3i Group plc
Report and accounts 2010

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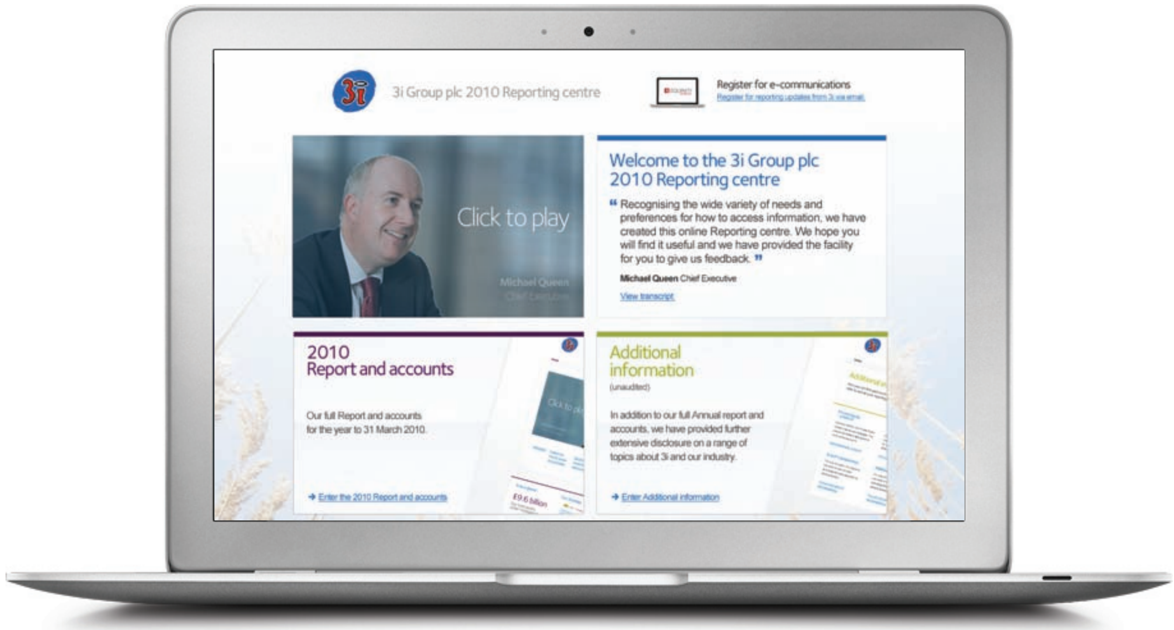


...register online

Annual reports online

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

The 2010 half-yearly report will only be available online.
Please register to ensure you are notified when it becomes available.

Additional information online...

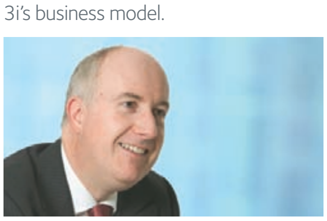
Transparency

A full report on 3i and Transparency.

/transparency

Chief Executive's video

Michael Queen describes 3i's business model.



/chiefexecutive

In-depth case studies

Our portfolio is the key to our success.

There are more examples online.

/casestudies

Full corporate responsibility report

Corporate responsibility is central to our business model.

/corporateresponsibility

Other information about 3i

- Assets under management
- 3i portfolio
- Investment and realisations

/other3i

Other information about our industry

- Private equity – an explanation
- Returns and IRRs – an explanation
- Carried interest – an explanation

/otherindustry

Contents of this report…

Directors' report

Pages 2 to 79, comprise the Directors' report and pages 80 to 88 comprise the Directors' remuneration report, both of which are presented in accordance with English company law and the liabilities of Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Disclaimer

This Annual Report and accounts may contain certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

For over 60 years, 3i's objective has been to take an open and straightforward approach to doing business.

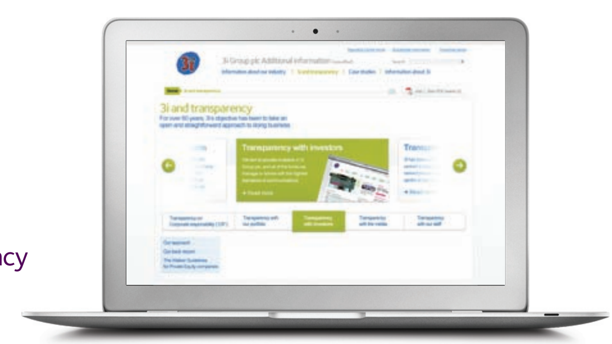
When it comes to transparency we have found that it is in our interest to go considerably further than what is formally required, whether as a public company or as an investor.

