12 May 2011

3i Group plc announces full year results to 31 March 2011

(**Preliminary results for the year to 31 March 2011)**

Key points

- Investment increased to £719 million (2010: £386 million)
- Total return of £324 million, a 10.6% return on opening shareholders' funds
- Good underlying performance in all business lines
- Strong financial base for growth (£1,846 million liquidity)
- Dividend increase of 20%

3i's Chairman, Sir Adrian Montague, said:
"Increased momentum in the Private Equity business, further good progress in Infrastructure and a significant acquisition in Debt Management meant that the financial year to 31 March 2011 was both active and productive for 3i."

Michael Queen, 3i's Chief Executive, added:
"Significant progress has been made over the last two years and I am confident that we now have three strong platforms for growth. We have made a good start to the financial year and are well placed to make further progress."

	Year to 31 March 2011	Year to 31 March 2010
Returns		
Gross portfolio return	**£601m**	£843m
Gross portfolio return on opening portfolio value[1]	**17.1%**	20.9%
Total return	**£324m**	£407m
Total return on opening shareholders' funds[2]	**10.6%**	16.2%
Dividend per ordinary share	**3.6p**	3.0p
Assets under management[3]		
3i	**£5,450m**	£5,787m
External funds	**£7,236m**	£3,846m
Total assets under management[3]	**£12,686m**	£9,633m
Balance sheet		
3i portfolio value	**£3,993m**	£3,517m
Net debt	**£522m**	£258m
Liquidity	**£1,846m**	£2,731m
Net asset value	**£3,357m**	£3,068m
Diluted net asset value per ordinary share	**£3.51**	£3.21
Investment activity		
Investment	**£719m**	£386m
Realisations	**£609m**	£1,385m

1 Opening portfolio value in the prior year is the weighted average of the opening portfolio value, less the opening portfolio value of 3i's share of 3i Quoted Private Equity plc ("3iQPEP"), plus the value of investments transferred from 3iQPEP to 3i Group plc.
2 Opening shareholders' funds in the prior year is the weighted average of opening shareholders' funds and the equity value following the liquidation of 3iQPEP and the nine for seven rights issue.
3 "Assets under management" was re-defined as at 31 March 2010. The new definition is detailed in the Business review.

- ends -

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For further information regarding the announcement of 3i's annual results to 31 March 2011, including a live videocast of the results presentation from 09:45am, please see www.3igroup.com.

Notes to editors

3i is an international investor focused on private equity, infrastructure and debt management, investing across Europe, Asia and the Americas.

Our competitive advantage comes from our international network and the strength and breadth of our relationships in business. These underpin the value that we deliver to our portfolio and to our shareholders.

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2011 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2010 have been delivered to the Registrar of Companies. The auditors' reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

Note 2
Copies of the Report and accounts 2011 will be distributed to shareholders on or soon after 2 June 2011.

Note 3
This announcement may contain certain statements about the future outlook for 3i Group plc and its subsidiaries. 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.

Chairman's statement

Increased momentum in the Private Equity business, further good progress in Infrastructure and a significant acquisition in Debt Management meant that the financial year to 31 March 2011 was both active and productive for 3i, albeit against an uncertain economic background, especially in the UK.

High quality new investment has always been central to future value growth for our shareholders. It was therefore encouraging that, although we retained a measured and highly selective approach to investing, the rate of balance sheet investment, at £719 million in the year to 31 March 2011, was significantly ahead of last year's low level of £386 million. We also invested a further £736 million on behalf of funds that we manage or advise.

Good performances across most of the Group meant that we were able to deliver a total return of 10.6%, despite a significant value reduction in one of our largest investments. Strong overall growth in the earnings of our Private Equity portfolio, especially in northern Europe, more than compensated for a general reduction in the multiples used for valuation purposes.

Our balance sheet remains strong with net debt at £522 million and we have substantial liquidity available to increase investment. The Board has decided to recommend a final dividend of 2.4p which, together with the increased interim dividend, results in a total dividend of 3.6p, 20% higher than last year.

In the Half-yearly report in November 2010, my first since becoming Chairman in July 2010, I said that 3i is a group with considerable opportunity in each of its three areas of business. Given the highly competitive nature of most of our markets, the 3i brand is key to winning investments, to developing the business internationally and in taking these opportunities.

An in-depth review of the brand was undertaken during the year. This review produced evidence of deep loyalty to 3i amongst the wide group surveyed, as well as considerable affinity for our responsible style of investing. There was, however, a desire for 3i to operate more consistently, especially within our Private Equity business.

As a result, we have made a number of changes to the business to improve both consistency and performance. These cover a range of actions including the formation of the Private Equity business line from our Growth Capital and Buyouts businesses, a series of "Responsible investing" initiatives and the decision to form a Brand and Values committee composed of executives and non-executives.

In March 2011, the Group announced that Jonathan Asquith would be joining the Board. Jonathan is also a non-executive director of Ashmore Group plc, AXA UK plc and Chairman of AXA Investment Managers. As a former chief financial officer and later vice-chairman of Schroders, he brings a wide range of financial experience directly relevant to our strategy for growing the business.

During the year, Robert Swannell also retired from the Board to take up his new role as Chairman of Marks and Spencer Group plc. As a consequence, Richard Meddings became the Senior Independent Director. Following his appointment as a non-executive director to the board of the UK Home Office, John Allan stepped down from the 3i Board on 1 May 2011. After nine years on the Board, Christine Morin-Postel will retire as a non-executive director at the forthcoming Annual General Meeting in July 2011. On behalf of the Board, I would like to thank Robert, John and Christine for their valuable contributions to 3i. They have been much appreciated.

With regard to outlook, it would appear that there remains a generally improving but somewhat fragile environment. Significant regional differences are evident and it is a little early to assess the longer term effects of the geopolitical developments in the Middle East, the natural disaster in Japan, and increased energy and other commodity prices. Our strategy therefore is to retain our financial strength, to continue to take a measured and highly selective approach to investment and to keep an absolute focus on improving the performance of every aspect of our business.

Sir Adrian Montague
Chairman
11 May 2011

Chief Executive's review

Our vision
To be recognised as a leading international investor based on:

- the value we add to our portfolio
- the returns we deliver to our investors
- our responsible approach and style of investing

Our values
In all our activities we will:
- be commercial and fair
- respect the needs of shareholders, investors, our people and the companies in which we invest
- maintain our integrity and professionalism
- strive for continual improvement and innovation

When I became Chief Executive in January 2009, there were four key areas of change that I felt were vital to focus on to ensure 3i's continued success. First, there was a pressing need to restructure the Group's balance sheet. Through a combination of cash flow generated from within the business and the successful rights issue, supported by our shareholders in the summer of 2009, this was achieved somewhat sooner than anticipated. By maintaining a low level of net debt and a robust balance sheet we have been able to take advantage of a number of opportunities to grow in a measured way.

Alongside improving 3i's financial position, another early priority was to ensure that we were maximising the value of our portfolio. We have made good progress on this front through a range of actions. These have increased the effectiveness of our portfolio management and enabled us to achieve some notable exits including Hyva, which delivered a return of seven times our investment.

Earnings growth in our Private Equity portfolio of 15% in the year is evidence of the overall quality of the portfolio. However, there have been elements of this portfolio that have underperformed. The significant reduction in value of our fourth largest investment at 31 March 2010, was clearly a setback.

Cultural and organisational changes were the third area of focus. A "One 3i" approach has been central to this, as has been the decision to combine the strengths of our Growth Capital and Buyouts businesses to form a single Private Equity business. The objectives in doing this were to improve our ability to originate high-quality investment opportunities and to add value to our portfolio by placing greater emphasis on our regional, sector, Active Partnership and Business Leaders Network activities. More effective origination is already evident and bearing fruit in increased investment.

The senior Leadership Team was also strengthened during the year with the addition of Menno Antal, Alan Giddins, Jeremy Ghose and Cressida Hogg. Together, they have helped to broaden the experience of the Leadership Team as well as raise our ambition and increase our operational effectiveness. Lower operating costs and increased assets under management helped us to improve our operating expenses per AUM ratio during the year from 2.3% to 1.8%.

I have also been determined to put 3i back on a growth agenda. The acquisition of Mizuho Investment Management (UK) Limited ("MIM") from Mizuho in February 2011 provided the catalyst to form a distinct Debt Management business line to build on the success of our own

in-house capability. This new business line will not only diversify returns to our investors, but will also provide additional yield and lower volatility of earnings. It also reinforces that 3i is no longer solely a private equity business but rather a broader-based alternative asset manager and investor.

Since the year end, we have extended our international reach with the recruitment of an experienced team in Brazil. This investment in our network will enhance our global investment capabilities and also provide our portfolio companies, 20% of whom are already active across Latin America, with further access to one of the world's fastest growing regions.

We have also made further progress in Asia. The 3i India Infrastructure Fund has made three further investments and is now 65% invested.

These developments, alongside the continuing progress elsewhere in the Group, are designed to grow shareholder value for the future, as well as to strengthen our brand, our competitive advantage and our heritage as a responsible investor.

We have made significant progress since the beginning of 2009 in what has been an uncertain economic environment and I am confident that we now have three strong platforms for growth and that they are starting to deliver that growth.

Market environment
3i has operations in Europe, Asia and the Americas and our investment portfolio is itself comprised of companies with a wide range of international diversity. You will see from the contents of this report that 3i's international presence has allowed us to benefit from exposure to a variety of geographies and sectors in the global economy.

Market conditions have generally improved over the year, albeit with significant regional differences. Global GDP growth of 4.9% in calendar year 2010 was driven by high growth rates in India, China and Brazil, and economic recovery in the US, Germany and Japan. However, several European economies, including the UK and France, have shown sluggish recovery rates and there has been significant distress in other EU countries.

As I said in my half-year statement, as a result of the significant amount of capital raised by the industry in the pre-crisis years and recent low levels of investment, there has been excess capital in many of our markets. This remains the case today and has provided an additional stimulus to an active secondary market, as well as contributing to competitive pressure and high prices. Investment has picked up, yet new fundraising remains at historic lows. This, combined with the fact that private equity and infrastructure funds typically have five-year investing periods, suggests that the excess capital available in our markets is likely to fall significantly over the next few years.

Performance
Our total return for the year to 31 March 2011 was 10.6%. This was the result of a generally strong underlying performance from our Private Equity portfolio combined with good performances from Infrastructure and Debt Management, being offset to a degree by a weaker performance from a small number of UK investments. Total return of £324 million is stated after deducting £198 million in respect of the impairment in value of Enterprise, a UK asset. The underlying performance is, however, consistent with our long-term return on equity objective of 15%.

Private Equity performed well with a gross portfolio return of 16%. Within this, Growth Capital achieved a gross portfolio return of 23%. Our Private Equity business also saw

increased investment during the year as a result of good value opportunities in a wide range of sectors.

Infrastructure continued to achieve its overall objectives and delivered an 11% return. Highlights of the year were the completion of an investment by 3i Infrastructure plc in Eversholt Rail Group, one of the UK's rail rolling stock leasing companies, as well as a number of good investments in India through the 3i India Infrastructure Fund.

3i Debt Management was only fully established in February and so has had a marginal impact on total return. 3i's pre-existing debt management business realised the majority of assets in the 2007 Debt Warehouse during the financial year, generating profits of £24 million. This successful exit will help to position 3i Debt Management as one of the market's top performing debt managers in this vintage and assist in future fundraising.

We have retained our measured and highly selective approach to new investment in what has remained a highly competitive environment. Nine new investments were made in the year in companies operating in sectors and countries which we know well. You can find further information on these investments in the business line reviews.

Realisation proceeds were lower than the previous year at £609 million (2010: £1,385 million), but at a higher uplift to opening value (26%, 2010: 11%). In part, this was due to the timing of the exit of Hyva and the partial sale of our holding in Norma on its IPO in early April. These investments are excellent examples of 3i at its best.

Our net asset value ("NAV") per share increased during the year to £3.51. The table below shows the steady but sustained progress that the Group has made since 2009; adding an additional 30p to the NAV this year gives an annualised return of 12.8% over the two years.

Table 1: Continued growth in returns to shareholders (p per share)

	31 March 2009	30 September 2009	31 March 2010	30 September 2010	31 March 2011
Diluted NAV per share	279*	286	321	330	351
Cumulative dividend per share		0	1	3	4.2
	279	286	322	333	355.2

* Adjusted to reflect the impact of the rights issue and issue of shares related to the acquisition of 3i QPEP.

Model for returns

With our business model now clearly established I wanted, as part of our results communication this year, to set out the management tool that I am using to challenge our businesses to deliver returns for our shareholders and the investors in our funds.

Overall, we aim to deliver an average 15% return on equity over a five-year period, with lower volatility and steady and consistent progression in NAV.

Each of our business lines has gross return objectives reflecting the relative risk in their asset class. We have set these out previously for our Private Equity (20%) and Infrastructure (12% Europe, 20% India) businesses. We are now adding the gross portfolio return objective for Debt Management of 10%.

Net returns take account of the funding structures, which deliver fees and carry to enhance gross returns. They also reflect the costs of running the business. As we deploy a lower proportion of our own capital in Debt Management, for example, there is a net enhancement as fees exceed cost. Each of our business lines are structured to deliver 15% returns over the long term.

The Group's total return also reflects the cost of the Group's funding, foreign exchange and other factors such as the pension scheme. We have taken, and continue to explore, steps to reduce the costs and volatility associated with these items so that over time there is a very material reduction in the dilution from net portfolio return to total return.

Looking forward
We have made a good start to the financial year and are well placed to make further progress both in increasing investment and improving the consistency of our returns. With the addition of our Debt Management business, we have a multi-asset class platform that is ready for renewed growth. The market environment remains testing, but our teams across the world are determined to deliver increasing value for our shareholders and the investors in our funds.

Michael Queen
Chief Executive
11 May 2011

Business review

Introduction

3i is an international investor focused on private equity, infrastructure and debt management, investing in Europe, Asia and the Americas. Our vision, values and strategy are set out in the Chief Executive's review.

All three of 3i's business lines invest using a mix of the Group's own balance sheet capital and external capital. Total assets under management at 31 March 2011, including 3i's commitments to funds, were £12.7 billion (2010: £9.6 billion), including £7.2 billion (2010: £3.8 billion) advised or managed on behalf of others.

The composition of our assets under management is set out on the following pages. Further detail is also provided on the composition of the investment portfolios within each of the business line reviews. Information on our largest investments is provided in Ten largest investments and Forty other large investments.

A detailed review of our performance at a Group and business line level for the year to 31 March 2011 is set out in this Business review. In summary the Group's total return is generated by the realised and unrealised returns we achieve from our direct portfolio and the fees that we receive from advising or managing external funds, less the operating expenses and funding costs of the business.

Corporate responsibility and risk management are central to our strategy. During the year, we undertook an extensive survey of over 200 people from a range of key groups engaged with 3i including our portfolio, key intermediaries, members of our Business Leaders Network and shareholders. This review has informed our thinking and is referred to in the relevant sections of this report.

Employee engagement is our key non-financial performance measure. As an international investor employing a relatively small number of people, in a highly competitive market, employee engagement is important to 3i and we undertake a detailed survey of our staff each year.

Achieving the right balance between transparency and accessibility of information was an important factor in developing the online Reporting centre, which was launched last year. We have continued to provide further information online this year and enhanced the functionality of the site.

Assets under management

Assets owned, managed and advised by 3i
The Group defines its assets under management ("AUM") as the total commitments, including the Group's, to its active managed and advised funds, as well as the residual cost of investments in funds that are already invested and the cost of any other investments owned directly by 3i. As at 31 March 2011, the Group had total AUM of £12,686 million (2010: £9,633 million).

The 32% increase in Group AUM during the year was principally driven by growth in Debt Management AUM, which rose to £3,386 million (2010: £83 million) following the Mizuho Investment Management (UK) Limited ("MIM") acquisition. A combination of factors, including realisations and foreign exchange, resulted in AUM in the Private Equity business line of £7,545 million at 31 March 2011 (2010: £7,812 million).

