintage year is performing over time.

To achieve this longer-term measure of performance over time, the IRR is the standard measure used across the private equity industry.

What IRR measures does 3i use to assess the performance of a vintage?

A cash-to-cash IRR cannot be meaningfully used to measure the performance of a vintage until the majority of assets in that vintage are realised. Therefore, 3i monitors the progress of each vintage and the evolution of the IRR using a combination of the Fund IRRs and the extent to which a vintage is realised, to assess the interim performance. Case A, depicted in chart 1, is an example to show the interim cash-to-cash IRR of an asset and clearly indicates why, during the holding period of an asset, the Fund IRR gives a more appropriate measure of performance.

Volatility, the portfolio effect and the holding period

A 3i vintage year is made up of many assets. All will have their own individual cash flows, holding periods and will be revalued at different times. After three years the maturity of a vintage tends to have developed enough for the Fund IRR to give a good indication of the final outcome. By seven years most vintage years will be largely realised.

Individual investments clearly have their own holding periods, illustrated by the two examples given.

Tracking our progress

To monitor a vintage year 3i uses a combination of Fund IRRs and money multiples. The Fund IRR gives a measure of performance and the money multiple shows how much cash has been returned compared to cost (eg Case A = 1.7x) so that we can assess the extent to which that performance is "locked-in".

We have published the Fund IRRs for our long-established business lines within the Business review.

Examples

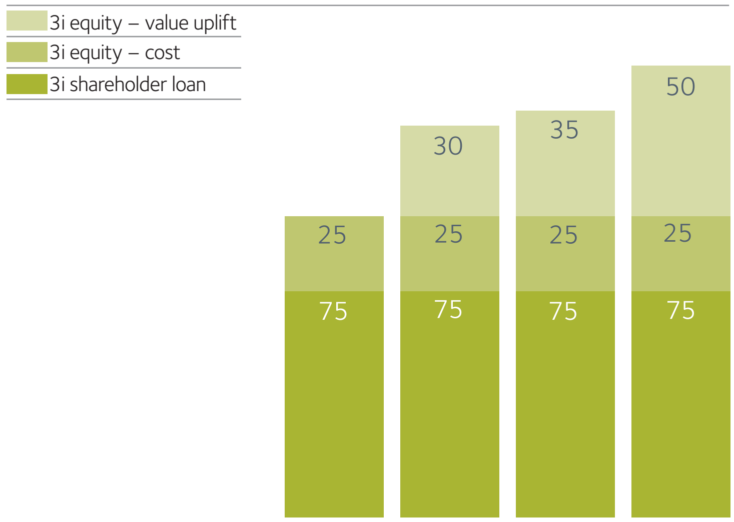
Case A and Case B show the investment life cycle of two investments.

Case A is a successful investment, which over the life of the investment generated interest income, grew in value and exited generating a 1.7x multiple and an IRR of 20%.

Case B is an unsuccessful investment. At the end of the second year of our investment earnings had remained flat and the multiple used to value the investment remained unchanged. However, after holding an investment for a year the Group's valuation policy is to apply a 25% liquidity discount, which resulted in a fall in the book value of the investment. During the third year of our investment, the company lost a large contract and a decision was taken to recognise a 75% provision against the investment. In year 4 the decision was taken to sell the business to one of Case B's competitors who saw some strategic value in Case B's remaining contracts and was prepared to pay a premium to our book value. The price paid was, however, at a significant discount to our original cost and resulted in a 0.5x money multiple and an IRR of (18)%.

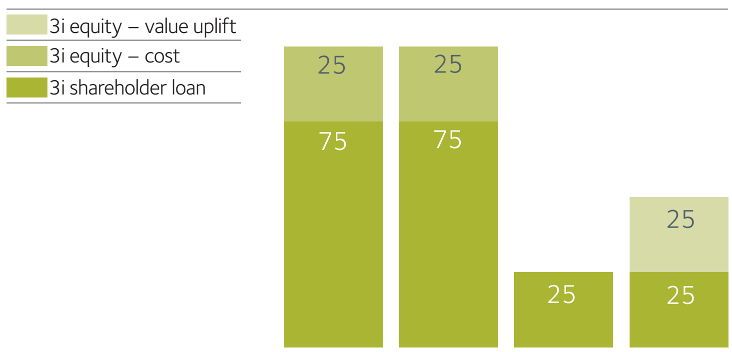
Chart 1: IRR evolution

Case A



	Year 1	Year 2	Year 3	Year 4
Investment	(100)	–	–	–
Yield	–	6.5	6.5	6.5
Value at year end	160	130	135	–
Proceeds	–	–	–	150
Fund IRR	0%	(37)%	22%	20%
Cash-to-cash IRR	(100)%	(94)%	(71)%	20%