This year we have provided even more information online.

3i is fully compliant with the Walker Guidelines on transparency and disclosure in private equity.

Please go online to see a full report on 3i and transparency

/transparency



Overview

An overview of our business and our performance for the year to 31 March 2010.

Introduction

We are an international investor focused on buyouts, growth capital and infrastructure, investing in Europe, Asia and North America.

Key financial data

	Year to/as at 31 March 2010	Year to/as at 31 March 2009
Investment activity		
Investment	£386m	£968m
Realisations	£1,385m	£1,308m
Net divestment	£999m	£340m
Returns		
Gross portfolio return	£843m	£(2,206)m
Gross portfolio return on opening portfolio value[1]	20.9%	(36.7)%
Total return	£407m	£(2,150)m
Total return on opening shareholders' funds[2]	16.2%	(53.0)%
Dividend per ordinary share	3.0p	6.3p
Assets under management[3]		
3i	£5,787m	£6,909m
External funds	£3,846m	£3,871m
Total assets under management	£9,633m	£10,780m
Balance sheet		
3i portfolio value	£3,517m	£4,050m
Net debt	£258m	£1,912m
Gearing	8%	103%
Net asset value	£3,068m	£1,862m
Diluted net asset value per ordinary share	£3.21	£2.79[4]

1 Opening portfolio value is the weighted average of the opening portfolio value, less the opening portfolio value of 3i's share of 3i Quoted Private Equity plc ("3i QPEP"), plus the value of investments transferred from 3i QPEP to 3i Group plc.
2 Opening shareholders' funds is the weighted average of opening shareholders' funds and the equity value following the liquidation of 3i QPEP and the nine for seven rights issue.
3 Assets under management has been re-defined and 2009 restated. The new definition is detailed on page 19.
4 Adjusted to reflect the impact of the rights issue and issue of shares related to the acquisition of 3i QPEP.

Further information on

Assets under management P19
Investment and realisations P21
Total return P23
Gross portfolio return P24–27
Balance sheet P30

Chairman's statement

"A transformed financial position, improved performance, and a substantial increase in funds available to invest have put 3i in a strong competitive position."

The past year has seen a transformation in 3i's finances and a marked improvement in performance. Net debt has been reduced from £1,912 million at 31 March 2009 to £258 million at 31 March 2010 and total return recovered to 16.2%. As I come to the end of my time as Chairman of 3i Group, I would like to thank the shareholders, management and staff of 3i for their part in turning round the Company's fortunes after the worst crisis in financial services, and the sharpest economic downturn, in its history. 3i's recovery, at a time when many have foundered, is a tribute to them all.

My thanks go first to our shareholders for a major element in the restoration of 3i's finances, which came from their tremendous response to our £732 million rights issue in June 2009. This support was given on the clear understanding that it would be matched by self-help. So I would also like to express the Board's thanks to the 3i team for cutting costs and achieving realisations totalling £1,385 million during the year.

Our portfolio did not escape unscathed from the recession. The Buyouts business suffered two significant failures – both provided for as part of the sharp drop in valuations during 2008-09 – and our Growth Capital business suffered one significant failure. However, even after allowing for this, realisations were achieved at a 19% uplift to values at the end of March 2009. And thanks to our active engagement with portfolio companies and the quality of their management, overall portfolio performance improved markedly in the second half of the year.

We continue to take a cautious view of the earnings in the portfolio, so valuations tend to lag the recovery in stock markets. But even so, gross portfolio returns in the year to March 2010 were 38% in Buyouts, 11% in Growth Capital and 27% in Infrastructure. With net debt now significantly below the £1 billion target that we set for the end of 2009-10, the Board has decided to recommend a final dividend of 2.0p, reflecting our commitment to return to a progressive approach following the rebasing last year.

Michael Queen, who became Chief Executive shortly before the start of the financial year on which we report today, has positioned 3i to take advantage of opportunities during the next phase of the economic cycle. He and his team are also continuing to build the platform for growth in international markets. With the new Growth Capital Fund, all business lines can now deploy external funds alongside 3i Group capital. Michael has strengthened his management committee to provide consistent investment disciplines across all business lines, and reviewed 3i's capabilities in all our key markets in Asia, Europe and the United States.