A description of the development of 3i's fund management and advisory business can be found for each business line in the business lines section.

Private Equity is the largest business line in terms of assets under management (£7,545 million) . It is also the one with the highest proportion of balance sheet capital (64%).

The development of the Debt Management business line during the year means that Infrastructure and Debt Management together now represent 40% (2010: 18%) of total assets under management.

3i has a well diversified investor base for the funds it manages or advises both by geography and by type of investor.

Market environment

Market conditions

This section provides commentary on the broader environment in which the Group and its Private Equity, Infrastructure and Debt Management businesses operate. It covers a review of macroeconomic conditions, mergers and acquisitions activity and the conditions in the capital markets. Each of the business line reviews cover the levels of investment and fundraising for the relevant markets. Commentary on the regulatory environment is included in the Risk section.

In summary, conditions generally improved over the year, although there were significant regional differences. It is somewhat early to assess the longer-term effects, if any, of the geopolitical developments in the Middle East and the natural disaster in Japan, which took place towards the end of the financial year.

Mergers and acquisition activity

Conditions in mergers and acquisitions ("M&A") markets influence the environment for both investment and realisations across the Group. There has been a significant improvement in M&A markets from 2009. However, deal activity and value remain substantially below their peak levels.

Global M&A activity in calendar year 2010 at 41,654 transactions, was up by 12% from 2009 (source: Dealogic). European M&A activity, which accounted for 33% of global M&A activity in 2010 and totalled 13,820 transactions with a value of $803 billion, was also up 12% from the previous year. M&A activity in Asia (excluding Australasia) was 9% higher in 2010 but with average deal size increasing in value, was also some 28% higher than in 2009 at $421 billion.

With the value of global transactions in the first calendar quarter of 2011 up 28%, this recovery continued (source: Dealogic Global M&A Review – First quarter 2011).

Macroeconomic conditions

3i's direct operations are in Europe, Asia and the Americas and our investment portfolio comprises companies which themselves have a range of international diversity. Consequently, it is not just the economies of those countries where we have operations that are relevant to 3i.

Overall, real global GDP growth of 4.9% in calendar year 2010 (source: Barclays Capital) was driven by high growth in the BRIC economies and, in particular, India (8.6%), China (10.4%) and Brazil (7.5%), together with a recovery in some of the major industrialised economies such as Germany (3.5%), Japan (3.9%) and the US (2.8%). These proved enough to offset significant distress in a number of smaller European countries and sluggish performances elsewhere, including the UK (1.3%) and France (1.5%).

Conditions also varied across the industrial spectrum. For example, general industrials in Europe benefited from growth in developing markets whereas domestic consumer businesses in some European countries, including the UK, experienced more challenging conditions. Higher energy and commodity costs, combined with the prospect of further fiscal tightening, also present a challenging outlook for some regions, including the UK.

Equity markets
The condition of equity markets is important to 3i for a number of reasons. Firstly, stock market levels have an influence on company valuations and on the multiples used to value portfolio companies which are valued on an earnings basis.

Overall, the major global stock markets ended the year at moderately higher levels. However, there was a considerable degree of volatility within the year. As an illustration, the FTSE was at 5,680 at 31 March 2010 and 5,909 at 31 March 2011, but reached a peak of 6,091 and a low point of 4,806 during the year.

Another feature of interest to 3i is the market's appetite for IPOs. After a period of virtual closure from late 2008 to early 2010, conditions, although still fragile, improved for IPOs in 2010.

With $285 billion raised in 1,393 IPOs in calendar year 2010, global IPO activity recovered to pre-financial-crisis levels. However, over $60 billion of this amount was in three IPOs, two in Asia and one in the US. Emerging market IPO volume made up 69% of global volume. Asia raised the most capital on record and contributed approximately 65% of global proceeds ($184 billion), including $132 billion for China (source: Ernst & Young's Global IPO trends 2011 report).

European exchanges raised the highest volume since 2007 ($37 billion in 252 IPOs).
The Ernst & Young report also notes that Europe represented a 13% global IPO market share, compared with the past 10-year average level of 25%.

Business lines: Private Equity

3i's Private Equity business has evolved throughout the Company's history. Today, this business line invests in buyouts and makes minority growth capital investments in high-growth businesses, typically with an enterprise value of up to €1 billion, in Europe, Asia and the Americas. Investments are made using a blend of own balance sheet capital and external funds under management.

During the year, the decision was taken to combine our Buyouts and Growth Capital businesses to form a single Private Equity business line. Our ultimate objective in making this change is to improve the returns to our shareholders and to the investors in our funds whilst honouring our obligations to our existing fund mandates.

The key drivers of this decision were a desire to improve our ability to originate investment opportunities and to add increased value to our portfolio by placing greater emphasis on our regional, sector, Active Partnership and Business Leaders Network activities. We have provided separate Buyouts and Growth Capital reviews, reflecting our existing fund commitments.

Further details on investments referred to in this review can be found in the Ten largest and Other forty large investments.

Levels of investment and fundraising
Private equity investment in Europe in calendar 2010 grew by 63% to €39 billion compared to 2009.

According to data from unquote", this increase was driven by buyout rather than growth capital investment. The number and value of European buyouts in 2010 increased by 43% and 169% respectively, whereas growth capital investment in the region in 2010 increased by 14% by value.

The Q1 2011 unquote" Private Equity Barometer released on 20 April 2011, however, stated that there had been a less buoyant start to 2011. The number and value of European deals for Q1 2011 were down 7% and 48% respectively on the previous quarter and the average size was €52 million.

The recovery in investment in Europe was not mirrored by private equity fundraising which, at €18 billion in 2010, showed no growth on the previous year and remained at the lowest level of European fundraising since 2004.

Given the significant amount of capital raised in earlier years and the recent low levels of investment, there has been a substantial excess of capital available for investment. This has provided an additional stimulus to an active secondary market as well as contributing to competitive pressure and high prices. However, a sustained pick up in investment, combined with the fact that investing periods for private equity funds are typically five years, means that this excess of capital in the market is likely to be significantly reduced in the next two years unless there is a corresponding increase in new fundraising .

Global data from Preqin states that a total of 482 funds achieved a final close in 2010, raising $226 billion, down 8% from $246 billion raised in 2009. Buyout funds raised a total of $68.5 billion from 88 funds closed in 2010, down by 33% from 2009 levels.

North America-focused funds raised $134 billion by 242 funds. European fundraising with a total of 122 closed, raised an aggregate $50 billion. Rest of the world-focused funds (including Asia) accounted for $41 billion, with 118 funds closed.

Private Equity: Buyouts

The market
3i's buyout activities are focused on the European mid-market where, in the calendar year 2010, the number and value of transactions increased by 87% and 131% to 101 transactions and €28 billion respectively (source: unquote"/3i). The market showed signs of recovery from the trough in 2009, with increases driven by a rise in the number of buyouts valued at over €100 million, as the availability of leverage improved. However, the mid market, defined as transactions between €100 million and €1 billion, was still some 56% below the levels seen at the cyclical peak of 2007, both in terms of volume and value.

During the last economic downturn in 2002/03, average deal pricing in the European market, as a multiple of EBITDA, was estimated to have fallen to six to seven times (source: Bain 2010 Private Equity Review). Investments made in the market in 2009 and 2010 were characterised by pricing levels not far from the 2006/07 peak. This has been driven by both the overhang of capital in the market and the consequent pressure to invest, which has led to high demand for good investment opportunities.

Exit activity increased markedly in calendar year 2010 and appears to be showing a sustained pick up. European exits amounted to €60 billion in 2010, the highest level seen since 2007 (source: unquote"/3i). With more than 54% of exits sold to private equity buyers, secondary transactions accounted for a rising share of exits.

In line with private equity in general, the outlook for fund raising for buyouts, although improved, remains challenging and the market is expected to become more crowded as general partners with 2007/08 funds start to return to the market to raise new funds in the second half of 2011 and 2012.

Looking forward, it is anticipated that the recovery in deal activity is likely to continue, in the absence of major macroeconomic or geopolitical challenges. With its brand and network, 3i is well positioned to originate an attractive pipeline of opportunities.

Business model
3i's mid-market Buyouts business is focused on leading or co-leading mid-market buyout transactions in companies with an enterprise value typically of up to €1 billion.

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 external funds, which we manage alongside 3i's own balance sheet commitments.

Our investment strategy is built around a number of core components. The first of these is to identify leading European mid-market businesses with potential for significant value creation. Then, we aim to purchase these businesses at appropriate prices. We do this by applying 3i's local knowledge, sector expertise, Business Leaders Network relationships, investment discipline and our approach to responsible investing. With the right financial structure in place, the task then is to build these businesses through organic growth and acquisitions and optimise their performance. We do this in partnership with portfolio company management with the objective of maximising value through timely and well-executed exit strategies.

For the 68 investments completed since 1 January 2001 that have been exited to date, 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. Optimising the financial structure contributed a significant but much smaller amount to the overall creation of value.

Portfolio composition

The Buyouts portfolio is well diversified by sector and geography, both by value and number of portfolio companies. The value of our 47 investments at 31 March 2011 was £1,961 million (2010, 45 investments: £1,539 million).

Geographic focus

Our focus is on investing in businesses that are either headquartered or that have a substantial part of their operations in Europe. Many of these businesses will, however, have a wider international presence outside of Europe. The 47 portfolio companies are based in 13 different countries.

Sector focus

Sectors are an important component of our business, both in terms of origination and investment decision making. We focus on: Business Services; Consumer; Industrial; Healthcare; and TMT (Technology, Media and Telecoms).

Vintage year

Subject to prevailing market conditions, we look to build a diversified portfolio by vintage year of investment.

Investment activity

Table 2: Buyouts investment and realisations

year to 31 March	**2011** **£m**	2010 £m
Realisation proceeds	**170**	403
Investment	**562**	201
Net investment/(divestment)	**392**	(202)

Note: 2010 comparables have been adjusted to exclude the Debt Warehouse.

Following a period of low investment, activity levels increased in the year. Of the £562 million of Buyouts investment in the year, £249 million was invested in five new companies, which are shown in Table 3. A total of £177 million was invested into existing portfolio companies. Of this, £28 million was used to support acquisitions and £39 million was used to increase our equity holdings through buying out existing shareholders. The balance of further investment of £110 million was used to purchase debt in portfolio companies, which we were able to acquire below its par value. The remaining £136 million of gross investment in the year was capitalised interest.

As can be seen from Table 3, the five new investments in the year were in four different countries and three different sectors. Our value growth strategies for these investments, include buy and build opportunities, international market growth and operational improvement potential. All are well positioned in their markets and are stable, robust businesses with an average revenue of £160 million.

Realisation proceeds of £170 million were generated in the year to 31 March 2011 (2010: £403 million). These included the sale of the Inspectorate division of Inspicio to Bureau Veritas. This partial exit generated proceeds of £121 million and delivered a 1.2x cash return on 3i’s total investment in Inspicio, with the remaining part of the business, ESG, which was valued at £41 million as at 31 March 2011. The full exit of Panreac generated proceeds of £30 million and a 2.2x return on 3i’s investment. The sale of our remaining

holding in NCP, the NSL Service Group, generated proceeds of £9 million, and took the total return on NCP to £280 million, 2.9x our original investment.

These realisations exclude proceeds received in April 2011 from the sale of Hyva (£181 million) and from the partial realisation of our holding in Norma, following its IPO (£74 million). The MWM exit, which was signed in the year, was undergoing competition clearance at the year end.

Table 3: Private Equity – New Private Equity Buyouts Investments
year to 31 March 2011

Investment	Country	Sector	3i investment £m	3i + Funds investment £m
Vedici	France	Healthcare	35	63
Trescal	France	Business Services	23	41
SMT	Netherlands	Business Services	55	98
Amor	Germany	Consumer	48	85
OneMed	Finland	Healthcare	88	157
			249	444

Performance
Table 4: Returns from Buyouts

year to 31 March	**2011 £m**	2010 £m
Realised profits over value on the disposal of investments	**22**	168
Unrealised profits/(losses) on the revaluation of investments	**60**	204
Portfolio income	**75**	69
Gross portfolio return	**157**	441
Gross portfolio return %	**10%**	30%
Fees receivable from external funds	**32**	39

Note: 2010 comparables have been adjusted to exclude the Debt Warehouse.

Gross portfolio return

The gross portfolio return for the year to 31 March 2011 for the Buyouts business was £157 million, which represented a 10% return on opening portfolio value (2010: £441 million, 30%). The lower return compared to the prior year is due to fewer exits, resulting in a reduction in realised profits and lower unrealised profits. Unrealised profits have been impacted by a 7% fall in the multiples used for portfolio company valuations at 31 March 2011 compared to 31 March 2010, and by value reductions in a small number of portfolio companies from lower earnings.

Portfolio earnings

Aggregate earnings in the portfolio as at 31 March 2011 increased in the year by 15%. This was principally driven by the growth in our northern European portfolio. Of particular note were 3i's Buyout investments in the Industrial sector. A number of the companies in this sector made significant progress as a result of initiatives taken by 3i including operational improvement and support for accretive acquisitions.

The five new investments made in the year shown in Table 3 are beginning to show good earnings growth. We continue to work proactively across the wider portfolio to improve operational effectiveness and to help management to source attractive opportunities for expansion.

The portfolio in general has delivered stable or improving operating margins, despite a number of companies operating in persistently challenging markets. This is due in large part

to the Active Partnership initiatives undertaken during the year, as well as the longer term benefits from comprehensive efficiency programmes implemented during the downturn.

Portfolio leverage
The debt levels in the Buyouts portfolio are at an average of 4.3x EBITDA. Financing structures for the Buyouts portfolio are based on committed facilities, providing long-term secured financing.

Breaches of debt covenants in the portfolio have been limited, with six assets in breach at 31 March 2011 (2010: 7, 2009: 16). The six assets had a combined value of £91 million at 31 March 2011. We continue to actively manage all these situations with the assistance of 3i's in-house banking advisory team.

As at 31 March 2011, 69% (2010: 71%) of the outstanding debt in the Buyouts portfolio was repayable in 2015 or later. The recovery in debt availability since the 2008/09 crisis period is enabling many of our portfolio companies to refinance their medium-term debt at favourable terms. In combination with this, we are working with the small number of more leveraged companies to help them de-leverage, providing not only additional balance sheet security but also the potential to increase prospective returns.

Portfolio health
At 31 March 2011, 66% of the portfolio based on cost was "healthy" (2010: 65%), and by value 96% (2010: 89%).

Investments are only moved from "sick" back to "healthy" when their performance and valuation demonstrate that a recovery of our invested capital is probable.

Portfolio valuations
The unrealised value growth in the year of £60 million (2010: £204 million) comprised £407 million of positive value movements, net of value reductions of £(347) million. The majority of the portfolio grew in value during the year with the largest contributors to the positive value growth being from the northern European portfolio. The largest value reduction was Enterprise (£201 million), which has experienced challenging trading and a reduction in earnings. We have acted to deal with these challenges and improve performance by driving a significant transformation programme. The business remains strong in its core markets, continues to win significant contracts and was fully compliant with its covenants as at 31 March 2011.

At 31 March 2011, 61% of the Buyouts portfolio was valued on an earnings basis and 29% on an imminent sale or IPO basis. As noted earlier, the average multiple used in the valuation of companies valued on an earnings basis was around 7% lower than in the previous year. The weighted average EBITDA multiple pre liquidity discount was 8.5x (2010: 9.1x).

Long-term performance
The vintages to 2006 have all achieved IRRs in excess of 20%. The reduction in the IRR of the 2007 vintage was due to the value reduction on Enterprise. Other assets in the vintage are performing well.

The IRR of the 2008 vintage remains negative but improved from (18)% at 31 March 2010 to (6)% at 31 March 2011.

The five new investments made in the 2011 vintage are showing encouraging trading performance.

Fund management
Eurofund III, a 1999 fund, is almost fully realised. The Fund portfolio has generated a gross multiple of 2.1x its invested cash, in line with its position at 31 March 2010.