Case B



	Year 1	Year 2	Year 3	Year 4
Investment	(100)	–	–	–
Yield	–	6.5	–	–
Value at year end	100	75	25	–
Proceeds	–	–	–	50
Fund IRR	–	(19)%	(47)%	(18)%
Cash-to-cash IRR	–	(94)%	(94)%	(18)%

Carried interest – an explanation

Private equity firms ensure alignment between the interests of management teams and investors through a variety of mechanisms. A key financial mechanism is "carried interest" or "carry" and this is explained below.

What is carried interest?

Carried interest refers to the profits generated in a successful private equity fund that are received by the carried interest holders, and which typically amount to 20% of the net profit in the fund.

Who is the carried interest holder?

This is often the senior management team of the fund manager, but varies between private equity firms.

Where does the term carried interest come from?

The investor who receives the carried interest is said to be carried by the other investors since they are willing to allocate up to 20% of their profits to the carried interest holder.

How does carried interest ensure alignment of the parties in a private equity transaction?

The main parties in a private equity transaction are the management team of the underlying company in which the fund is investing, the investors in the fund and those who manage the fund. Each of these parties invests in the transaction. The private equity fund managers' investment is typically through a co-investment in the fund.

Management teams of companies backed with private equity are incentivised by the potential capital gain on their investment in the company. Investors in private equity funds benefit from the growth in value of these underlying companies.

Managers of the fund holding the carried interest benefit if the overall performance of the fund is successful.

When is carried interest paid and how is it calculated?

Carried interest is usually based on the performance of the fund as a whole, but in some funds is paid on an investment-by-investment basis. Usually investors receive their initial capital back plus a "hurdle" to ensure a minimum level of return before any carried interest is paid.

Typically, this hurdle is based on the Internal Rate of Return ("IRR") of the fund since its inception – for more information on IRRs see pages 136 and 137. An IRR-based hurdle is the most appropriate mechanism in the private equity industry due to the focus on cash-to-cash returns.

Once the hurdle has been met, most funds allocate cash flows above the hurdle disproportionately for a short period, known as the "catch up" phase, until the carried interest holder has received the right proportion of the overall profits in the fund.

Why are investors in a private equity fund willing to forego as much as 20% of profit in carried interest?

Generally investors value the alignment that carried interest provides.

Carried interest functions in a similar way to a performance fee. It is directly linked to the success of the investment fund and has the benefit to the investors of being measured on the cash returned to them rather than the value of the fund.

In return for paying carried interest, fund investors demand "active" management of their capital. Specifically, the fund manager will:

– invest fund investors' capital in high quality companies;

– develop and implement a value-creation strategy for each company in the portfolio;

– participate in the strategic and operational policy-making through board representation;

– earn an appropriate yield on the investment;

– and provide a profitable exit through a trade sale, IPO or refinancing.

What other return does the fund manager receive?

The fund will pay a priority profit share (often called the "management fee") to cover the costs of the fund manager. This is typically 1% to 2% of the investors' commitments to the fund annually.

Why does 3i have both carried interest receivable and carried interest payable?

3i's **carried interest receivable** is due from the third-party funds that 3i manages. 3i has raised a succession of buyout funds, the most recent being Eurofund V, a €5 billion mid-market fund. Another example would be the 3i India Infrastructure Fund, a $1.2 billion infrastructure fund to invest in the Indian market.

3i's **carried interest payable** is due to investment executives employed by 3i. Assets in a vintage are grouped together in pools (typically covering two years of investment), which are specific to a particular investment team. The executives in that team purchase the rights to the carried interest and, if the pool is profitable, they will receive an allocation of investment profits. 3i's internal carry schemes are structured in the same way as external funds, with similar terms and conditions.