My thanks go to him for his excellent management of 3i through a challenging period.

During 2009-10 we also saw some further changes on the Board. Robert Swannell became Senior Independent Director and Oliver Stocken, our long-serving Deputy Chairman, retired from the Board, as did Lord Smith of Kelvin. John Allan, Chairman of DSG International, and Alistair Cox, Chief Executive of Hays, joined in September and October 2009. Julia Wilson, our Finance Director, came back from maternity leave at the end of 2009-10; a welcome return, although Stephen Halliwell has ably filled in for her through this year. My thanks go to all members of the Board, for their contributions and commitment to 3i.

And at the end of 2009, the Nominations Committee established a sub-committee of non-executive Directors to undertake the search for my successor. Having taken up my new role as Chairman of the Financial Reporting Council, I will be handing over to Sir Adrian Montague at the AGM. I am delighted that Adrian has been appointed. He brings a wide range of relevant experience to the Chairmanship of 3i, and will I know provide the Board with first-rate leadership in the years ahead.

Since I joined the Board in 1997, there have been huge shifts in the geopolitical landscape, trade and economic power. We have had sharp reminders of how global markets can magnify threats as well as opportunities, most recently with the explosion and collapse of the world debt markets. But in that time too, 3i has transformed itself to compete in today's investment world. No longer a domestic company with some European business, 3i has established itself in China and India and has a position in the United States as well. The Chief Executives I have worked with during my 13 years on the Board each played a part in building the new 3i.

The after-shocks from the credit crunch continue to destabilise financial markets, as they wait with decreasing patience for governments to repair their fiscal deficits. But 3i has a great ability to adapt, a brand built on its reputation as an investment partner, committed and engaged shareholders, and is strongly placed to deploy these advantages in fast-changing markets. And I am confident that 3i will enjoy strong leadership in the years ahead.

Sarah Hogg

Baroness Hogg Chairman
12 May 2010

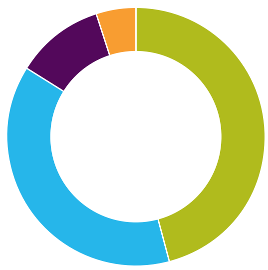
3i at a glance

Our vision is to be recognised as a leading international investor based on the value we add to our portfolio, the returns we deliver to our investors and our responsible approach and style of investing.

Group

Portfolio by business line[1] (%)
as at 31 March 2010

Buyouts	46
Growth Capital	38
Infrastructure	11
Non-core activites	5

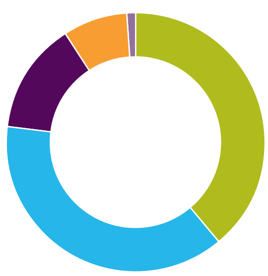


Portfolio by sector[1] (%)
as at 31 March 2010

Business Services	20
Consumer	9
Financial Services	10
General Industrial	29
Healthcare	12
Media	5
Oil, Gas and Power	2
Technology	2
Infrastructure	11

Portfolio by geography[1] (%)
as at 31 March 2010

Continental Europe	39
UK	38
Asia	14
North America	8
Rest of World	1



1 Balance sheet investment value.

Business model

3i is differentiated through:
- the combination of its business lines, sectors, geographical resources and network
- its active partnership style of investing
- its approach to corporate responsibility

Investment funding model
Investments made with 3i's own balance sheet capital and funds managed or advised by 3i.

Value creation
3i's objective is to generate returns through a combination of:
- realised and unrealised growth in the value of investments held by the Group
- portfolio income and fees from the funds that it manages or advises

Assets under management (£m)
as at 31 March

● 3i
● External funds

Financial performance (£m)
year to 31 March 2010

Investment	386
Realisation proceeds	1,385
Realised profits	218
Unrealised value movement	458
Portfolio income	167
Gross portfolio return ("GPR")	843
GPR (%)	21%
Fees receivable from external funds	59

More on Group P12

Buyouts

Business model

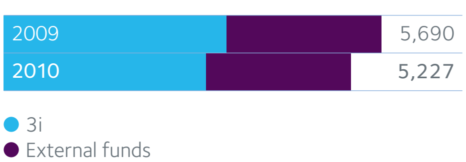
Market focus
Leading mid-market transactions, with an enterprise value of typically up to €1 billion.