Eurofund IV, a 2004 fund, continues to perform strongly. The Fund portfolio had generated a gross multiple of 2.3x its invested cash at 31 March 2011 (31 March 2010: 2.2x), driven by realisations in the year. For realised investments the multiple is 3.0x .

Eurofund V, a 2006 €5 billion fund, was 71% invested at 31 March 2011 (31 March 2010: 54%). During the year, it invested €859 million and distributed proceeds from the partial sale of Inspectorate (€150 million). At 31 March 2011, the fund portfolio had generated a gross multiple of 0.8x its invested cash. The focus for the next financial year will be to complete the overall fund portfolio with new investments and drive the performance of the portfolio as the fund matures .

There are a diverse range of investors in 3i's Buyouts funds.

Priorities and opportunities
There are two key priorities for our Buyouts business given the opportunities that we see in the market. The first priority is to ensure that all of our investments are performing in line with our expectations. Driving earnings growth across the portfolio, both organically and through acquisitions, is central to this. We also aim to use 3i's global network to support our portfolio companies' continued international development.

The second priority is to continue to use our brand, deep local market presence and sector insights to originate and invest in attractive new investment opportunities. More favourable M&A markets and general macroeconomic conditions have the potential to provide a further stimulus to our market activity.

In part, these priorities will be achieved through the benefits of a more integrated Private Equity business, which can draw on a wider range of resources, knowledge and relationships.

We start the new financial year with an active exit pipeline and will continue to realise investments which create good returns.

Private Equity: Growth Capital

The market
The growth capital market is less well defined than the buyouts market and, as a result, external market information is not as well documented. However, our own data suggests that activity levels in the global growth capital markets have increased by approximately 18% from the exceptionally low level seen in 2009. This rise appears to have been driven by a significant increase in investments made in Asia, offsetting a lower level of investment in North America and flat volume in Europe.

Increased competition and higher prices have, in part, been driven by the emergence of new entrants viewing the lower-leveraged growth capital sector as attractive, given the high prices for deals in their traditional markets. As a consequence, some investments that were initially minority growth capital style deals evolved into majority buyouts, as entrepreneurs took advantage of the premiums on offer for a controlling interest in their companies.

Banks continue to be highly selective and only offer debt packages to the best companies with a lower risk profile. Although this does affect the general availability of debt for our portfolio companies, it continues to create opportunities for growth capital investors as they seek to bridge the funding gap for profitable companies.

The Growth Capital model remains attractive to entrepreneurs and business owners who want to expand and add value to their business without increasing leverage.

Business model
3i's Growth Capital business operates in Europe, Asia and the Americas, making minority equity investments of between €25 million and €150million in established, profitable and mainly international businesses.

The Group's international presence, sector knowledge, networks, approach to responsible investing and broader resources create the premium market access to companies that are "not for sale". Over the last four years, 67% of the new investments completed have been proprietary. These resources also provide the ability to benchmark investment opportunities globally, match resources to opportunities on a "best team for the job" basis and to work actively with high-growth companies to maximise value through a mix of capital realisations on exit and portfolio income.

The Group's track record of making such investments for over 65 years has provided it with the experience, approach and techniques critical to success in minority investing. These are underpinned by seeking to invest only where we can align interests with entrepreneurs and management teams and by the differentiated approach that 3i takes to adding value to its portfolio companies.

3i has historically carried out its growth capital activity using own balance sheet funds. However, since March 2010, all new investments have been made through the €1.2 billion Growth Capital Fund.

An important aspect of our business model is the way in which we generate growth in the value of our portfolio companies. 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. This earnings growth is driven principally by revenue and margin expansion as our portfolio companies, with our support, strengthen their market positions, operational effectiveness and brands.

Multiple enhancement on realisation in Growth Capital portfolio companies is driven by a number of factors: improvement in the strategic positioning of portfolio companies; professionalising businesses; making what was "hard to buy, easy to sell"; and the fact that whilst investments are made on minority valuations, exits tend to occur when a majority of the company is sold or listed.

Many Growth Capital investments are made to strengthen balance sheets and to reduce financial risk for high-growth companies. As a consequence, there is a negative effect through reduced leverage. Leverage across the portfolio remains low at 2.4x EBITDA.

Portfolio composition

The Growth Capital portfolio is well diversified by sector and geography and by both value and number of portfolio companies.

The value of our 52 investments at 31 March 2011 was £1,433 million (2010: £1,331 million).

Geographic focus

Our focus is on investing in businesses that are headquartered in Europe, Asia and the Americas. Many of these businesses will have a wider international presence outside these areas. The 52 companies in the portfolio are based in 18 countries.

Sector focus

Sectors are an important component of our business, both in terms of origination and investment decision making. We focus on: Business Services; Consumer; Industrial; Healthcare and TMT (Technology, Media and Telecoms).

Vintage year

Subject to prevailing market conditions, we look to build a diversified portfolio by vintage year of investment.

Investment activity

Table 5: Growth Capital investment and realisations

year to 31 March	**2011 £m**	2010 £m
Realisation proceeds	**202**	578
Investment	**72**	121
Net investment/(divestment)	**(130)**	(457)

We have adopted a cautious and selective approach to growth capital investment during the past year. Although 3i saw 75% of the transactions taking place in its target market, only a modest amount of £72 million was invested in the 12 months to 31 March 2011, compared to £121 million in the year to March 2010.

One new investment was made during the year, £21 million in BVG India Limited, one of India's largest facilities management services companies.

We invested a further £24 million into Refresco, a European market leader in the production of private label fruit juices and soft drinks, to support two substantial acquisitions, one in Germany and one in Italy.

Of the balance of £27 million, £22 million represented capitalised interest. We start the new financial year with an attractive pipeline of opportunities.

Realisation proceeds of £202 million were generated during the year from 10 full exits (2010: £578 million, 42). We have continued to focus on the sale of older, non-core investments,

while at the same time opportunistically exiting larger investments such as Carso and Balco, which generated money multiples of 3.4x and 5.0x respectively.

Performance
Table 6: Returns from Growth Capital

year to 31 March	**2011 £m**	2010 £m
Realised profits/(losses) over value on the disposal of investments	**40**	(14)
Unrealised profits on the revaluation of investments	**217**	145
Portfolio income	**48**	63
Gross portfolio return	**305**	194
Gross portfolio return %	**23%**	11%
Fees receivable from external funds	**8**	-

Gross portfolio return

The Growth Capital business line generated a gross portfolio return of £305 million in the year to 31 March 2011 (2010: £194 million), or 23% (2010: 11%) of opening portfolio value.

The majority of portfolio companies have performed well, and earnings at an aggregate level have increased significantly, driving a substantial improvement in valuations. This, combined with a number of healthy realisations at significant uplifts to book value, has resulted in a much-improved gross portfolio return.

The main contributor to the gross portfolio return was the impact of unrealised valuation movements of £217 million (2010: £145 million). The unrealised value gain was driven principally by an earnings growth increase of 15% over the year. This was partially offset by an 11% fall in the average (pre-discount) EBITDA multiple to 9.2x (2010: 10.3x).

Portfolio earnings

The 15% earnings improvement was driven by increased revenue combined with improved operational effectiveness from initiatives implemented by 3i and our portfolio companies' management teams.

Portfolio income of £48 million for the year to 31 March 2011 included a special distribution from Phibro of £10 million. The prior year included a non-recurring £23 million special distribution from Quintiles.

Fees receivable from external funds at £8 million (2010: nil) reflect the income from the Growth Capital Fund.

The portfolio performed well in the year and we have worked to improve earnings with many of our portfolio companies using our active partnership approach to focus on operational efficiency.

Portfolio leverage

Debt levels in the Growth Capital portfolio at 31 March 2011 were low and the portfolio has a broad debt repayment profile. The covenant risk in the Growth Capital portfolio is moderate, with only four companies in breach at 31 March 2011, with a combined value at that date of £nil.

Portfolio health

As at 31 March 2011, 95% (2010: 93%) of the portfolio on both a value and a cost basis was classified as healthy.

This was driven by the fact that, overall, the portfolio continued to deliver good earnings growth despite a challenging economic environment in many countries.

Portfolio valuations
Value growth of £217 million in the year to 31 March 2011 (2010: £145 million), was driven by earnings growth and was achieved despite a reduction in multiples used to value the portfolio.

At 31 March 2011, 70% of the portfolio was valued on an earnings basis. The average multiple used for the valuation of investments which were valued on an earnings basis at 31 March 2011 was 9.2x (2010: 10.3x), 11% lower than the previous year.

Long-term performance
The vintage performance has been stable over the last 12 months.

Performance improved for the more recent vintages of 2008 to 2010 and the more mature vintages continued to show good returns.

The improvement in performance was due to improved valuations resulting from earnings growth and strong realisations in the year.

Fund management
Historically, 3i's Growth Capital investments have been funded through the balance sheet, with limited external fund investment. However, since March 2010, all new investments have been made through the €1.2 billion 3i Growth Capital Fund. As part of its €800 million commitment, 3i contributed a seed portfolio of seven investments valued at €339 million, being all new investments made since 1 January 2008 remaining in the portfolio. At 31 March 2011, the Fund portfolio had generated a gross multiple of 1.2x its value at the inception of the fund.

Priorities and opportunities
From a competitor perspective, growth capital remains a less well defined market than buyouts. Our specialisation of investing in businesses "not for sale", combined with our strong brand and international presence, positions 3i well against competitors with a broader remit. We focus on maintaining a strong network of relationships with entrepreneurs and their advisors in our chosen markets. We will continue to invest selectively to ensure optimal returns for 3i and for the investors in our Fund.

In line with our investment strategy, we will continue to avoid investments which do not ensure alignment with management and other portfolio company shareholders, where we would hold a public equity investment at the outset, or where we would be investing in a fund or project structure.

We aim to drive future returns from the existing portfolio through our active partnership approach and the implementation of operational improvements in portfolio companies. We expect that the focus of these initiatives will develop during 2011 to support revenue growth projects, including funding acquisitive growth, where appropriate, as well as continuing to drive efficiency in the portfolio.

Infrastructure

3i invests in infrastructure through two vehicles: 3i Infrastructure plc ("3iN"), an infrastructure investment company listed in London (in which 3i owns a 33% stake), and the 3i India Infrastructure Fund, a limited partnership fund focused on investing in Indian infrastructure (in which 3i holds a $250 million commitment).

Returns for 3i from the Infrastructure business line are generated from: dividend income and capital growth from our 33% holding in 3iN; capital returns from our investment in the 3i India Infrastructure Fund; and advisory and management fees from the two vehicles.

The market

Transaction activity in the infrastructure market increased throughout the year. Deal volumes are returning to pre-crisis levels and debt availability (both from banks and from capital markets) is good.

The outlook for inflation and interest rates will be an important determinant in the conditions for investment going forward. While moderately high inflation is positive for the infrastructure asset class, its impact on interest rates may affect the cost of financing new transactions and achievable returns.

Transaction opportunities in the developed world are coming from a number of sources. There are non-core disposals from both financial institutions and corporates, driven by new capital adequacy regulations and the pressure to reduce leverage. Public sector budget constraints are likely to result in privatisations and an increase in Public Private Partnership/Private Finance Initiative ("PPP/PFI") schemes.

In addition, policy drivers, such as the push for a "green economy" and the use of infrastructure spending as an economic stimulus tool, have the potential to create further opportunities. Secondary market sales may also increase, as infrastructure funds nearing the end of their life begin to sell assets to prove valuations, or refinance assets to extract equity.

The opportunity in India remains significant, as evidenced by the strong levels of transaction activity for the 3i India Infrastructure Fund described in the Infrastructure section of the Business review. Deal flow will continue to be determined by the growing infrastructure deficit. Strong GDP growth and an increasingly urbanised population are driving demand for new build infrastructure, supported by political momentum. The Indian government continues to place much importance on private investment in the sector.

Investors are increasingly attracted to investing in assets with infrastructure characteristics, as they seek protection from volatility in other asset classes, as well as from inflation and other macroeconomic risks.

Growing demand for assets has resulted in some pricing pressure, in particular in the more liquid segments such as PPP/PFI and, increasingly, in core economic infrastructure assets.

As returns in the asset class are tested in a more challenging market environment, we expect that only managers with an established track record and a solid operational understanding of the asset class will be able to continue to raise funds and invest successfully. This may lead to a reduction in investors active in the market and to increasing specialisation along geographic or sector lines. 3i is well positioned to compete in this market, with its strong track record and its skill in completing complex transactions and working closely with operating partners and other investors.

Business model
The Infrastructure investment team seeks to add value to the vehicles it advises or manages in a number of ways. It originates new opportunities through building proprietary knowledge and networks in target sectors and geographies. It applies rigorous selection criteria to choose the best investments.

Following investment, the team engages with the management of portfolio assets to develop business strategies that deliver improvements in operational and financial performance, and to monitor performance to ensure that any issues are identified quickly. The managed or advised vehicles are represented, generally by the team, on the boards of their equity investments.

Capital growth is delivered from investments by working with management to devise and implement development strategies that deliver value accretion over the longer term. This requires an in-depth knowledge of market and sector dynamics, as well as an understanding of the long-term value drivers for each of the assets.

The Infrastructure business line currently invests principally in Europe and in India through the two vehicles described above.

The infrastructure asset class offers the possibility of diversifying investments across the risk/return spectrum. It can be subdivided into three main categories of assets: (i) social infrastructure, or PPP/PFI assets, which typically offer returns between 8-12%, delivered mostly through yield; (ii) “core” infrastructure assets, such as regulated utilities and transportation assets, which have stable contracted revenues or regulatory protection, and offer returns typically of between 10 and 16%, delivered through a mix of yield and capital growth; and (iii) “hybrid” infrastructure, which are assets that are either still in construction, or have higher GDP correlation or geopolitical risk and which typically would deliver annual returns in excess of 15%, but with little or no yield.

3iN has exposure across the spectrum but invests principally in “core” infrastructure assets (such as regulated utilities and transportation assets in the developed world) and in social infrastructure assets (such as hospitals, schools and government accommodation). The 3i India Infrastructure Fund’s investments can be categorised as “hybrid” infrastructure assets, which have higher country or volume risk, or higher geopolitical risk.

Returns from infrastructure are typically 8% to 15% or greater, depending on the risks associated with the investment. Yields generated from the assets also vary, depending, among other factors, on the stage of development of the asset (eg assets in construction versus operational assets).

Performance
Table 7: Returns from Infrastructure

year to 31 March	**2011 £m**	2010 £m
Realised profits over value on the disposal of investments	**-**	-
Unrealised profits on the revaluation of investments	**29**	84
Portfolio income	**16**	16
Gross portfolio return	**45**	100
Gross portfolio return	**11%**	27%
Fees receivable from external funds	**25**	20

The Infrastructure business line generated a gross portfolio return of £45 million in the year to 31 March 2011 (2010: £100 million). The return was driven by an unrealised value gain of

£29 million from 3i's investments in 3iN and in the 3i India Infrastructure Fund (2010: £84 million) and by strong portfolio income of £16 million (2010: £16 million).

The unrealised value gain was lower than last year due to the lower mark-to-market gain on the valuation of the Group's holding in 3iN. During the year to 31 March 2011, 3iN shares traded up by 6%, generating an unrealised value gain of £21 million, compared to a 32% movement, corresponding to a £72 million gain, the previous year, when the shares had traded up from a much lower base. The remainder of the unrealised value gain of £8 million (2010: £10 million) is attributable to a revaluation of the holding in the 3i India Infrastructure Fund, as its assets continue to progress through their construction phases.

Portfolio income was flat at £16 million (2010: £16 million), and was driven almost entirely by the dividend received on the holding in 3iN, which was partially offset by abort costs.

Fees receivable from 3iN and the 3i India Infrastructure Fund amounted to £25 million (2010: £20 million). This was due to the higher advisory and performance fees receivable from 3iN, which pays fees on invested capital only, following the investments made this year.