Both carried interest receivable and payable are accrued in line with underlying realised and unrealised profits in the fund but cash payments are not made until the cash is returned to investors, as noted above.

P136 to 137
for further information on IRRs

As the level of carried interest receivable is related to the returns in 3i's co-investment funds, while the level of carried interest payable is related to the returns from 3i's own investments, carried interest receivable and payable are only indirectly related in 3i's accounts.

However in 3i's Buyout business line, there is a correlation between carried interest receivable and payable because investments in the same business are held both by the managed fund and held on 3i's own balance sheet.

Why does 3i have co-investment arrangements alongside its carried interest schemes?

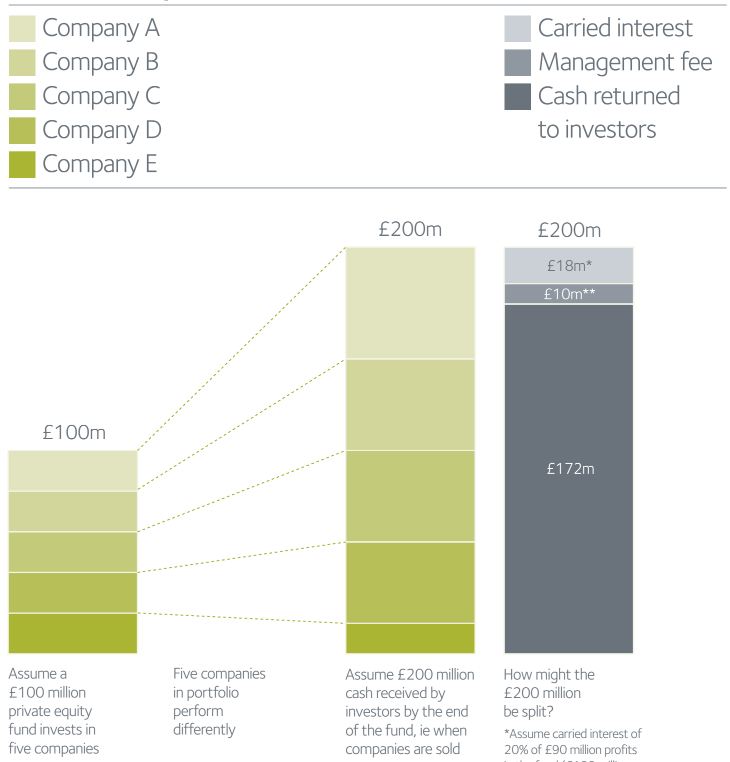
In line with market practice, 3i requires those investment executives who acquire carried interest rights also to invest alongside 3i. The terms of these "co-investment" arrangements are changed from time to time but typically involve investment executives personally investing up to 2% of the total 3i and funds commitment to each new investment. Gains or losses from the co-investments accrue to the investment executives and provide further alignment with 3i and the fund investors.

How does 3i account for carried interest?

3i accounts for carried interest on an accruals basis. As realisations are made and valuations are adjusted, 3i reviews the impact on each carry scheme in place and amends its carried interest accruals accordingly.

3i's accounting policy means that movements in gross portfolio return are fully reflected in the calculation of carried interest payable and receivable, ultimately reducing year-on-year volatility to 3i's total return.

Worked example



*Assume carried interest of 20% of £90 million profits in the fund (£100 million – £10 million fees)

**Assume average management fee of £1 million pa during the life of the fund

3i and transparency

For over 60 years, 3i's objective has been to take an open and straightforward approach to doing business.

Our approach

We have a bias to openness and a culture of pioneering on transparency issues because we believe that this is good for our business. As a public company and a Private Equity business, 3i operates in a highly regulated environment. We also respect the responsibilities we have towards our portfolio companies and to those that we do business with around the world.

Our approach, therefore, is to balance these factors, consider carefully what information might be helpful to those with a legitimate interest in 3i, and then to find the best way of communicating it.

Illustrations of our approach are included below.