Geographic focus
Europe and Asia.

Investment funding model
Investments made with a combination of funds managed by 3i and 3i's own balance sheet.

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

Assets under management (£m)
as at 31 March



Financial performance (£m)
year to 31 March 2010

Investment	243
Realisation proceeds	467
Realised profits	223
Unrealised value movement	249
Portfolio income	78
GPR	550
GPR (%)	38%
Fees receivable from external funds	39

More on Buyouts P31

Growth Capital

Business model

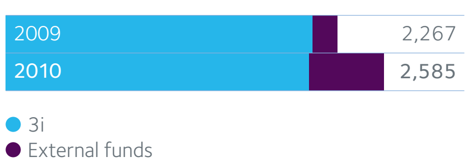
Market focus
Minority investments, typically between €25 million and €150 million in established, profitable and international businesses.

Geographic focus
Europe, Asia and North America.

Investment funding model
Investments to date made principally from 3i's own balance sheet. New investments to be made with funds managed by 3i and 3i's own balance sheet.

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

Assets under management (£m)
as at 31 March



Financial performance (£m)
year to 31 March 2010

Investment	121
Realisation proceeds	578
Realised profits	(14)
Unrealised value movement	145
Portfolio income	63
GPR	194
GPR (%)	11%
Fees receivable from external funds	–

More on Growth Capital P37

Infrastructure

Business model

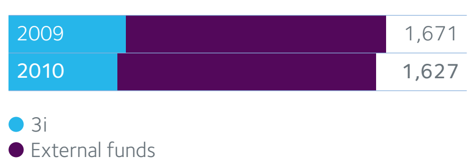
Market focus
Investing in infrastructure assets, principally in social infrastructure, transportation and utilities.

Geographic focus
Europe, India and North America.

Investment funding model
Investments made by funds managed and advised by 3i as well as from 3i's own balance sheet commitment to these funds.

Value creation
Actively working with our portfolio to enhance performance through increased efficiencies and business development.

Assets under management (£m)
as at 31 March



Financial performance (£m)
year to 31 March 2010

Investment	2
Realisation proceeds	46
Realised profits	–
Unrealised value movement	84
Portfolio income	16
GPR	100
GPR (%)	27%
Fees receivable from external funds	20

More on Infrastructure P43

Chief Executive's statement

"I am confident we will see some outstanding opportunities in the next three years and believe we are now well placed, with a focused business model, good liquidity and a strong balance sheet to invest in and build some great businesses".

Michael Queen Chief Executive

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

Last year I set out that our key priorities were to ensure that 3i was both financially robust and operationally agile. In the last 12 months we have made significant progress in both these objectives. A combination of strong shareholder support for the rights issue in June last year and decisive management action means that net debt is now well within the limits we have set, the business has been reshaped to focus on our competitive strengths and we now have choices about the future direction of 3i.

This could not have been achieved without the determination and commitment of everyone that works at 3i. I am grateful for their support and confident that we have a strong platform to take 3i forward in what remains a challenging environment, albeit one for which 3i's competitive advantages and business model are well suited.

Market environment

Stock markets rallied strongly through 2009, anticipating the end of the recession in developed countries. Private equity activity also recovered but at a much slower rate. Investment levels in 2009 were the lowest for a decade and, while 2010 looks to be stronger, total investment is likely to be well short of that in the period from 2005 to 2007.

Banks have regained some confidence and debt is increasingly available for transactions, although this is a mixed picture, with tough negotiations between portfolio companies and banks being a common occurrence. Pricing for those transactions completing has been high, with significant private equity competition for those deals that have been completed. This can be partly explained by the fact that the private equity industry is well funded and is largely incentivised to deploy capital rather than returning uninvested commitments to investors.

Our market positioning has ensured that we have had the option to consider many of the investment opportunities arising in our market, but we have adopted a cautious approach, judging that many of the deals being completed did not offer good value.

As the pace of recovery has been slow, corporations have continued to focus on de-gearing their balance sheets and we have not yet seen a strong demand for growth capital. However, there are some positive signs that this is now changing.

Performance

A total return of 16% (2009: (53)%) represents a significant recovery from last year. We benefited from stock market recovery as we use market multiples to value assets, but we also saw some strong realised profits on exit, as well as more positive earnings performance in many of our portfolio companies.