Priorities and opportunities for 3i
We intend to strengthen our position as a leading participant in the infrastructure market through the ongoing investment of our advised and managed vehicles in a portfolio of strong assets, which can continue to generate attractive returns for shareholders and limited partners.

We will maintain a rigorous investment approach, using our proprietary sector knowledge and our broad network of contacts in our chosen sectors and geographies to originate transactions that contribute to the delivery of the target return objectives. This will be key to positioning the business line and 3iN for future fundraisings.

Seeking to generate attractive returns from the existing portfolio will also remain a priority for the Infrastructure team. The assets in the two vehicles are performing well, and the team's portfolio management expertise, as well as the Group's resources, will be leveraged to continue to drive value from those assets.

The opportunity for 3i is to grow the funds it manages or advises and to raise new funds, generating increased fee income.

3i Infrastructure plc
3i holds a 32.9% holding in 3iN, which is an investment company listed on the London Stock Exchange and a component of the FTSE 250. At 31 March 2011, 3iN had a market capitalisation of £957 million.

3iN is domiciled in Jersey, is governed by an independent board of directors, and targets a 12% net return over the long term through NAV growth, of which 5% is returned to shareholders through dividends.

3iN has a $250 million commitment to the 3i India Infrastructure Fund and participated in the new investments completed in the year by the Fund, described in the Infrastructure section of this review.

3i Group, through 3i Investments plc, a wholly-owned subsidiary, acts as investment adviser to 3iN and in return receives an annual advisory fee of 1.5% of the invested capital (excluding cash balances) and an annual performance fee of 20% on the growth in net asset value, before distributions, over an 8% hurdle calculated each year.

3iN has its own dedicated website, www.3i-infrastructure.com. The company announced its annual results on 5 May 2011. The total return for the year to 31 March 2011 was £85.5 million, or 9.2% of opening shareholders' equity. Assisted by our investment advice, 3iN has built a strong track record since inception in March 2007, delivering an annualised growth in returns to shareholders of 9.9%, and a total annualised asset IRR of 19%.

3iN aims to deliver a 12% net return over the long term by building a portfolio which is predominantly weighted towards mature "core" infrastructure assets, which are expected to generate returns in the 10-16% range.

Around 69% of 3i Infrastructure's portfolio is weighted towards mature "core" assets, with the 15% exposure to Social Infrastructure assets providing support to the delivery of the yield objective, and a 16% "hybrid" exposure through the 3i India Infrastructure Fund providing higher capital growth.

Eversholt Rail Group
During the year, 3iN completed a large investment in Eversholt Rail Group ("Eversholt"), in consortium with Morgan Stanley Infrastructure Partners and STAR Capital Partners. Eversholt is one of the three leading rail rolling stock companies in the UK and owns approximately 29% of the current British rail fleet.

The transaction valued Eversholt's gross assets at approximately £2.1 billion, and the consortium financed the acquisition through a combination of equity and debt. 3iN contributed £151.1 million in equity instruments as part of the total consideration. The investment in Eversholt, a "core" infrastructure asset, was immediately accretive to NAV and income, and built up the company's exposure to the transportation sector.

3i India Infrastructure Fund
The 3i India Infrastructure Fund (the "Fund") is a $1.2 billion limited partnership fund established by 3i to invest in Indian infrastructure, with a particular focus on ports, airports, roads and power assets. 3i and 3iN each hold a $250 million commitment in the Fund.

The Fund closed in 2008 with a target investment horizon of two to four years and, as at 31 March 2011, was 65% invested and 70% committed. Since inception, the Fund has generated a gross money multiple on invested cash of 1.3x.

3i earns management fees from limited partners in the Fund, with the exception of 3iN.

The Fund completed three new investments in the year, in two developers of power projects and in one toll road developer and operator, with an aggregate cost of $268 million (£168 million). 3i's share of these investments was £36 million. The growing Indian power generation market is an attractive area for investment, as the imbalances between power demand and supply in India are expected to endure in the next decade. The Indian road sector has seen similar growth, as the Indian government retains its focus on relieving road congestion and improving accessibility. Like the other investments in the Fund, all three investments have been made alongside strong local promoters with an established track record of delivery in their respective sectors.

GVK Energy
GVK Energy Limited ("GVK Energy") is developing a power portfolio comprising an operational capacity of 915MW, with a further 3,132MW under various stages of development. The portfolio is mainly gas-fired. The Fund invested $178 million (£113 million) for a substantial minority stake in GVK Energy in December 2010, with GVK Power and Infrastructure, GVK Energy's parent company, retaining a majority. 3i's share of the

investment was £24 million, of which a first, £15 million tranche was drawn in this financial year. The remaining £9 million tranche will be drawn in the next financial year.

Ind-Barath Utkal
Ind-Barath (Utkal) Limited ("Ind-Barath Utkal"), is building a 700MW coal-fired power plant based in the state of Orissa. The Fund invested $45 million (£28 million) for a minority stake in Ind-Barath Utkal in March 2011, with the company's parent, Ind-Barath Power Infra Limited, a developer of power projects, retaining the majority. 3i's share of the investment was £6 million.

KMC Roads
KMC Infratech Limited ("KMC Roads") is a subsidiary of KMC Constructions Limited ("KMCCL"), a Hyderabad-based infrastructure engineering and construction company. KMC Roads is KMCCL's "build, operate and transfer" ("BOT") roads business. Its portfolio currently comprises 10 such projects, aggregating c.1,000 kilometres across India, making it one of the largest road portfolios in the country and a strong platform for future BOT road projects. The Fund invested $111 million (£69 million) for a substantial minority in KMC Roads in March 2011. 3i's share of the investment was £15 million.

Other Infrastructure assets
3i Group has a small residual holding in Anglian Water Group, valued at £7 million.

Debt Management

3i first established a debt management capability in October 2007 to capitalise on the opportunity to invest in non-investment grade debt of European businesses (in non-3i portfolio companies) at a discount to par value. Investments were initially made through a Debt Warehouse facility.

In line with our strategy of growing in areas in which we have investment expertise, 3i Debt Management Ltd., a newly formed subsidiary of the Group, and in which 3i has a majority shareholding, signed an agreement in September 2010 to acquire Mizuho Investment Management (UK) Limited ("MIM"). Following completion in February 2011, 3i's existing debt management activities were merged with MIM to form a distinct business line, Debt Management. The acquisition cash consideration for MIM was £18.3 million.

The acquisition of MIM enhanced 3i's capabilities in the debt fund management market and builds upon the Group's existing Private Equity and Infrastructure businesses. The third-party funds that MIM manages primarily invest in non-investment grade senior secured debt issued by medium and large European companies. The acquisition of MIM, combined with the successful exit of the majority of the Debt Warehouse assets during the year, has enhanced 3i's track record, changed the profile of this business line and produced a strong platform for future growth, with total assets under management of £3.4 billion at 31 March 2011.

The market
Fundraising for new primary Collateralised Loan Obligations ("CLO") in Europe has proven challenging over the last 12 months, with €1.8 billion of volume in 2010 and zero new issuance to date in 2011 (source: Bank of America). Elsewhere, the US market has seen a recovery in the primary CLO market; in 2010, eight new CLOs priced, producing $3.1 billion of volume. This was followed by five new vehicles in Q1 2011, representing a further $1.9 billion of volume. The increase in new primary CLO issuance in the US is on the back of attractive returns, an availability of leverage and an active primary pipeline of deals into which the vehicles can invest.

The European credit market witnessed a continuing recovery during 2010 with a rally in secondary market prices. Issuance in the primary credit market has also improved due to a number of factors, including increased confidence of arranging and underwriting banks, quantum of committed private equity capital available to invest and increased mergers and acquisitions activity generally.

In the European debt fund management market today there is currently approximately €100 billion of assets under management (source: Creditflux), with the top 10 managers accounting for over half the issuance in the market. Although the competitive environment remains relatively benign, the last 12 months has witnessed an increase in consolidation activity. As the debt fund management business is highly scalable, it is anticipated that further consolidation activity amongst managers will continue as smaller participants look to exit.

Business model
Debt Management specialises in the management of third-party funds investing in non-investment grade debt. The current funds have a European geographic focus investing in a diversified portfolio of medium and large businesses across four core product areas:

- Harvest I – V (five senior debt heavy Collateralised Loan Obligations "CLOs");
- Windmill I (managed account);

- Friday Street (dedicated mezzanine fund); and
- Vintage I (private equity fund of funds).

The Debt Management investment team, of over 30 professionals, adds value to the funds it advises or manages in a number of ways. In originating new investments, the team have strong primary market syndication relationships, together with well established private equity sponsor relationships, ensuring that a high proportion of opportunities in the market are seen. An in-depth credit analysis is undertaken for each opportunity. The minimal annualised default rate of less than 1.5% on the 2007 Debt Warehouse is evidence of a disciplined and credit-focused investment strategy.

Ongoing portfolio management is a critical area of focus for the team and is central to driving fund returns. Analysts are specialised by sector and each investment has a dedicated analyst who monitors performance to ensure that any issues are identified early. Returns from all funds are generated by way of a management fee and typically an incentive fee. These fees are structured to align the interests of the portfolio manager with those of the underlying debt and equity investors. The fee structure is typically created in order to provide the portfolio manager with a modest senior management fee, with the remainder of the management fee being performance related. Incentive fees are typically paid after the investors have received a stated return, after which the fund manager receives a percentage of the investment returns.

Portfolio composition of CLO funds
The CLO funds are well diversified by sector, with a concentration in Europe by geography. Within Europe there is considerable diversity with the £3,175 million of AUM for these funds being spread across 15 countries. The portfolio is also well diversified by sector.

Priorities and opportunities
Having made and integrated the MIM acquisition, the priorities now are to strengthen our position as a leading participant in the debt management market. This will be underpinned through the ongoing investment of our funds in a diversified portfolio of assets, which will continue to generate attractive returns for shareholders and limited partners. We will maintain a rigorous investment approach, using our disciplined and credit focused investment strategy, strong relationships in the debt market and proactive portfolio management to contribute to the delivery of the return objectives of the eight funds currently managed by the team. This will be critical in positioning the business line for future fundraisings.

Debt Management is now well positioned in the European debt market, with a strong brand and robust track record. The acquisition of MIM builds on 3i's existing debt management activities and creates a platform of scale to manage multiple funds. Should market conditions allow, there is potential to expand through the launch of new funds, to introduce further diversification across funds and to expand into new geographies. We will also actively consider acquisition opportunities in the anticipated continuing consolidation of the smaller participants in the market.

Operational framework
Debt Management operates as a distinct business line within 3i and 3i Debt Management Investments Limited is regulated as a separately registered entity by the Financial Services Authority ("FSA"). Debt Management's operating model is in line with FSA best practice, ensuring that investors are protected by clear processes, policies and conflicts management. There are principles and processes in place for managing actual and potential conflicts of interest, confidentiality restrictions and price sensitive information flows across our business lines.

The compositions of the investment committees for 3i Group across debt and equity investments are also distinct.

Performance
During the year, Debt Management realised the majority of assets from within the 2007 3i Debt Warehouse, generating realised profits of £24 million in the financial year. This successful exit was at a money multiple of 1.4x, and an IRR of 13.4%.

The Debt Management business line generated a gross portfolio return of £39 million in the year to 31 March 2011 (2010: £109 million). The return was driven by the realisation of the majority of the Debt Warehouse, with a strong realised gain of £24 million (2010: £55 million gain) together with £8 million of unrealised value growth and £7 million of portfolio income.

The acquisition of MIM, completed on 15 February 2011, had only minimal effect on gross portfolio returns in this financial year. The £8 million of unrealised value growth included a £7 million gain on the equity stakes of the CLO funds acquired as part of the acquisition. Fee income of £2 million was also generated from the funds that the team managed in the six weeks to 31 March 2011.

Financial review

Investment and realisations

Table 8: Investment activity – own balance sheet and external funds

	3i own balance sheet		External funds	
	2011	2010	**2011**	2010
year to 31 March	**£m**	£m	**£m**	£m
Realisations	**609**	1,385	**166**	157
Investments	**719**	386	**736**	325
Net investment/(divestment)	**110**	(999)	**570**	168

There was a significant increase in the Group's investment activity during the year to 31 March 2011 compared to an atypically low level of investment in the prior year. Realisations were lower, in part due to the timing of the MWM and Hyva sales, which were signed in October and December 2010 respectively but were subject to competition clearances. The disposal of Hyva completed in April 2011 and generated proceeds of £181 million. The successful IPO of Norma was also completed in April 2011, generating proceeds for 3i of £74 million.

Private Equity accounted for 88% (2010: 83%) of own balance sheet investment in the year to 31 March 2011. The acquisition of MIM by the Debt Management business line was completed in February 2011 and had minimal effect on investment or realisations for the year to 31 March 2011. Investments and realisations made by the funds managed by the MIM business will be reported within the Debt Management business line.

Further details on investments referred to in this Financial review can be found in the Ten largest and Forty other large investments.

Investment

Total investment in the year was £719 million (2010: £386 million). Tables 9, 10 and 11 provide an analysis of the nature of this balance sheet investment, as well as its composition by business line and geography.

A total of £308 million (2010: £21 million) was invested in nine (2010: one) new portfolio companies in the year to 31 March 2011. More detail on these investments, which included three investments made by the 3i India Infrastructure Fund, is provided in the relevant business line reviews. A total of £54 million (2010: £18 million) was also provided to support acquisitions made by portfolio companies.

As noted at the half year, investment in the debt instruments of two portfolio companies totalled £110 million. These were purchased at a discount to par value. Other investment of £73 million (2010: £81 million) in Table 9 included £47 million investment made from the Debt Warehouse.

As in previous years, an element of gross investment in the Private Equity business was non-cash capitalised interest. This amounted to £158 million in the year to March 2011 (2010: £183 million). Investment in restructurings was significantly lower at £16 million (2010: £83 million).

Continental Europe accounted for the largest proportion of investment by region at 60% (2010: 31%) with the UK at 31% (2010: 58%). Direct Asian and US investment was subdued in the year in part as a result of price pressure in these markets. However, 3i was able to achieve significant access to these markets through investing in European based

businesses. An analysis of new Private Equity investment by sector is provided in the Private Equity business line review in Table 3.

Table 9: Total investment

Total investment: £719 million

for the year to 31 March 2011	£m
New/first investment	308
Acquisition finance	54
Restructurings	16
Capitalised interest[1]	158
Purchase of portfolio debt instruments	110
Other	73

1 Includes PIK notes.

Table 10: Investment by business line

Total investment: £719 million

for the year to 31 March 2011	£m
Private Equity	
Buyouts	562
Growth Capital	72
Infrastructure	36
Debt Management	49
Non-core activities	-

Table 11: Investment by geography

Total investment: £719 million

for the year to 31 March 2011	£m
UK	221
Continental Europe	433
Asia	62
North America	3
Rest of World	-

Realisations

Realisation proceeds for the year to 31 March 2011 totalled £609 million (2010: £1,385 million). Although lower than the previous year, they were achieved at a higher uplift of 26% (2010: 19%) to opening value.

An analysis of realisations by business line, geography and type of realisation is provided in Tables 12, 13 and 14. At 61% (2010: 71%), Private Equity generated the largest proportion of realisations. Debt Management also realised the majority of the assets in the 2007 3i Debt Warehouse, generating proceeds of £145 million and realised profits of £24 million.

The residual non-core portfolio delivered realisations of £79 million from SMI and £12 million from Venture Capital, at a combined uplift of 69% (2010: 3%). As a result of these divestments, the non-core portfolio at 31 March 2011 represented 3% (2010: 5%) of the Group's total portfolio.

The UK accounted for 62% of total realisations (2010: 45%). Table 14 shows that there was a good spread by type of divestment during the year, with trade sales representing the largest single category and 3i taking advantage of an active secondary market.