Our track record

3i's approach to transparency has been encouraged and reinforced by the benefits we believe that we derive from having a good track record on this very important issue. Long before becoming a public company, 3i's annual reports went beyond what was required from a legal perspective. Since listing on the London Stock Exchange in 1994, we have also aimed to be amongst the best in our peer group, whether our peers are other listed companies or Private Equity firms. From surveys of investors, press comment and the numerous awards acknowledging our efforts in this area, we feel this has been an important element in 3i's differentiation.

Transparency on Corporate responsibility

3i takes a very open approach to corporate responsibility issues. Our Corporate responsibility report on page 53 and our dedicated corporate responsibility website, www.3icr.com, contain a significant amount of information on the subject.

www.3icr.com

Transparency with our portfolio

From first meeting to exit, we aim to take an open and straightforward approach to doing business with our portfolio companies. Our "Active partnership" style of investing and the board membership we typically have in portfolio companies provide several channels for communication and feedback. The many events we hold for the management teams of our portfolio companies provide additional means for our portfolio companies to interact with a wide range of 3i staff.

www.3i.com

Transparency with investors

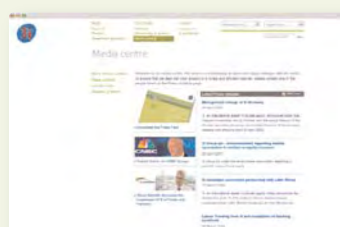
We aim to provide investors in 3i Group plc, and investors in funds managed or advised by 3i, with the highest standards of communications, whether through our Investor relations website, www.3igroup.com, investor meetings, or through other interaction.

www.3igroup.com

Transparency with the media

3i has taken a very open approach to dealing with the press and is regularly ranked in Ipsos MORI polls as the most familiar and most favourably viewed Private Equity firm in the UK by business journalists. The media centre on our website at www.3i.com/media was specifically designed for journalists.

www.3i.com/media



Since 2007, there has been a considerable amount of political comment and press coverage in many countries about the role of Private Equity. 3i has played an active role in this debate. We gave evidence at the UK Treasury Select Committee Review in 2007, during which our 2007 Annual report was commended by the Chairman of the Treasury Select Committee, John McFall.

In Europe more generally, Jonathan Russell, the Managing Partner of 3i's Buyouts business, has been Chairman of the European Private Equity and Venture Capital Association since June 2008 and has been at the forefront of the industry's submission to the European parliament. This submission, "Private Equity and Venture Capital in the European Economy", which provides extensive data and description of how the Private Equity model works in practice, can be found at www.evca.eu.

Transparency with our staff

We believe that it is important to keep our staff well informed about what 3i is doing. As we have a relatively small number of staff, we are able to achieve this through a combination of using efficient web-based tools such as our online portal and a lot of individual or team based discussions. Our "One 3i" approach underpins this and we conduct a staff survey each year to ensure that we continue to improve. A summary of the highlights of our latest survey is contained on page 60.

3i portal

The Walker review

In 2007, in response to the growing debate about the role of Private Equity in the UK, the BVCA suggested a review to examine ways in which levels of disclosure in companies backed by the UK Private Equity industry could be improved.

The review was led by Sir David Walker, the highly-respected City figure, who consulted widely and invited representations from within the Private Equity industry, with interested parties and among other financial institutions, pension funds and the investment community, as well as more broadly with portfolio companies, trade unions and employer representatives.

3i actively supported the review. The Group's Chairman, Baroness Hogg, was a member of the Review Group and Patrick Dunne, 3i's Communications Director, was a member of the committee within the British Private Equity and Venture Capital Association ("BVCA") which proposed the review.

3i also endorsed the voluntary code which resulted in, "Guidelines for Disclosure and Transparency in Private Equity", which was published in November 2007.

Sir David Walker's recommendations with respect to reporting for Private Equity firms and their relevant portfolio companies were on a "comply or explain" basis.

For Private equity firms

The guidelines apply exclusively to UK Private Equity firms, authorised by the FSA, that are managing or advising funds that either own or control one or more UK companies.

The guidelines say that such Private Equity firms should produce an annual review, accessible via a website, which:

- communicates how the Private Equity practice fits into the firm and confirms that arrangements are in place to deal with conflicts of interest;
- provides some commentary on history, investment approach and investment holding periods;
- commits to conform to the guidelines on a "comply or explain" basis;
- provides details on the leadership of the UK firm and describes the UK firms meeting the portfolio criteria below; and
- provides a categorisation of the limited partners in its funds and follows established guidelines in reporting to their limited partners.