Our approach to valuation means much of the strong recoveries in earnings that are visible in forecasts and budgets of portfolio companies will not be reflected in our reported performance until those anticipated earnings improvements are actually achieved.

Manufacturing businesses saw the strongest recovery – particularly those based in continental Europe with export-led business models. European consumer-facing businesses found life harder and we would expect this to continue as European governments start to reduce fiscal deficits and personal disposable income comes under pressure as interest rates and taxation rise.

In the context of weak M&A markets, realisations held up well at £1.4 billion (2009: £1.3 billion), with the uplift on sales over the opening valuations being 19%.

There were two new investments in new portfolio companies in the year. This reflected our focus on the existing portfolio, as well as our perception that there were few investment opportunities offering good value, for reasons noted. We have, however, been keen to support our portfolio and helped them make 16 acquisitions in aggregate during the year, which we believe will be value accretive to the portfolio companies themselves and to 3i.

Last year I highlighted that we may have needed to invest heavily to protect our portfolio from the impact of covenant breaches on bank debt. The amount required of £52 million turned out to be much less than anticipated due to some outstanding work by our teams and the management in our portfolio companies. However, we have seen some losses. The failure of British Seafood in February 2010 was our largest single loss in the year. Two significant investments in the Buyouts portfolio effectively failed in the year, although the financial impact from these had been recognised in full in the previous financial year. Overall, our portfolio is performing well and showing both resilience and good upside potential as earnings recover.

As can be seen from the business line reviews, the Buyouts business has recovered strongly this year. Jonathan Russell and his team had moved early to ensure that costs were taken out in portfolio companies and that new market opportunities were explored. The case studies in this report and in our online reporting centre provide examples of this.

The sale of Ambea for £212 million in February was a notable achievement and was delivered through the combination of an active buy-and-build strategy and improvements in the margins and operating model of the business.

Growth Capital raised a dedicated fund for the first time, raising around €400 million of external capital which, together with €800 million of balance sheet capital, provides a good platform for investment in the next two years. Guy Zarzavatdjian and Paul Waller led this effort in what was a very tough fundraising environment. This now means all three of our core business lines invest a mixture of balance sheet capital and third-party funds.

Infrastructure delivered a good performance with a gross portfolio return of 27%. This largely reflected the increase in the 3i Infrastructure plc share price from its depressed level in March 2009. The underlying asset performance in Infrastructure was solid, further demonstrating the consistency and low volatility of returns that make infrastructure such an attractive asset class.

We sold the bulk of our Venture portfolio during the year at what we considered was an attractive price, recovering most of our last balance sheet value. The remaining non-core Venture portfolio and SMI assets now account for less than 5% of the total portfolio.

Balance sheet

Having restored the Group to financial health, we intend to maintain a conservative balance sheet. We do not intend to have significant leverage at the Group balance sheet level and so will no longer focus on gearing as a key financial target in its own right. Instead, we will continue to focus on limiting the absolute level of net debt, reducing gross debt and managing its maturity profile and maintaining liquidity, thereby ensuring we are well placed to take advantage of investment opportunities as they arise.

This year, the combination of strong realisations in the second half and low investment means that we finish the year with net debt of only £258 million. I expect this to increase next year as we increase our investment level, but we will stay below our £1 billion limit.

Operating costs

We have taken some difficult decisions during the year to ensure that we have the right cost base for the business. A further 148 employees left during the year, with headcount at the end of the year being 488. We also decided, after a comprehensive consultation process with affected employees, to close the UK defined benefit pension scheme to future accrual for current members with effect from 5 April 2011. Taking steps such as these creates the flexibility to increase resource in areas of strategic importance, such as Asia, without a corresponding increase in overall costs.

Vision, Business model and Strategy

Last year, on becoming Chief Executive, I set out a short-term strategy based on restoring the business to financial health. In this Annual Report we have articulated a longer term vision and strategy as well as setting out the key elements of our business model and the values that are fundamental to 3i.

3i's business is investment and our vision is to be recognised as a leading international investor. I believe we should be judged not only on the returns we deliver to our shareholders and third-party investors, which should reflect the value we add to companies in which we invest, but also on our responsible approach to investing.