Table 12: Realisation by business line

Total realisations: £609 million

for the year to 31 March 2011	£m
Private Equity	
Buyouts	170
Growth Capital	202
Infrastructure	1
Debt Management	145
Non-core activities	91

Table 13: Realisations by geography

Total realisations: £609 million

for the year to 31 March 2011	£m
UK	376
Continental Europe	190
Asia	25
North America	18
Rest of World	-

Table 14: Realisations by type

Total realisations: £609 million

for the year to 31 March 2011	£m
Trade sales	156
Secondaries	104
Loan repayment	33
IPO	16
Management buyback	127
Other[1]	173

1 Other includes realisations of £145 million from the sale of assets in the Debt Warehouse.

Returns

year to 31 March 2011

Gross portfolio return		Net portfolio return		Total return	
		Gross portfolio return	£601m	Net portfolio return	£449m
Realised profits	£124m	Fees receivable	£67m	Net interest payable	£(127)m
Unrealised value movement	£325m	Net carried interest	£(38)m	Exchange movement	£(17)m
Portfolio income	£152m	Operating expenses	£(181)m	Other	£19m
Gross portfolio return	**£601m**	**Net portfolio return**	**£449m**	**Total return**	**£324m**
Return on opening portfolio	**17.1%**	**Return on opening portfolio**	**12.8%**	**Return on opening equity**	**10.6%**

Gross portfolio return represents the performance of the investment portfolio. Net portfolio return includes additional income generated from managing external funds, through management fees and carried interest receivable, less the costs of running our business and carried interest paid to our investment teams. Finally, total return is the net portfolio return, less our funding costs and the impact of foreign exchange and other factors.

Each of these aspects of our returns is considered in greater detail in this review.

Table 15: Total return

year to 31 March	**2011 £m**	2010 £m
Realised profits over value on disposal of investments	**124**	218
Unrealised profits on revaluation of investments	**325**	458
Portfolio income		
Dividends	**41**	59
Income from loans and receivables	**110**	110
Net fees receivable/(payable)	**1**	(2)
Gross portfolio return	**601**	843
Fees receivable from external funds	**67**	59
Carried interest receivable from external funds	**25**	30
Carried interest and performance fees payable	**(63)**	(88)
Operating expenses	**(181)**	(221)
Net portfolio return	**449**	623
Net interest payable	**(127)**	(112)
Movement in the fair value of derivatives	**(1)**	9
Net foreign exchange movements	**(17)**	(35)
Pension actuarial gain/(loss)	**20**	(71)
Other (including taxes)	**-**	(7)
Total comprehensive income ("Total return")	**324**	407

The Group generated a total return of £324 million for the year (2010: £407 million), which represents a 10.6% return over opening shareholders' funds. Gross portfolio return of £601 million reflected portfolio value growth of £325 million, portfolio income of £152 million and realised profits of £124 million.

The returns reflected generally strong performance across the Private Equity portfolio, with aggregate earnings used for valuations up 13% in the year. There have, however, been marked regional differences, with the unrealised value gain of £325 million (2010: £458 million) driven by strong growth in northern Europe counterbalanced by weaker performance from a small number of UK assets. Earnings multiples were down by 7% in the year, in line with comparable sector and geographic market multiples.

Operating expenses, at £181 million (2010: £221 million), were 18% lower than the same period last year, resulting in a 28% reduction since 2009. Net interest payable increased to £127 million (2010: £112 million) reflecting the overlap in refinancing the 2011 convertible bond, following the issue of a €350 million fixed rate bond in March 2010. Finally, total return included an adverse net currency movement of £17 million (2010: £35 million) in the year and an IAS 19 pensions gain of £20 million (2010: charge of £71 million).

Gross portfolio return

Table 16: Gross portfolio return by business line

	Gross portfolio return		Return as a % of opening portfolio	
year to 31 March	**2011 £m**	2010 £m	**2011 %**	2010 %
Private Equity				
Buyouts	**157**	441	**10**	30
Growth Capital	**305**	194	**23**	11
Total Private Equity	**462**	635	**16**	21
Infrastructure	**45**	100	**11**	27
Debt Management	**39**	109	**52**	n/a
Non-core activities	**55**	(1)	**33**	-
Gross portfolio return	**601**	843	**17**	21

Gross portfolio return for the year to 31 March 2011 totalled £601 million (2010: £843 million), a 17% return on opening portfolio value (2010: 21%). Given the different blends of own and external capital used by our business lines, as can be seen from Table 16, 77% of gross portfolio return was generated by the Private Equity business line.

Within Private Equity, the Buyouts gross portfolio return for the year of £157 million (2010: £441 million) represented a 10% (2010: 30%) return on opening portfolio value. It comprised unrealised value growth of £60 million (2010: £204 million), portfolio income of £75 million (2010: £69 million) and realised profits of £22 million (2010: £168 million). The unrealised value growth reflected generally strong performance across the portfolio, particularly in northern European assets. This was partially offset by the impact of impairments in a small number of UK assets. Earnings growth in the portfolio was 6% for those companies valued on an earnings basis at the beginning and the end of the year.

Also within Private Equity, the Growth Capital gross portfolio return for the 12 months of £305 million (2010: £194 million) represented a 23% (2010: 11%) return on opening portfolio value. This was a result of unrealised value growth of £217 million (2010: £145 million), portfolio income of £48 million (2010: £63 million) and realised profits of £40 million (2010: £(14) million loss).

The unrealised value growth reflected generally strong performance across the portfolio, with earnings growth of 15%.

Infrastructure gross portfolio return for the year of £45 million (2010: £100 million) comprised value growth of £29 million (2010: £84 million) and portfolio income of £16 million (2010: £16 million). Value growth in the year related to the increase in the share price of 3i Infrastructure plc, which drove a £21 million increase in the year (2010: £72 million), together with £8 million value growth in the 3i India Infrastructure Fund.

Debt Management gross portfolio return for the year was £39 million (2010: £109 million). This primarily reflected realised profits of £24 million (2010: £55 million) relating to the exit of the majority of the Debt Warehouse's assets in the year. Unrealised value growth in the year

was £8 million, of which £7 million related to the assets acquired with MIM in February 2011. Portfolio income was £7 million (2010: £9 million). Realised profits of £38 million from a number of SMI assets, unrealised value growth of £11 million and portfolio income of £6 million delivered a non-core gross portfolio return for the year of £55 million (2010: £(1) million).

Realised profits

Overall, the Group achieved realised profits in the year of £124 million (2010: £218 million) at an average uplift to opening book value of 26% (2010: 19%).

Unrealised value movements

The unrealised value movement of £325 million (2010: £458 million) reflected strong earnings performance across the portfolio, with an aggregate 13% increase in earnings used for valuation. Strong earnings growth in northern Europe was partially offset by the impact of impairments in a few UK investments. Earnings multiples used for valuation were down 7% in line with comparable market multiples.

Table 17 shows the unrealised value movement for each category of valuation. The most significant category relates to investments valued on an earnings and multiple basis. These accounted for 59% of the portfolio by value at 31 March 2011 (2010: 71%).

Table 17: Unrealised profits/(losses) on revaluation of investments

year to 31 March	**2011 £m**	2010 £m
Private Equity and Infrastructure		
Earnings and multiples based valuations		
Equity - Earnings multiples	**(76)**	536
- Earnings	**295**	(171)
Loans - Impairments (earnings basis)	**(201)**	76
Market adjustment to earnings basis[1]	**-**	(8)
Other bases		
Provisions	**(71)**	(24)
Uplift to imminent sale	**240**	(28)
Discounted Cash Flow	**54**	19
Loans – Impairments (other basis)	**5**	(29)
Other movements on unquoted investments	**48**	(32)
Quoted portfolio	**23**	74
Debt Management		
Broker quotes	**8**	45
Total	**325**	458

1 New investments are valued on an earnings basis at the first reporting date. The market adjustment to earnings basis is therefore no longer used.

Table 18: Movement in earnings and multiples

		2011		2010
year to 31 March	**% change £m**	**Value impact £m**	% change £m	Value impact £m
Earnings	**13%**	**295**	(8)%	(171)
Multiples	**(7)%**	**(76)**	34%	536

Impact of earnings multiple movements

Equity markets were volatile during the year, and multiples used in the valuation process reduced by 7% in the year to 31 March 2011. This movement was in line with comparable

market multiples and led to a £76 million reduction in portfolio value (2010: £536 million gain).

The average EBITDA multiple used to value Buyouts investments on an earnings basis was 8.5x pre-marketability discount, a 6.6% decrease from the 9.1x used in the prior year. In the Growth Capital portfolio, the average EBITDA multiple used to value investments was 9.2x pre discount, an 11% decrease from the 10.3x used at 31 March 2010.

Earnings movements
When valuing a portfolio investment on an earnings basis, the earnings used are usually from the management accounts earnings for the 12 months to the quarter end preceding the reporting period, unless the portfolio company's current year forecast is lower, or more recent data provides a more reliable picture of maintainable earnings performance.

The mix of earnings used to 31 March 2011 was 4% audited accounts (2010: 7%), 84% management accounts (2010: 79%), and 12% current year forecast accounts (2010: 14%).

An aggregate 13% increase in earnings for those companies valued on an earnings basis both at the beginning and the end of the year to 31 March 2011 led to value growth of £295 million (2010: £171 million reduction).

Loan impairments
Where the net attributable enterprise value of a portfolio company is less than the cost of any 3i loans provided, a shortfall is recognised against the value of the loan. This movement is classified as an impairment.

The impairments for the year to 31 March 2011 totalled £(196) million (2010: £47 million reversal), comprising £(201) million of impairments on an earnings basis and £5 million reversal of impairments on other valuations bases.

The significant increase in loan impairments for assets valued on an earnings basis primarily reflects a reduction in the value of Enterprise, which saw a loan impairment of £(198) million.

Provisions
A provision is recognised where we anticipate that there is a 50% or greater chance that a company may fail within the next 12 months.

Provisions for the 12 months to 31 March 2011 totalled £(71) million (2010: £(24) million) or 2% of opening portfolio value. The provisions related to eight investments spread across geographies and sectors, with the single largest amount being £(30) million.

Uplift to imminent sale
Assets valued on an imminent sales basis include all investments currently in a negotiated sales process, or for which the proceeds have been received since the year end.

There were six assets valued on an imminent sales basis at 31 March 2011, with the associated value increase totalling £240 million (2010: £(28) million). The successful IPO of Norma in early April gave rise to a value increase of £92 million in the year. Also significant were the sales of MWM (£63 million increase) and Hyva (£80 million increase), both of which were signed by 31 March 2011. Both the Hyva and Norma transactions completed in April 2011, generating proceeds of £181 million and £74 million respectively.

Discounted Cash Flow
Discounted Cash Flow ("DCF") is used primarily to value infrastructure and other investments with stable cash flows. This category accounted for an uplift of £54 million in the year to 31 March 2011 (2010: £19 million).

Other
The "other" category includes a number of assets valued using different valuation bases, including the sum of parts, where different divisions of a portfolio company are valued on a different basis, as well as other industry and asset specific methods. This category saw an overall value movement in the year to 31 March 2011 of £48 million (2010: £(32) million).

Quoted portfolio
The total quoted equity movement for the 12 months to 31 March 2011 was £23 million, which compared to an unrealised value gain of £74 million for the 12 months to 31 March 2010. At 31 March 2011, the total quoted portfolio was valued at £405 million (2010: £370 million), or 10% (2010: 11%) of the total portfolio value.

3i's 33% holding in 3i Infrastructure plc was valued at £320 million at 31 March 2011 (2010: £300 million) and therefore accounted for 79% of the total quoted portfolio value. The increase of £21 million in value during the year resulted from the increase in share price from 110.7p at the start of the year to 117.2p at 31 March 2011.

Broker quotes
With the acquisition of MIM in February 2011, the Group purchased minimum holdings in the lowest ranking loan notes in a number of the underlying CLO funds that it now manages, at a cost of £2 million. Consistent with the approach used for the 3i Debt Warehouse, these holdings are valued through the use of broker quotes. There was a £7 million uplift in value from acquisition to 31 March 2011.

The 3i Debt Warehouse took advantage of favourable secondary market conditions to sell virtually all of the assets in its portfolio during the final quarter, leaving only three loans in the portfolio at 31 March 2011. These were valued using broker quotes of agreed transaction prices and generated value growth of £1 million in the year.

Table 19: Proportion of portfolio value by valuation basis

as at 31 March 2011	%
Earnings	59
Imminent sale	15
Quoted	10
Discounted Cash Flow	7
Other	5
Specific industry metrics	4
Broker quotes	-

Portfolio income

Table 20: Portfolio income

year to 31 March	**2011 £m**	2010 £m
Dividends	**41**	59
Income from loans and receivables	**110**	110
Net fees receivable/(payable)	**1**	(2)
Portfolio income	**152**	167
Portfolio income/opening portfolio ("income yield")	**4.3%**	4.1%

Portfolio income for the year to 31 March 2011 was £152 million (2010: £167 million), of which £41 million was dividend income and £110 million was interest. The reduction in dividend income primarily reflects an exceptional dividend of £23 million received in the prior year.

Total portfolio income received as cash was £56 million (2010: £73 million), due to the high proportion of capitalised interest.

Net portfolio return

Net portfolio return is an important measure for 3i, as it incorporates the economic benefits provided through our asset management capabilities and captures our ability to drive cost efficiency. We will be reporting net portfolio return as a key performance measure from 1 April 2011.

For the year to 31 March 2011, net portfolio return was £449 million (2010: £623 million), or 12.8% (2010: 15%) of opening portfolio value.

Net operating expenses (operating expenses less managed and advised fees receivable from external funds) reduced to £114 million from £164 million in 2010, or 3.2% of opening portfolio value (2010: 4.1%). Dilution from net carried interest was £38 million, or 1.1% of opening portfolio value.

Fees receivable from external funds

Fees receivable from external funds in the year to 31 March 2011 were £67 million (2010: £59 million). Private Equity management fees of £40 million (2010: £39 million) comprised £32 million from our managed Buyouts funds and £8 million from the Growth Capital fund launched in March 2010. The Group received £25 million for advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund. Finally, following the acquisition of MIM on 15 February 2011, £2 million was earned from the Debt Management business line. The increase in fee income from the prior year primarily reflected the launch of the Growth Capital Fund on 25 March 2010.

Net carried interest and performance fees payable

Net carried interest and performance fees payable includes net carried interest in respect of our Private Equity business, performance fees in respect of our Infrastructure and Debt Management businesses and provision for earn-out payments in respect of the MIM acquisition.

Net carried interest and performance fees payable in the 12 months to 31 March 2011 were £38 million (2010: £58 million).

Operating expenses

Table 21: Cost efficiency

year to 31 March	**2011 £m**	2010 £m
Operating expenses	**181**	221
Fees receivable from external funds[1]	**(67)**	(57)
Net operating expenses	**114**	164
Net operating expenses/opening portfolio ("cost efficiency")	**3.2%**	4.1%
Cost/AUM[2]	**1.8%**	2.3%

1 Prior year net of performance fees of £2 million.
2 Weighted average AUM.

Cost management continued to be a priority throughout the year. Total operating expenses were 18% lower at £181 million at 31 March 2011 (2010: £221 million). A key driver of this improvement in operating expenses was employment costs. This reflected some absolute reduction in staff numbers, but also an element of deferral of recruitment. The number of staff at 31 March 2011 was 491, up only slightly from 488 at the beginning of the year, despite an increase of 28 on the acquisition of MIM in February 2011. Staff numbers, excluding the MIM team, were 463, down 5% from the previous year.

Excluding the impact of MIM and the non-recurring costs related to restructuring, underlying costs were down £28 million or 13%, with employment costs down £23 million.

The Group's cost efficiency measure is defined as operating costs, net of management and advisory fee income, as a percentage of opening portfolio value. During the year to March 2011, cost efficiency improved from 4.1% to 3.2%, despite the reduction in opening portfolio value.

Since 1 April 2010, the Group has also measured and reported operating expenses as a proportion of assets under management as a key group financial performance measure. This is aligned to the industry standard measure used in Private Equity. During the year to 31 March 2011, cost per AUM improved from 2.3% to 1.8%, with the improvement reflecting both the cost reduction and the increase in AUM.