3i and transparency

For Private Equity backed portfolio companies

The guidelines apply to portfolio companies which are:

– acquired by one or more Private Equity firms in a public-to-private transaction, where the market capitalisation together with the premium for acquisition of control was in excess of £300 million; and

– acquired by one or more Private Equity firms in a secondary or other non-market transaction, where the enterprise value at the time of the transaction was in excess of £500 million.

And, in each case, where more than 50% of the revenues were generated in the UK and UK employees totalled in excess of 1,000 full-time equivalents.

Portfolio companies meeting these criteria should publish annual reports and accounts on their websites within six months of the year end and include:

– the identity of the Private Equity fund or funds that own the company, the senior managers or advisers who have oversight of the fund or funds and detail on the composition of its board;

– a business review that substantially conforms to section 417 of the Companies Act 2006; and

– a financial review to cover risk management objectives and policies, including those relating to leverage.

Portfolio companies should also:

– publish a summary mid-year update no later than three months after mid-year; and

– provide data to the BVCA in support of its work in aggregating data for the industry as a whole.

So how does 3i measure up against the Walker guidelines?
3i is fully compliant with the Walker guidelines.

As a Private Equity firm:

– 3i's annual and half-yearly reports are fully compliant;

– our 3i.com and 3igroup.com websites provide substantially more information than is required by the Walker guidelines;

– we have high levels of employee engagement and further details of the results of our latest staff survey are provided in our Corporate responsibility report on page 60;

– 3i has a well-developed approach to communicating with shareholders and the LP investors in the funds which it manages or advises with a regular flow of information, as well as events and meetings. Investors are also encouraged to provide feedback;

– 3i's website, 3i.com, contains a large number of endorsements from the management teams of portfolio companies which work with 3i;

– regular surveys of journalists' views on the industry and on the Company undertaken by Ipsos MORI show high levels of trust in 3i and satisfaction with press communications;

– 3i has a well-developed compliance function which ensures that arrangements are in place to deal with conflicts of interest. As can be seen from our Risk report on page 47, there is a formal Conflicts Committee which reports to our Operational Risk Committee; and

– 3i provides extensive information on the leadership of the UK firm and the Group as a whole.

Portfolio companies

There were two 3i portfolio companies, Anglian Water Group and Enterprise, which fitted the Walker criteria for its first review and one, NCP Services, which the Walker Guidelines Monitoring Group decided at the end of their review that they would like to report next time.

Anglian Water Group and Enterprise are both fully Walker compliant. Their website addresses are www.awg.com and www.enterprise.plc.uk.

www.awg.com

www.enterprise.plc.uk

NCP Services is the residual business remaining after 3i sold the bulk of the business of NCP to Macquarie in 2007. Although NCP Services is considerably smaller than the criteria required for the Walker guidelines to apply, and NCP under its new ownership has produced a Walker compliant report, the Walker Guidelines Monitoring Group decided that in order to track the full performance of NCP since the buyout in 2005, it would be helpful to have a "Walker compliant" report from NCP Services for the second year of Walker reports and requested 3i to do this. 3i agreed straight away.

This 3i Annual report also contains a number of detailed case studies on pages 34 to 36.

P34 to 36
for detailed case studies

P53 to 64
for our Corporate responsibility report

Information for shareholders

Financial calendar

Annual General Meeting*	8 July 2009
Half-year results	November 2009
Interim dividend expected to be paid	January 2010

*The 2009 Annual General Meeting will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 8 July 2009 at 11.00am. For further details please see the Notice of Annual General Meeting 2009.