Our purpose is to work with talented management teams and entrepreneurs to build great companies, thereby generating outstanding investment returns for our shareholders and third-party investors. The terms on which we invest are, of course, critical and we will at all times be highly disciplined in ensuring that we invest well.

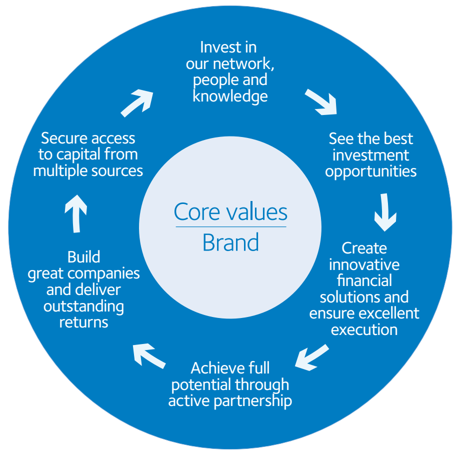
The diagram in the next column highlights the key elements of our business model, emphasising the way a self-reinforcing virtuous circle develops if we get the separate elements right. The different parts of the model are described in detail on pages 16 and 17, but a brief summary follows.

Everything 3i does is based on a set of core values that we believe are enduring, and our brand and the values others associate with it are intended to be the outward representation of this.

Our model is predicated on investment in our network of offices, our people and our relationships, as well as the maintenance and enhancement of our sector knowledge.

3i's Business model P16-17

These elements enable us to have access to the best investment opportunities in the markets we choose to focus on. The combination of excellent opportunities with innovative financial solutions creates the potential to build great companies delivering good investment returns. These returns are only achieved if we work closely with companies, ensuring they achieve their full potential. Delivering strong investment returns gives us access to multiple capital sources and provides shareholders with a combination of dividends and capital growth.



Looking forward

3i's strategy is focused on continuous improvement to each element of our business model. We intend to strengthen our network, particularly in Asia, and to deepen our sector focus and build our capabilities to support our portfolio companies through our "Active Partnership" programme. All of this will strengthen our market position and build sustainable competitive advantage.

We are already seeing significant opportunities to build on 3i's current business through growth into adjacent areas and extension of our geographical presence. While it is our intention to expand the business over the next few years, the absolute priority remains the delivery of attractive returns to shareholders through achieving the full potential of current activities.

I am confident we will see some outstanding opportunities in the next three years and believe we are now well placed, with a focused business model, good liquidity and a strong balance sheet to invest in and build some great businesses.

Finally, I would like to record my own thanks to Sarah Hogg. Sarah joined the Board in 1997 and has been Chairman for eight years. The test of any Board is how it deals with difficult times and tough decisions, and Sarah has shown remarkable resilience, good judgment and integrity throughout. She has provided wise counsel to the executive management team at 3i and has helped me considerably in moving into my current role as Chief Executive. Everyone connected with 3i is indebted to her and, on behalf of them, I would like to thank her and wish her well for the future.

Michael Queen Chief Executive
12 May 2010

Business review

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

Business review

Introduction to the Group

3i is an international investor focused on buyouts, growth capital and infrastructure, investing in Europe, Asia and North America. Our vision, values and strategy are set out on pages 8 to 10.

3i is a focused investment business with a portfolio of 198 investments, well diversified by geography, sector and business line. This diversity can be seen from the detailed information provided on pages 6 and 7 and the schedule of some of our largest investments on pages 132 and 134. A selection of case studies is available on pages 46 to 50, as well as in our online reporting centre.

Following the announcement of the launch of the €1.2 billion Growth Capital Fund on 25 March 2010, 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 2010, including 3i's commitments to funds, were £9.6 billion (2009: £10.8 billion), including £3.8 billion (2009: £3.9 billion) advised or managed on behalf of others.

Corporate responsibility and risk management are central to our strategy and there are reports on each of these important aspects of our business on pages 57 and 51.

The Group's total return is generated by the realised and unrealised returns we achieve from our portfolio, the fees we receive from advising or managing external funds, less the operating expenses and funding costs of the business.

The key financial performance measures on the page opposite relate to the year ending 31 March 2010. As our business develops, we have defined two additional measures that will be reported from 1 April 2010: net portfolio return; and operating costs as a percentage of assets under management. These are described in more detail in the relevant sections of this Business review.