Total return

Net interest payable

Net interest payable increased during the year from £112 million to £127 million. Interest receivable was flat at £12 million (2010: £12 million), reflecting continuing low interest rates throughout the year. Interest payable increased from £124 million to £139 million. This reflects the issue of €350 million of fixed rate notes in March 2010, which effectively refinanced the 2011 Convertible Bond. The effect of this overlap was mitigated by the early repayment of a proportion of both the Convertible Bond and the €500 million floating rate note.

Exchange movements

During the year, the Group extended the hedging in place through currency borrowing with the implementation of derivative hedging against portfolio foreign currency movements. This programme commenced in November 2010. As a consequence, 68% of European and Nordic euro and Swedish krona denominated portfolios and 46% of the North American and Asian US dollar portfolios were hedged at 31 March 2011 through borrowings and derivatives. The net foreign exchange loss of £17 million for the year to 31 March 2011 was driven by the weakening of the euro and US dollar against sterling in the year.

Pensions
The gain of £20 million in the year to 31 March 2011 (2010: £71 million loss) related to the Group's UK defined benefit pension scheme. Rising equity and bond markets during the year resulted in higher returns on the plan's assets than were expected at the start of the year and a reduction in expected future inflation rates has reduced the plan's liabilities. In addition, in July 2010, the Government announced a change to pension revaluation laws, which will result in the use of the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as the Index for the purposes of determining statutory minimum pension increases. This has resulted in a £14 million reduction in the plan's liabilities, as increases given to scheme pensions in deferment are linked to the statutory minimum.

Discussions with the Trustees with respect to the Triennial funding valuation are underway and will be concluded by 30 September 2011. The fund is now closed to new members and to future accrual. Over time, it is intended to de-risk the fund through its investment policy and other measures.

Portfolio value

Portfolio assets directly owned by the Group

Table 22: Portfolio value movement by business line

	Opening Portfolio value 1 April 2010 £m	New investment £m	Value disposed £m	Unrealised value movement £m	Other movement £m	**Closing Portfolio value 31 March 2011 £m**
Core business lines						
Private Equity						
Buyouts	1,539	562	(148)	60	(52)	**1,961**
Growth Capital	1,331	72	(162)	217	(25)	**1,433**
Debt Management	75	49	(120)	8	2	**14**
Infrastructure	407	36	(1)	29	(7)	**464**
	3,352	719	(431)	314	(82)	**3,872**
Non-core activities	165	-	(54)	11	(1)	**121**
Total	3,517	719	(485)	325	(83)	**3,993**

As a result of the investment in the year and of unrealised value growth, the value of the Group's directly owned investments increased to £3,993 million (2010: £3,517 million). Investments, realisations and value movements are discussed elsewhere in this report. The other movements relate primarily to foreign exchange and movements in capitalised interest.

Table 23: 3i direct portfolio value by geography

as at 31 March	**2011 £m**	2010 £m
Continental Europe	**2,060**	1,381
UK	**1,071**	1,327
Asia	**579**	509
North America	**277**	294
Rest of World	**6**	6
Total	**3,993**	3,517

The increase in the proportion of the portfolio in Continental Europe from 39% to 52% has been driven by value growth in northern European assets, as well as by new investment.

Table 24: 3i direct portfolio value by sector

as at 31 March	**2011 £m**	2010 £m
Business Services	**618**	694
Consumer	**449**	303
Financial Services	**259**	335
Industrial	**1,491**	1,091
Healthcare	**483**	427
Technology, Media, Telecoms	**229**	260
Infrastructure	**464**	407
Total	**3,993**	3,517

The shifts in the portfolio sector profile are driven by the same factors as the geographic profile. The increase in the proportion of industrial assets reflects value growth in northern European industrial assets.

Balance sheet

Table 25: Group balance sheet

as at 31 March	**2011**	2010
Shareholders' funds	**£3,357m**	£3,068m
Net debt	**£522m**	£258m
Gearing	**16%**	8%
Diluted net asset value per share	**£3.51**	£3.21

Gearing and borrowings

The Group continued its focus on conservative balance sheet management, with gross debt reducing to £2,043 million at 31 March 2011 from £2,510 million at 31 March 2010. This reduction primarily reflected the repayment of £422 million of debt during the year, including £249 million of the convertible bond, £89 million of commercial paper, €68 million of the €500 million floating rate note and a $50 million bond.

On 20 September 2010, £486 million of the revolving credit facility matured and a £300 million multi-currency facility, maturing on 31 October 2012, commenced. No additional finance was raised during the year.

The amount of long-term debt repayable within one year at 31 March 2011 of £169 million (March 2010: £125 million) now includes the remaining convertible bond outstanding of £138 million, which matures in May 2011. This will be repaid out of cash reserves.

Net debt increased from £258 million at 31 March 2010 to £522 million at 31 March 2011. This reflected the operating cash outflows, which were partially offset by cash inflow from net divestment and portfolio income. As a consequence, gearing has increased from 8% to 16%. We continue to manage net debt to a limit of £1 billion, consistent with our conservative balance sheet management approach.

Liquidity

Liquidity at 31 March 2011 remained strong at £1,846 million (2010: £2,731 million), and comprised £1,521 million of cash and deposits, and undrawn facilities of £325 million. The reduction in cash from £2,252 million to £1,521 million resulted from the £422 million debt repayment, together with operating cash flows, partially offset by cash inflow from net divestment. Undrawn commitments are down from £479 million at 31 March 2010 to £325 million at 31 March 2011, reflecting the replacement of the £486 million revolving credit facility with the £300 million multi-currency facility.

Diluted NAV

The diluted NAV per share of £3.51 at 31 March 2011 (2010: £3.21) reflects the total return of £324 million, partially offset by dividends paid of £30 million.

Risk

Risk Factors

Risk type: External
Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations

Inherent risks
– Changes in macroeconomic variables, eg rates of growth
– General health of capital markets, eg conditions for initial public offerings
– Exposure to new and emerging markets
– Regulatory developments
– Changes in government policy, eg taxation
– Reputational risks
– Reputation risk in portfolio companies

Risk mitigation
– Diversified investment portfolio in a range of sectors, with different economic cycles, across geographical markets
– Close monitoring of regulatory and fiscal developments in main markets
– Due diligence when entering new markets or business areas

Key developments
– Continuing adverse economic conditions
– Regulatory developments which may be unfavourable

Risk type: 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

Inherent risks
– Understanding and analysis of risks and rewards
– Appropriateness of business model
– Changes in the Group's operating environment
– Unanticipated outcomes versus assumptions
– Potential loss of key staff in certain areas

Risk mitigation
– Periodic strategic reviews
– Regular monitoring of key risks by Group Risk Committee and the Board
– Monitoring of a range of key performance indicators, forecasts and periodic updates of plans and underlying assumptions
– Disciplined management of key strategic projects

Key developments
– Acquisition of debt management business
– Geographical expansion

Risk type: Investment
Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios

Inherent risks
– Market competition, eg number of participants and availability of funds
– Asset pricing and access to deals, eg on a proprietary basis
– Investor experience and key man retention
– Alignment of remuneration
– Underlying asset performance, eg earnings growth; cash headroom, ESG issues
– Asset valuations
– Overexposure to a particular sector, geography or small number of assets
– Investment performance track record
– Reputational risks arising from portfolio related events

Risk mitigation
– In-depth market and competitor analysis, supported by an international network of sector and industry specialists
– Rigorous investment appraisal and approval process
– Guidelines on responsible investing incorporated into investment procedures
– Regular asset reviews, including risk assessment, based on up to date management accounts and reporting
– Consistent application of detailed valuation guidelines and review processes
– Representation by a 3i executive on the boards of investee companies
– Setting of investment concentration limits
– Periodic portfolio reviews to monitor exposure to sectors, geographies and larger assets

Key developments
– Recovery in investment levels
– Impact of current economic environment on portfolio companies' earnings causing valuations to lag public markets
– Increased diversification through the addition of the debt management business

Risk type: Treasury and funding
Risks in relation to changes in market prices and rates; access to capital markets and third-party funds; and the Group's capital structure

Inherent risks
– Liquidity
– Level of gearing
– Debt levels and maturity profile
– Credit rating and access to funds
– Counterparty risk
– Foreign exchange exposure
– Interest rate exposure
– Impact of volatility of investment valuations

Risk mitigation
– Weekly detailed cash flow forecasts, tracked against a minimum liquidity headroom
– Gross and net debt target limits and monitoring of gearing range
– Monitoring of material maturities within a 12 month rolling period
– Use of currency borrowings to reduce structural currency exposures
– Use of 'plain vanilla' derivatives where appropriate eg interest rate swaps
– Regular reviews of liquidity, gearing, gross and net debt levels and large currency exposures
– Regular Board reviews of the Group's financial resources and treasury policy, eg currency hedging

Key developments
– Strong liquidity position maintained

Risk type: Operational
Risks arising from inadequate or failed processes, people and systems or from external factors affecting these

Inherent risks
– Resource balance, including recruitment and retention of capable people
– Appropriate systems, processes and procedures
– Adherence to tax regulations, including permanent establishment risk
– Complexity of regulatory operating environment
– Potential exposure to litigation
– Reputational risks arising from operational risk incidents
– Exposure to fraud
– Business disruption

Risk mitigation
– Framework of core values, global policies, a code of business conduct and delegated authorities
– Procedures and job descriptions setting out line management responsibilities for identifying, assessing, controlling and reporting operational risks
– Rigorous staff recruitment, vetting, review and appraisal processes
– Appropriate remuneration structures
– Succession planning
– Close monitoring of legal, regulatory and tax developments by specialist teams
– Internal Audit and Compliance functions carry out independent periodic reviews
– Business continuity and contingency planning
– Controls over information security, confidentiality and conflicts of interest
– Anti-fraud programme

Key developments
– Integration of debt management business
– Outsourcing of main UK data centre
– Regulatory developments
– Changing people risks eg as recruitment market recovers

Statement of comprehensive income
for the year to 31 March

	Notes	**2011 £m**	2010 £m
Realised profits over value on the disposal of investments	2	**124**	218
Unrealised profits on the revaluation of investments	3	**325**	458
		449	676
Portfolio income			
Dividends		**41**	59
Income from loans and receivables		**110**	110
Fees receivable/(payable)		**1**	(2)
Gross portfolio return	1	**601**	843
Fees receivable from external funds	1	**67**	59
Carried interest			
Carried interest receivable from external funds		**25**	30
Carried interest and performance fees payable		**(63)**	(88)
Operating expenses		**(181)**	(221)
Net portfolio return		**449**	623
Interest receivable		**12**	12
Interest payable		**(139)**	(124)
Movement in the fair value of derivatives	4	**(1)**	9
Exchange movements		**(135)**	(359)
Other income		**3**	(2)
Profit before tax		**189**	159
Income taxes	5	**(3)**	(5)
Profit for the year		**186**	154
Other comprehensive income			
Exchange differences on translation of foreign operations		**118**	324
Actuarial gain/(loss)		**20**	(71)
Other comprehensive income for the year		**138**	253
Total comprehensive income for the year ("Total return")		**324**	407
Analysed in reserves as:			
Revenue		**72**	97
Capital		**134**	(14)
Translation reserve		**118**	324
		324	407
Earnings per share			
Basic (pence)	10	**19.6**	17.2
Diluted (pence)	10	**19.5**	17.1

Statement of changes in equity
for the year to 31 March

	Notes	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Total equity at the start of the year		**3,068**	1,862	**3,188**	2,278
Profit for the year		**186**	154	**303**	111
Exchange differences on translation of foreign operations		**118**	324	**-**	-
Actuarial gain/(loss)		**20**	(71)	**-**	-
Total comprehensive income for the year		**324**	407	**303**	111
Release on forfeiture of share options		**(5)**	9	**5**	-
Own shares		**-**	(9)	**-**	-
Ordinary dividends	11	**(30)**	(9)	**(30)**	(9)
Issues of ordinary shares	9	**-**	808	**-**	808
Total equity at the end of the year		**3,357**	3,068	**3,466**	3,188

Balance sheet
as at 31 March

	Notes	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Assets					
Non-current assets					
Investments					
Quoted equity investments		**405**	370	**332**	312
Unquoted equity investments		**2,134**	1,760	**584**	423
Loans and receivables		**1,454**	1,387	**247**	313
Investment portfolio		**3,993**	3,517	**1,163**	1,048
Carried interest receivable		**82**	75	**82**	75
Interests in Group entities		**-**	-	**2,714**	2,347
Intangible assets		**21**	-	**-**	-
Retirement benefit surplus		**44**	-	**-**	-
Property, plant and equipment		**15**	17	**4**	4
Total non-current assets		**4,155**	3,609	**3,963**	3,474
Current assets					
Other current assets		**80**	74	**258**	227
Derivative financial instruments		**3**	-	**3**	-
Deposits		**560**	728	**560**	713
Cash and cash equivalents		**961**	1,524	**836**	1,427
Total current assets		**1,604**	2,326	**1,657**	2,367
Total assets		**5,759**	5,935	**5,620**	5,841
Liabilities					
Non-current liabilities					
Carried interest and performance fees payable		**(81)**	(61)	**-**	-
Loans and borrowings	7	**(1,837)**	(1,964)	**(1,612)**	(1,721)
Convertible bonds	8	**-**	(363)	**-**	(363)
B shares		**(6)**	(6)	**(6)**	(6)
Retirement benefit deficit		**(4)**	(28)	**-**	-
Deferred income taxes	5	**(6)**	(2)	**-**	-
Provisions		**(4)**	(10)	**-**	-
Total non-current liabilities		**(1,938)**	(2,434)	**(1,618)**	(2,090)
Current liabilities					
Trade and other payables		**(198)**	(176)	**(333)**	(386)
Carried interest and performance fees payable		**(58)**	(70)	**-**	-
Convertible bonds	8	**(138)**	-	**(138)**	-
Loans and borrowings	7	**(31)**	(125)	**(31)**	(125)
Derivative financial instruments		**(34)**	(52)	**(34)**	(52)
Current income taxes		**(1)**	(3)	**-**	-
Provisions		**(4)**	(7)	**-**	-
Total current liabilities		**(464)**	(433)	**(536)**	(563)
Total liabilities		**(2,402)**	(2,867)	**(2,154)**	(2,653)
Net assets		**3,357**	3,068	**3,466**	3,188
Equity					
Issued capital	9	**717**	717	**717**	717
Share premium	9	**779**	779	**779**	779
Capital redemption reserve	9	**43**	43	**43**	43
Share-based payment reserve	9	**17**	24	**17**	20
Translation reserve	9	**263**	145	**-**	-
Capital reserve	9	**1,093**	959	**1,614**	1,328
Revenue reserve	9	**526**	482	**291**	296
Other reserves	9	**5**	5	**5**	5
Own shares	9	**(86)**	(86)	**-**	-
Total equity		**3,357**	3,068	**3,466**	3,188

Sir Adrian Montague Chairman
11 May 2011

Cash flow statement
for the year to 31 March

	Notes	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Cash flow from operating activities					
Purchase of investments		**(561)**	(190)	**(594)**	(354)
Proceeds from investments		**609**	1,315	**609**	1,417
Portfolio interest received		**15**	16	**8**	11
Portfolio dividends received		**41**	59	**26**	36
Portfolio fees received/(paid)		**1**	(2)	**-**	-
Fees received from external funds		**62**	56	**-**	-
Carried interest received		**17**	3	**17**	3
Carried interest and performance fees paid		**(54)**	(57)	**-**	-
Operating expenses		**(218)**	(251)	**(202)**	(184)
Interest received[1]		**12**	12	**11**	11
Interest paid[1]		**(124)**	(124)	**(110)**	(121)
Income taxes paid		**(2)**	(3)	**-**	(1)
Net cash flow from operating activities		**(202)**	834	**(235)**	818
Cash flow from financing activities					
Net proceeds from liquidation of 3i QPEP		**-**	110	**-**	110
Proceeds from nine for seven rights issue		**-**	732	**-**	732
Fees paid for the nine for seven rights issue		**-**	(33)	**-**	(33)
Proceeds from issues of share capital		**-**	18	**-**	18
Purchase of own shares		**-**	(9)	**-**	-
Repurchase of B shares		**-**	(6)	**-**	(6)
Dividend paid		**(30)**	(9)	**(30)**	(9)
Proceeds from long-term borrowings		**-**	351	**-**	351
Repayment of long-term borrowings		**(56)**	(205)	**(44)**	(152)
Repurchase of long-term borrowings		**(48)**	(77)	**(48)**	(77)
Repurchase of convertible bonds		**(249)**	-	**(249)**	-
Net cash flow from short-term borrowings		**(88)**	(144)	**(88)**	(144)
Net cash flow from derivatives		**(34)**	(34)	**(34)**	(34)
Net cash flow from financing activities		**(505)**	694	**(493)**	756
Cash flow from investing activities					
Acquisition of subsidiary	6	**(18)**	-	**-**	-
Net cash acquired with the subsidiary	6	**18**	-	**-**	-
Purchase of property, plant and equipment		**(5)**	(1)	**-**	-
Proceeds on sale of property, plant and equipment		**2**	-	**-**	-
Net cash flow from deposits[1]		**168**	(669)	**153**	(687)
Net cash flow from investing activities		**165**	(670)	**153**	(687)
Change in cash and cash equivalents		**(542)**	858	**(575)**	887
Cash and cash equivalents at the start of year		**1,524**	675	**1,427**	545
Effect of exchange rate fluctuations		**(21)**	(9)	**(16)**	(5)
Cash and cash equivalents at the end of year		**961**	1,524	**836**	1,427

1 Interest received, interest paid and net cash flow from deposits have been reclassified from financing activities to enhance disclosure.