Information on ordinary shares

Shareholder profile Location of investors at 31 March 2009

UK	70.1%
US	11.4%
Continental Europe	9.2%
Other international	9.3%

Share price

Share price at 31 March 2009	271.0p
High during the year (11 August 2008)	956.5p
Low during the year (9 March 2009)	176.2p

Dividends paid in the year to 31 March 2009

2007/2008 Final Dividend, paid 18 July 2008	10.9p
2008/2009 Interim Dividend, paid 7 January 2009	6.3p

Balance analysis summary

Range	Number of holdings Individuals	Number of holdings Corporate bodies	Balance as at 31 March 2009	%
1 – 1,000	22,671	1,912	9,701,906	2.53
1,001 – 10,000	3,331	1,063	9,578,322	2.49
10,001 – 100,000	103	358	16,605,327	4.33
100,001 – 1,000,000	9	239	82,128,892	21.39
1,000,001 – 10,000,000	0	62	165,225,636	43.03
10,000,001 – highest	0	7	100,730,797	26.23
Total	26,114	3,641	383,970,880	100.00

The table above provides details of the number of shareholdings within each of the bands stated in the register of members at 31 March 2009.

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Group plc, including requests for further copies of the Report and accounts, please contact:

Group Communications
3i Group plc
16 Palace Street
London SW1E 5JD
Telephone +44 (0)20 7928 3131
Fax +44 (0)20 7928 0058
email ir@3igroup.com

or visit our investor relations website, www.3igroup.com, for full up-to-date investor relations information, including the latest share price, recent annual and half-yearly reports, 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 0871 384 2031
(international callers +44 121 415 7183)

Electronic communications

If you would prefer to receive shareholder communications electronically in future, including your annual and half-yearly reports and notices of meetings, please visit our Registrars' website at www.shareview.co.uk/clients/3isignup and follow the instructions there to register.

More general information on electronic communications may also be found on our website at www.3igroup.com/e-comms

Frequently used Registrars' forms may be found on our website at **www.3igroup.com/e-comms**

3i Group plc
Registered office:
16 Palace Street, London SW1E 5JD, UK

Registered in England No. 1142830

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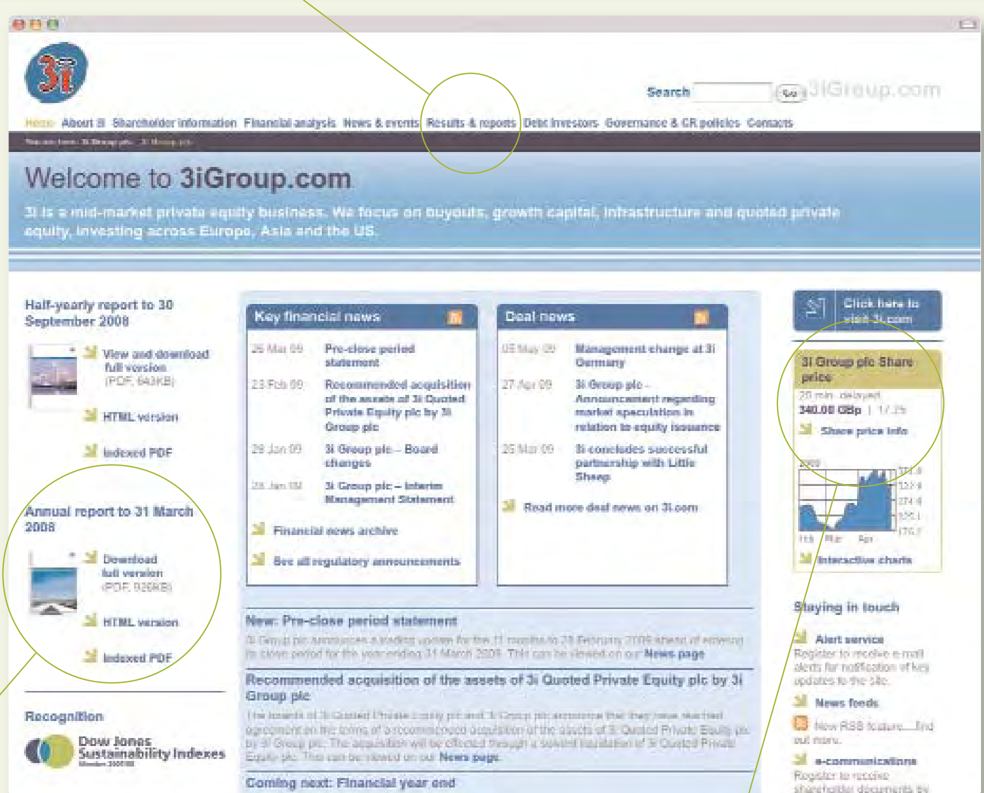

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