Our key non-financial performance measures are employee engagement and environmental impact. Employee engagement is important to 3i as an international investor employing a relatively small number of people in total, in a highly competitive market. Although 3i's environmental footprint is relatively low, we aim to minimise our impact on the environment and this also supports employee engagement.

A detailed review of our performance at a Group and business line level for the year to 31 March 2010 is set out in this review. The key business line performance measures are set out on the opposite page.

/casestudies

/corporateresponsibility

Further information on

Assets under management	P19
Total return	P23
Business lines	P31–44
Case studies	P45
Risk	P51
Corporate responsibility	P57

Key Group performance measures

Financial

	2010	2009
Total return	16.2%	(53.0)%
Gross portfolio return	20.9%	(36.7)%
Cost efficiency	4.1%	3.0%
Gearing	8%	103%
Net asset value per share movement[1]	£0.43	£(5.64)

1 Growth in NAV is stated before dividends, other distributions to shareholders, the rights issue and the 3i QPEP transaction. The 2009 comparative has not been restated for the rights issue and the 3i QPEP transaction.

Non-financial

	2010	2009
Employee engagement	74%	83%
Environmental impact (CO_2)[1]	7,232	8,428

1 Tonnes per year equivalent emissions.

Key business line performance measures

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

Performance information for each business line is set out on pages 31 to 44.

Further information on

Total return P23
Gross portfolio return P24
Gearing P30
Portfolio value movement P29

Further information on

Cost efficiency P28
Business lines P31-44
Corporate responsibility P57-62

Our strategy

We know from being an investor that a clear strategy is fundamental to success but it is not enough. It is the delivery that makes a strategy real. So here are the key elements of our strategy and how we plan to deliver them.

The key elements of our strategy...

To invest	– in growing companies that fit with our values – with management teams and entrepreneurs, working with them to deliver their full potential – in our own people, knowledge and networks
To grow our business	– in areas consistent with our skills – by strengthening our international network and building our sector capabilities – with a conservative financial structure accessing multiple sources of capital
To grow our reputation	– as a respected and responsible investor – by continuing to improve and innovate
To maintain a “One 3i” culture	– with a shared set of values across the Group – with a consistent approach to the way we do business – with a commitment to excellence in all our activities

...and how we will deliver them

- Further strengthen the market access we gain through each and every aspect of our network
- Increase deal flow through our focused origination plans for business lines, sectors and countries
- Ensure that those companies we back have strong boards and management teams with aligned interests to 3i
- Develop further the range and delivery of our Active Partnership programmes

- Strengthen our presence in existing markets where there is opportunity to grow
- Investigate new markets and opportunities, including managing assets for others, where there is a natural fit with our strengths
- Use our financial strength to invest in our people, network and capabilities
- Deploy greater cross-business line resource to achieve full potential from our investments

- Continue to invest in our brand through the training and development of our people and the importance that we place on developing long-term relationships
- Build on our heritage, both as a company and as an investor, of pioneering on corporate responsibility issues and transparency
- Use our conservative financial structure and risk management processes to balance risk and returns

- Build on our culture of operating as one company across business lines, geographies and sectors
- Further increase our emphasis on good internal communications and knowledge management

3i's Business model

Our approach to investing has evolved over many years. It is based on the values set out on page 8 and a belief that 3i's reputation with those we work with at each stage of the investment life cycle is key to our future success.

A strong investment track record as a responsible investor is critical to gaining access to capital. Our record of delivering value to portfolio companies and being a good and active partner is vital in winning business. 3i's reputation as an employer is also crucial to attracting and retaining the talent required to deliver our strategy.

The diagram opposite shows, by investing in our network of relationships around the world, our people and our knowledge base, we aim to create access to the best investment opportunities. In a competitive market, converting these opportunities into high potential portfolio companies depends upon creating innovative financial solutions as well as excellent execution.

In order to help these portfolio companies deliver their full potential and become great companies which deliver outstanding investment returns, we actively engage with them to drive value creation through a range of specific programmes. It is this overall approach that delivers the investment track record which, when combined with the Group's focus on managing relationships, corporate responsibility and risk management, provides the platform to raise capital from multiple sources.

Further information on

Risk P51
Corporate responsibilty P57

Secure access to capital from multiple sources

As a FTSE 100 company with its own capital and a manager or adviser to external funds, 3i has access to multiple sources of capital. Such access provides a source of resilience and sustainability for 3i, as can be seen from the recent rights issue and Growth Capital Fund launch.