Notes to the Group financial statements

In preparing the financial information in this statement the Group has applied policies which are in accordance with International Financial Reporting Standards as adopted by the European Union at 31 March 2011. Details of the Group's accounting policies can be found in the Group 2010 Annual Report.

The statutory accounts for the year to 31 March 2011 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2010 have been delivered to the Registrar of Companies. The auditors' reports on the statutory accounts for these years are unqualified and do not contain any matters to which the auditor drew attention by way of emphasis or any statements under section 498(2) or (3) of the Companies Act 2006. This announcement does not constitute statutory accounts.

The annual report will be posted to shareholders on 2 June 2011. The Company's Annual General Meeting will be held on Wednesday 6 July 2011 at 11.00am at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Notes to the financial statements

1 Segmental analysis

Operating segments are components of the entity whose results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance. The chief operating decision-maker for the Group is considered to be the Chief Executive Officer. The Group's operating segments have been defined as the Group's business lines, namely Private Equity, Infrastructure, Debt Management and Non-core Investments. The business lines are determined with reference to market focus, geographic focus, and investment funding model. During the year to 31 March 2011 the Growth Capital and the Buyouts business lines were combined to form the Private Equity business line and a new business line, Debt Management, was also established.

The performance of operating segments is assessed based on the gross portfolio return, principally comprising gains and losses on investments and investment income. Segmental assets are represented by the investment portfolio value for each business line.

		Private					
Year to 31 March 2011	Private Equity Buyouts £m	Equity Growth Capital £m	Private Equity Total £m	Infra structure £m	Debt Management £m	Non-core Investments £m	Total £m
Gross portfolio return							
Realised profits over value on the disposal of investments	**22**	**40**	**62**	**-**	**24**	**38**	**124**
Unrealised profits on the revaluation of investments	**60**	**217**	**277**	**29**	**8**	**11**	**325**
Portfolio income							
Dividends	**-**	**20**	**20**	**17**	**-**	**4**	**41**
Income from loans and receivables	**73**	**29**	**102**	**(1)**	**7**	**2**	**110**
Fees (payable)/ receivable	**2**	**(1)**	**1**	**-**	**-**	**-**	**1**
	157	**305**	**462**	**45**	**39**	**55**	**601**
Fees receivable from external funds	**32**	**8**	**40**	**25**	**2**	**-**	**67**
Net (investment)/ divestment							
Realisations	**170**	**202**	**372**	**1**	**145**	**91**	**609**
Investment	**(562)**	**(72)**	**(634)**	**(36)**	**(49)**	**-**	**(719)**
	(392)	**130**	**(262)**	**(35)**	**96**	**91**	**(110)**
Balance sheet							
Value of investment portfolio at the end of the year	**1,961**	**1,433**	**3,394**	**464**	**14**	**121**	**3,993**

1 Segmental analysis continued

Year to 31 March 2010	Private Equity Buyouts £m	Private Equity Growth Capital £m	Private Equity Total £m	Infra structure £m	Debt Management[1] £m	Non-core Investments £m	Total £m
Gross portfolio return							
Realised profits/(losses) over value on the disposal of investments	168	(14)	154	-	55	9	218
Unrealised profits/(losses) on the revaluation of investments	204	145	349	84	45	(20)	458
Portfolio income							
Dividends	-	36	36	15	-	8	59
Income from loans and receivables	70	29	99	1	8	2	110
Fees (payable)/ receivable	(1)	(2)	(3)	-	1	-	(2)
	441	194	635	100	109	(1)	843
Fees receivable from external funds	39	-	39	20	-	-	59
Net (investment)/ divestment							
Realisations	403	578	981	46	64	294	1,385
Investment	(201)	(121)	(322)	(2)	(42)	(20)	(386)
	202	457	659	44	22	274	999
Balance sheet							
Value of investment portfolio at the end of the year	1,539	1,331	2,870	407	75	165	3,517

1 The Debt Warehouse, which was previously included within the Buyouts business line, was transferred to the Debt Management business line created during the year to 31 March 2011. Consequently the 31 March 2010 Debt Warehouse numbers have been reclassified to the Debt Management business line.

1 Segmental analysis continued

Year to 31 March 2011	**UK £m**	**Continental Europe £m**	**Asia £m**	**North America £m**	**Rest of World £m**	**Total £m**
Gross portfolio return						
Realised profits/(losses) over value on the disposal of investments	**72**	**59**	**1**	**(8)**	**-**	**124**
Unrealised (losses)/profits on the revaluation of investments	**(125)**	**374**	**56**	**20**	**-**	**325**
Portfolio income	**79**	**57**	**1**	**15**	**-**	**152**
	26	**490**	**58**	**27**	**-**	**601**
Fees receivable from external funds	**54**	**5**	**8**	**-**	**-**	**67**
Net (investment)/divestment						
Realisations	**376**	**190**	**25**	**18**	**-**	**609**
Investment	**(221)**	**(433)**	**(62)**	**(3)**	**-**	**(719)**
	155	**(243)**	**(37)**	**15**	**-**	**(110)**
Balance sheet						
Value of investment portfolio at the end of the year	**1,071**	**2,060**	**579**	**277**	**6**	**3,993**

Year to 31 March 2010	UK £m	Continental Europe £m	Asia £m	North America £m	Rest of World £m	Total £m
Gross portfolio return						
Realised profits/(losses) over value on the disposal of investments	41	150	27	1	(1)	218
Unrealised profits/(losses) on the revaluation of investments	201	115	75	69	(2)	458
Portfolio income	104	35	2	26	-	167
	346	300	104	96	(3)	843
Fees receivable from external funds	41	9	9	-	-	59
Net (investment)/divestment						
Realisations	621	542	134	84	4	1,385
Investment	(222)	(118)	(25)	(19)	(2)	(386)
	399	424	109	65	2	999
Balance sheet						
Value of investment portfolio at the end of the year	1,327	1,381	509	294	6	3,517

2 Realised profits over value on the disposal of investments

	2011 Unquoted equity £m	**2011 Quoted equity £m**	**2011 Loans and receivables £m**	**2011 Total £m**
Realisations	**263**	**16**	**330**	**609**
Valuation of disposed investments	**(160)**	**(14)**	**(310)**	**(484)**
Investments written off	**(1)**	**-**	**-**	**(1)**
	102	**2**	**20**	**124**

	2010 Unquoted equity £m	2010 Quoted equity £m	2010 Loans and receivables £m	2010 Total £m
Realisations	701	389	295	1,385
Valuation of disposed investments	(527)	(279)	(283)	(1,089)
Investments written off	(32)	-	(46)	(78)
	142	110	(34)	218

Loans and receivables include net proceeds of £145 million (2010: £64 million) and realised profits of £24 million (2010: £55 million) from variable funding notes relating to the Debt Warehouse.

3 Unrealised profits on the revaluation of investments

	2011 Unquoted equity £m	**2011 Quoted equity £m**	**2011 Loans and receivables £m**	**2011 Total £m**
Movement in the fair value of equity[2]	**572**	**23**	**-**	**595**
Provisions, loan impairments and other movements[1]	**(20)**	**-**	**(250)**	**(270)**
	552	**23**	**(250)**	**325**

	2010 Unquoted equity £m	2010 Quoted equity £m	2010 Loans and receivables £m	2010 Total £m
Movement in the fair value of equity[2]	324	74	-	398
Provisions, loan impairments and other movements[1]	(24)	-	84	60
	300	74	84	458

1 Included within loan impairments is a £1 million value increase for variable funding notes relating to the Debt Warehouse in the year to 31 March 2011 (2010: £45 million).

2 Investment made through the 3i India Infrastructure Fund have been reclassified as individual investments, rather than as a fund which is classified as unquoted equity. The prior year has been restated.

Provisions have been recognised only on investments where it is considered there is a greater than 50% risk of failure. All other equity value movements are included within the movement in the fair value of equity

4 Movement in the fair value of derivatives

	2011 £m	2010 £m
Interest-rate swaps	**-**	7
Derivative element of convertible bonds	**-**	3
Call options	**(1)**	(1)
	(1)	9

Further information on convertible bonds is provided in note 8.

Exchange movements in relation to forward foreign exchange contracts are included within exchange movements in the statement of comprehensive income. During the year, a £12 million loss was recognised in exchange movements in relation to forward foreign exchange contracts.

5 Income taxes

	2011 £m	2010 £m
Current taxes		
Current year	**(4)**	(3)
Deferred taxes		
Deferred income taxes	**1**	(2)
Total income taxes in the statement of comprehensive income	**(3)**	(5)

Reconciliation of income taxes in the statement of comprehensive income
The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 28% (2010: 28%), and the differences are explained below:

5 Income taxes continued

	2011 **£m**	2010 £m
Profit before tax	**189**	159
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2010: 28%)	**(53)**	(45)
Effects of:		
Permanent differences	**7**	5
Short-term timing differences	**2**	3
Non-taxable dividend income	**2**	13
Foreign tax	**(4)**	(3)
Foreign tax credits available for double tax relief	**-**	-
Realised profits, changes in fair value and impairment losses not taxable	**43**	22
Total income taxes in the statement of comprehensive income	**(3)**	(5)

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

	2011 **£m**	2010 £m
Opening deferred income tax liability		
Tax losses	**17**	9
Income in accounts taxable in the future	**(19)**	(9)
	(2)	-
Recognised through statement of comprehensive income		
Tax loss utilised	**8**	8
Income in accounts taxable in the future	**(7)**	(10)
	1	(2)
Closing deferred income tax liability		
Tax losses	**25**	17
Income in accounts taxable in the future	**(26)**	(19)
Deferred tax recognised on acquisition	**(5)**	-
	(6)	(2)

At 31 March 2011 the Group had tax losses carried forward of £885 million (2010: £775 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 26% (2010: 28%).

6 Acquisition of a subsidiary

On 15 February 2011 Mizuho Investment Management (UK) Limited ("MIM"), one of the leading debt management businesses in Europe, became a subsidiary of the Group. MIM has since changed its name to 3i Debt Management Investments Limited. The acquisition forms part of the Group's strategy to build its Debt Management business line.

The acquisition of MIM was effected by 3i Debt Management Limited ("3iDM") on 15 February 2011. 3iDM paid cash consideration of £18 million for 100% of the issued share capital of MIM. The equity shares of 3iDM are owned 55% by the Group and 45% by the management team of MIM.

The Group has entered into agreements to purchase this remaining 45% of the equity of 3iDM from the management team over the next five years, with the price subject to the performance of 3iDM and it subsidiaries.

In accordance with IFRS3, the purchase of the management team's equity holding or "earn-out" is reflected in two parts:

- £13 million deferred consideration, for the transfer of the remaining 45% of the shares held by MIM management over five years. This has been recognised on acquisition and is carried as a liability on the Group balance sheet.

- The remaining amount is contingent on the individuals remaining in employment with 3i and 3iDM raising new funds. The amount will be determined by the performance of 3iDM during the five-year period and will be recognised in the statement of comprehensive income as carried interest and performance fees payable.

The fair value of the identifiable assets and liabilities of MIM as at the date of acquisition and the consideration paid were:

	Fair value recognised on acquisition £m
Fair value of assets received	
Cash	**18**
Other assets	**3**
Intangible assets (fund management contracts)	**22**
Total fair value of assets received	**43**
Fair value of liabilities assumed	
Creditors	**(3)**
Deferred tax liability	**(6)**
Total fair value of liabilities assumed	**(9)**
Total identifiable net assets at fair value	**34**
Consideration	
Cash	**18**
Deferred consideration	**13**
Total consideration	**31**
Gain on bargain purchase	**3**
Net cash outflow arising on acquisition	
Cash consideration paid	**(18)**
Cash and cash equivalents acquired	**18**
Net cash flow on acquisition	**-**

The measurement of fair value of the net assets obtained resulted in a gain on bargain purchase of £3 million which has been recognised in other income in the statement of comprehensive income.

From the date of acquisition, MIM has contributed £2 million to management fees, and incurred operating expenses and amortisation of the fund management contracts of £2 million, which has resulted in an overall charge of £nil to the net profit before tax of the Group.

If the combination had taken place at the beginning of the year, the contribution to the Group's revenue from continuing operations would have been £16 million and the profit from continuing operations for the Group would have been £5 million.

Transaction costs of £4 million have been charged to operating expenses in the year.

The Group also acquired equity investments in the funds managed by MIM, on which the unrealised profit on revaluation in the period to 31 March 2011 was £7 million.

7 Loans and borrowings

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Loans and borrowings are repayable as follows:				
Within one year	**31**	125	**31**	125
In the second year	**638**	33	**413**	33
In the third year	**265**	726	**265**	483
In the fourth year	**50**	268	**50**	268
In the fifth year	**-**	50	**-**	50
After five years	**884**	887	**884**	887
	1,868	2,089	**1,643**	1,846

Principal borrowings include:

	Rate	Maturity	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	**200**	200	**200**	200
£400 million notes (public issue)	5.750%	2032	**375**	375	**375**	375
€350 million notes (public issue)	5.625%	2017	**309**	312	**309**	312
Other			**62**	99	**62**	99
Variable rate						
€500 million notes (public issue)	EURIBOR+0.200%	2012	**382**	436	**382**	436
Other			**265**	268	**265**	268
			1,593	1,690	**1,593**	1,690
Committed multi-currency facilities						
£100 million	LIBOR+2.750% to 3.000%	2012	**69**	92	**-**	14
£486 million	LIBOR+1.594%	2010	**-**	165	**-**	–
£300 million	LIBOR+2.750%	2012	**156**	-	**-**	-
£200 million	LIBOR+3.750%	2014	**50**	50	**50**	50
			275	307	**50**	64
Other						
Commercial paper			**-**	92	**-**	92
			-	92	**-**	92
Total loans and borrowings			**1,868**	2,089	**1,643**	1,846

The £100 million multi-currency facility maturing in October 2012 has an undrawn commitment fee of 50% of the margin.

The £486 million multi-currency facility was refinanced by way of a £300 million multi-currency facility which matures in October 2012. The undrawn commitment fee on the £300 million multi-currency facility is 50% of the margin.

The £200 million multi-currency facility maturing in November 2014 has an undrawn commitment fee of 50% of the margin.

The Group is subject to a financial covenant relating to its Asset Cover Ratio; defined as total assets (including cash) divided by gross debt. The Asset Cover Ratio limit is 1.40 at 31 March 2011 (2010: 1.35), the Asset Cover Ratio at 31 March 2011 is 2.82 (2010: 2.35).

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 £1,875 million (2010: £2,030[1] million), determined where applicable with reference to their published market price.

1 Restated to include the fair value of commercial paper.

8 Convertible bonds

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Opening balance	**363**	384	**363**	384
Amortisation	**24**	21	**24**	21
Repurchase during the year	**(249)**	(42)	**(249)**	(42)
Closing balance	**138**	363	**138**	363

On 29 May 2008, a £430 million three year 3.625% convertible bond was raised. The Group share price on issue was £8.86 and the conversion price for bondholders was £11.32. Following the rights issue, the conversion price for bondholders reduced to £7.51.

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 2011 was £140 million (31 March 2010: £391 million), determined by its published market price and is classified as Level 1 in the fair value hierarchy. The derivative element of the £430 million convertible bond is cash settled.

As at 31 March 2011, the Group had repurchased £291 million of the bond (£249 million in the year to 31 March 2011), leaving an outstanding convertible loan balance at face value of £139 million repayable in May 2011.

9 Equity

Year to 31 March 2011

Group	**Share Capital £m**	**Share Premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**	**Translation reserve £m**
Total equity at the start of the year	**717**	**779**	**43**	**24**	**145**
Profit for the year					
Exchange differences on translation of foreign operations					**118**
Actuarial gain					
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**118**
Share based payments					
Own shares					
Release on forfeiture of share options				**(7)**	
Ordinary dividends					
Issue of ordinary shares					
Total equity at the end of the year	**717**	**779**	**43**	**17**	**263**

9 **Equity** continued

Year to 31 March 2011

Group	**Capital reserve £m**	**Revenue reserve £m**	**Other reserves £m**	**Own shares £m**	**Total equity £m**
Total equity at the start of the year	**959**	**482**	**5**	**(86)**	**3,068**
Profit for the year	**114**	**72**			**186**
Exchange differences on translation of foreign operations					**118**
Actuarial gain	**20**				**20**
Total comprehensive income for the year	**134**	**72**	**-**	**-**	**324**
Share based payments					**-**
Own shares					**-**
Release on forfeiture of share options		**2**			**(5)**
Ordinary dividends		**(30)**			**(30)**
Issue of ordinary shares					
Total equity at the end of the year	**1,093**	**526**	**5**	**(86)**	**3,357**

Year to 31 March 2010

Group	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m
Total equity at the start of the year	284	405	42	20	(179)
Profit for the year					
Exchange differences on translation of foreign operations					324
Actuarial loss					
Total comprehensive income for the year	-	-	-	-	324
Share based payments				9	
Own shares					
Release on forfeiture of share options				(5)	
Ordinary dividends					
Issue of ordinary shares	433	374	1		
Total equity at the end of the year	717	779	43	24	145

Year to 31 March 2010

Group	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at the start of the year	968	394	5	(77)	1,862
Profit for the year	57	97			154
Exchange differences on translation of foreign operations					324
Actuarial loss	(71)				(71)
Total comprehensive income for the year	(14)	97	-	-	407
Share based payments					9
Own shares				(9)	(9)
Release on forfeiture of share options	5				
Ordinary dividends		(9)			(9)
Issue of ordinary shares					808
Total equity at the end of the year	959	482	5	(86)	3,068

9 **Equity** continued

Year to 31 March 2011

Company	**Share Capital £m**	**Share Premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**
Total equity at the start of the year	**717**	**779**	**43**	**20**
Profit for the year				
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Release on forfeiture of share options				**(3)**
Ordinary dividends				
Issue of ordinary shares				
Total equity at the end of the year	**717**	**779**	**43**	**17**

Year to 31 March 2011

Company	**Capital reserve £m**	**Revenue reserve £m**	**Other reserves £m**	**Total equity £m**
Total equity at the start of the year	**1,328**	**296**	**5**	**3,188**
Profit for the year	**286**	**17**		**303**
Total comprehensive income for the year	**286**	**17**	**-**	**303**
Release on forfeiture of share options		**8**		**5**
Ordinary dividends		**(30)**		**(30)**
Issue of ordinary shares				**-**
Total equity at the end of the year	**1,614**	**291**	**5**	**3,466**

Year to 31 March 2010

Company	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m
Total equity at the start of the year	284	405	42	20
Profit for the year				
Total comprehensive income for the year	-	-	-	-
Ordinary dividends				
Issue of ordinary shares	433	374	1	
Total equity at the end of the year	717	779	43	20

Year to 31 March 2010

Company	Capital reserve £m	Revenue reserve £m	Other reserves £m	Total equity £m
Total equity at the start of the year	1,256	266	5	2,278
Profit for the year	72	39		111
Total comprehensive income for the year	72	39	-	111
Ordinary dividends		(9)		(9)
Issue of ordinary shares				808
Total equity at the end of the year	1,328	296	5	3,188

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.

10 Per share information

The earnings and net assets per share attributable to the equity shareholders of the Company are based on the following data:

	March 2011	March 2010
Earnings per share (pence)		
Basic	**19.6**	17.2
Diluted	**19.5**	17.1
Earnings (£m)		
Profit for the year attributable to equity holders of the Company	**186**	154

	March 2011	March 2010
Weighted average number of shares in issue		
Ordinary shares	**970,513,394**	910,689,107
Own shares	**(19,660,791)**	(16,310,231)
	950,852,603	894,378,876
Effect of dilutive potential ordinary shares		
Share options and awards	**3,486,081**	5,026,956
Diluted shares	**954,338,684**	899,405,832

	March 2011	March 2010
Net assets per share (£)		
Basic	**3.53**	3.23
Diluted	**3.51**	3.21
Net assets (£m)		
Net assets attributable to equity holders of the Company	**3,357**	3,068

	March 2011	March 2010
Number of shares in issue		
Ordinary shares	**970,650,620**	970,381,476
Own shares	**(19,631,587)**	(19,758,485)
	951,019,033	950,622,991
Effect of dilutive potential ordinary shares		
Share options and awards	**4,600,795**	6,607,673
Diluted shares	**955,619,828**	957,230,664

11 Dividends

	2011 pence per share	2011 £m	2010 pence per share	2010 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	**2.0**	**19**	-	-
Interim dividend	**1.2**	**11**	1.0	9
	3.2	**30**	1.0	9
Proposed final dividend	**2.4**	**23**	2.0	19

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

Statement of comprehensive income	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Carried interest receivable	**25**	30	**25**	30
Fees receivable from external funds	**55**	47	**-**	-

Balance sheet	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Carried interest receivable	**82**	75	**82**	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:

Statement of comprehensive income	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Realised profit over value on the disposal of investments	**9**	58	**17**	19
Unrealised profits on the revaluation of investments	**313**	327	**245**	136
Portfolio income	**136**	126	**35**	41

Balance sheet	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Quoted equity investments	**321**	302	**321**	302
Unquoted equity investments	**1,633**	1,267	**507**	329
Loans and receivables	**1,294**	1,264	**201**	205

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, which is listed on the London Stock Exchange, and acted as adviser to 3i Quoted Private Equity plc prior to its solvent liquidation in April 2009. The following amounts have been included in respect of these advisory relationships:

Statement of comprehensive income	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Unrealised profits on the revaluation of investments	**21**	72	**21**	72
Fees receivable from external funds	**17**	12	**17**	12
Dividends	**16**	15	**16**	15

Balance sheet	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Quoted equity investments	**320**	300	**320**	300

Key management personnel
The Group's key management personnel comprise the members of Leadership Team, which has replaced the Management Committee during the year, and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	**Group 2011 £m**	Group 2010 £m
Salaries, fees, supplements and benefits in kind	**6**	4
Bonuses and deferred share bonuses	**6**	8
Increase in accrued pension	**-**	-
Carried interest and performance fees payable	**15**	11
Share-based payments	**1**	1
Termination benefits	**-**	-

Balance sheet	**Group 2011 £m**	Group 2010 £m
Bonuses and deferred share bonuses	**8**	7
Carried interest and performance fees payable within one year	**8**	8
Carried interest and performance fees payable after one year	**11**	7
Deferred consideration included within trade and other payables[1]	**9**	-

1 Deferred consideration relates to the acquisition in the year, set out in note 6.

Carried interest paid in the year to key management personnel was £16 million (2010: £6 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 Investment plc received a fee of £23 million (2010: £23 million) for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £151 million (2010: £184 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 the year to 31 March 2011 to £nil (2010: £nil).

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 statement of comprehensive income are £nil (2010: £nil).

Ten largest investments

The list below provides information on our ten largest investments in respect of the Group's holding, excluding any managed or advised external funds.

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
3i Infrastructure plc 3i-infrastructure.com Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	32.9	270	320
NORMA Group Holding GmbH normagroup.com Provider of engineered joining technology	Buyouts Germany 2005 Sale	29.2	33	197
MWM GmbH mwm.net Provider of decentralised power generation systems	Buyouts Germany 2007 Sale	41.3	70	191
Hyva Investments BV hyva.com Branded hydraulics for commercial vehicles	Buyouts Netherlands 2004 Sale	44.2	16	181
ACR Capital Holdings Pte Limited asiacapitalre.com Reinsurance in large risk segments	Growth Singapore 2006 Industry metric	31.1	105	146
Foster + Partners[1] fosterandpartners.com Architectural services	Growth UK 2007 Earnings	40.0	-	132
Ålö Intressenter AB alo.se Manufacturer of front end loaders	Growth Sweden 2002 Earnings	38.3	39	129
Mémora Servicios Funerarias memora.es Funeral service provider	Buyouts Spain 2008 Earnings	38.1	109	118
Quintiles Transnational Corporation quintiles.com Clinical research outsourcing solutions	Growth US 2008 Earnings	4.9	74	108
Scandferries Holding GmbH (Scandlines) scandlines.de Ferry operator in the Baltic Sea	Buyouts Germany 2007 DCF	27.3	45	102

1 The residual cost of this investment cannot be disclosed per a confidentiality agreement in place at the time of investment.

Forty other large investments

In addition to the ten largest investments shown previously, detailed below are forty other large investments which are substantially all of the Group's investments valued over £18 million. This does not include 7 investments that have been excluded for commercial reasons.

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
Mayborn Group Plc mayborngroup.com Manufacturer and distributor of baby products	Buyouts UK 2006 Earnings	37.9	89	95
OneMed Group onemed.com Distributor of consumable medical products, devices and technology	Buyouts Finland 2011 Earnings	35.5	89	91
Mold-Masters Luxembourg Holdings S.A.R.L. moldmasters.com Plastic processing technology provider	Growth Canada 2007 Earnings	49.3	75	86
Sortifandus, S.L. (GES – Global Energy Services) services-ges.com Wind power service provider	Buyouts Spain 2006 Earnings	42.8	45	83
Eltel Networks Oy eltelnetworks.com Network services	Buyouts Finland 2007 Earnings	42.6	85	82
Navayuga Group necltd.com Engineering and construction	Growth India 2006 Other	10.0	23	66
Tato Holdings Limited No company website Manufacture and sale of speciality chemicals	SMI UK 1990 Earnings	26.1	2	62
Cornwall Topco Limited (Civica) civica.co.uk Public sector IT and services	Buyouts UK 2008 Earnings	40.2	90	60
Otnortopco AS (Xellia/Alpharma) xellia.com Developer and supplier of specialist active pharmaceutical ingredients	Buyouts Norway 2007 Earnings	32.5	77	60
Stork Materials Technology storksmt.com Testing and Inspection	Buyouts Netherlands 2010 Earnings	42.2	56	57
Labco SAS labco.eu Clinical laboratories	Growth France 2008 Earnings	12.3	65	57
Phibro Animal Health Corporation pahc.com Animal healthcare	Growth US 2009 Earnings	29.9	90	54
Adani Power adanipower.com Power generation	Infrastructure India 2007 Quoted	1.6	25	54
AES Engineering Limited aesseal.co.uk Manufacturer of mechanical seals and support systems	Growth UK 1996 Earnings	40.6	30	51

Forty other large investments continued

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
Amor GmbH amor.de Jewellery supplier focussing on procurement, logistics and servicing	Buyouts Germany 2010 Earnings	42.1	48	50
Refresco Group B.V. refresco.com Manufacturer of private label juices and soft drinks	Growth Netherlands 2010 Earnings	12.6	46	47
RBG Limited rbgltd.com Oil and Gas service provider	Buyouts UK 1996 Other	39.5	4	41
LHI Technology Private Limited lhitechnology.com Medical cable assemblies	Buyouts China 2008 Earnings	37.5	16	41
Environmental Scientifics Group (ESG)[1] esg.co.uk Global testing and inspection	Buyouts UK 2007 Earnings	38.0	27	41
KemFine Oy kemfine.com Manufacturer of fine chemicals	Buyouts Finland 2004 Earnings	35.0	22	38
Everis Participaciones S.L. everis.com IT consulting business	Growth Spain 2007 Earnings	18.3	30	36
Lekolar AB lekolar.se Distributor of pedagogical products and educational materials	Buyouts Sweden 2007 Earnings	39.3	28	33
UFO Moviez ufomoviez.com Provider of digital cinema services	Growth India 2007 Other	35.3	14	32
Radius Systems Limited radius-systems.com Manufacture of thermoplastic pipe systems for gas and water distribution	Buyouts UK 2008 Earnings	31.6	35	32
Trescal trescal.com Calibration services	Buyouts France 2010 Earnings	23.5	27	32
Goromar XXI, S.L. (Esmalglass) esmalglass.com Manufacture of frites, glazes and colours for tiles	Buyouts Spain 2002 Earnings	21.6	21	31
Krishnapatnam Port krishnapatnam.com Port	Infrastructure India 2009 DCF	3.0	24	31
Hyperion Insurance Group Limited hyperiongrp.com Specialist insurance intermediary	Growth UK 2008 Industry metric	19.1	22	28
Soya Concept AS soyaconcept.com Fashion design company	Growth Denmark 2007 Earnings	45.0	13	27

1 Formerly Inspicio

Forty other large investments continued

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
Joyon Southside joyon.cn Real estate	Growth China 2007 DCF	49.9	15	25
Polyconcept Investments B.V. polyconcept.com Supplier of promotional products	Growth Netherlands 2005 Earnings	13.0	21	25
Consultim Finance SAS cerenicimo.fr Wholesaler of rental real estate	Growth France 2007 Earnings	20.0	12	24
Inspecta Holding Oy inspecta.fi Supplier of testing and inspection services	Buyouts Finland 2007 Earnings	39.2	51	23
MKM Building Supplies (Holdings) Limited mkmbs.co.uk Building material supplier	Growth UK 1998 Earnings	33.0	14	23
Boomerang TV, S.A. grupoboomerangtv.com Production of audiovisual contents	Growth Spain 2008 Earnings	34.1	23	22
DC Druck Chemie GmbH druckchemie.com Business services	Buyouts Germany 2008 Earnings	44.4	28	22
EUSA Pharma Inc eusapharma.com Pharmaceuticals business, focused on pain, oncology, and critical care	Venture UK 2007 Other	19.4	32	21
Gain Capital gaincapital.com Retail online forex trading	Growth US 2008 Quoted	10.1	28	20
Pearl (AP) Group Limited (Agent Provocateur) agentprovocateur.com Women's lingerie and assorted products	Buyouts UK 2007 DCF	39.0	44	19
John Hardy Limited johnhardy.com Designer jewellery business	Growth China 2007 Earnings	23.5	15	18

Statement of Directors' responsibilities

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 3i Group plc and their functions are set out below:

Sir Adrian Montague, Chairman
Michael Queen, Chief Executive and executive Director
Julia Wilson, Finance Director and executive Director
Jonathan Asquith, Non-executive Director (from 7 March 2011)
Alistair Cox, Non-executive Director
Richard Meddings, Non-executive Director and Senior Independent Director
Willem Mesdag, Non-executive Director
Christine Morin-Postel, Non-executive Director.

By order of the Board

K J Dunn Secretary
11 May 2011