Gaining access to capital depends upon performance, transparency and a long-term approach to managing relationships.

Invest in our network, people and knowledge

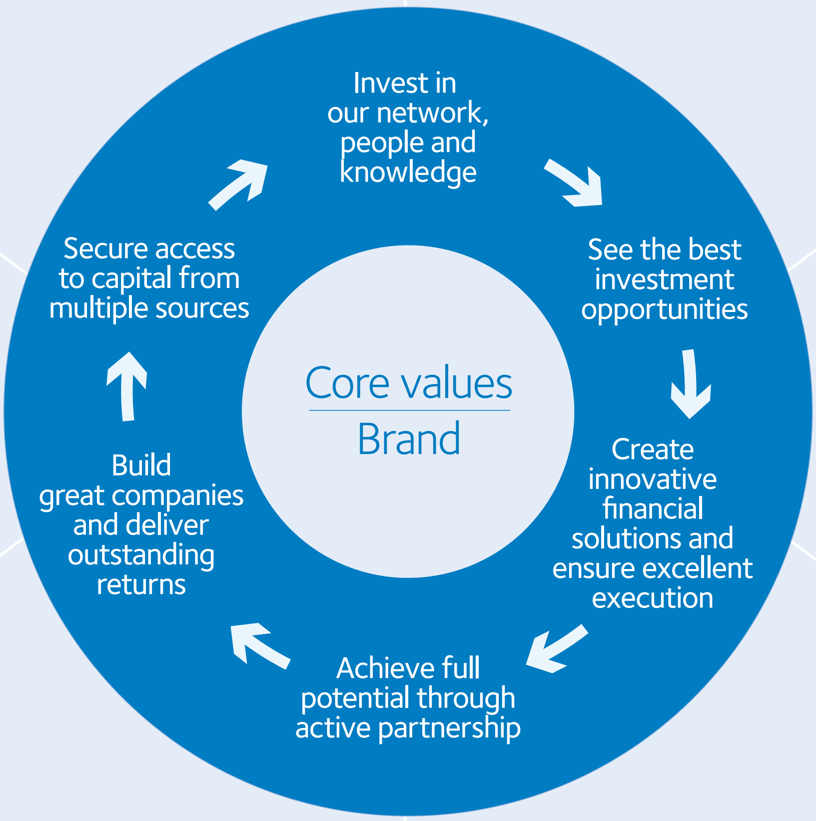
3i's international reach is central to providing market access and insight. We have a strong culture of working across borders and harnessing skills and knowledge from across the world. Operating with an international mindset requires constant investment in our people, systems and communications.

Combining this approach with the strength of our sector and business line teams creates the pool of talent necessary to assemble what we call the "best team for the job" for each phase of the investment life cycle.

See the best investment opportunities

Access to high quality investment opportunities is critical to future value growth. Investment over many decades in our network, people and knowledge provides 3i with the relationships and insights to deliver this.

Our marketing approach is tailored for each geography, business line and sector and relies upon our track record, as well as the direct experiences people have of working with 3i. Building relationships with businesses and business leaders, long before a specific opportunity emerges, is an approach which 3i has adopted for many years.



Build great companies and deliver outstanding returns

The three largest realisations in the year, Ambea, Telecity and Venture Production, which are profiled on pages 46 and 47 are good examples of portfolio companies delivering outstanding returns from fundamental business growth. Each of these businesses delivered strong and sustained growth in earnings in competitive markets.

Achieve full potential through active partnership

Creating value through effective portfolio management is at the heart of our performance and reputation. We have developed a rigorous methodology for effecting business change.

This active partnership approach is delivered by bringing together three complementary elements; operational and functional expertise, sector and strategic insight and market-leading governance standards.

The case studies on pages 46 to 50 are examples of this active partnership approach delivering value.

Create innovative financial solutions and ensure excellent execution

3i has a strong heritage of successfully aligning interests and delivering innovative financial solutions in each of the geographies, sectors and business lines in which we operate. Our scale, culture, experience, and training are central to sustaining this.

3i's debt advisory team, a centre of excellence within 3i for best practice and market knowledge on arranging and managing debt for 3i's portfolio companies is an example of this.

Investment funding model

Introduction

Access to multiple sources of capital to fund investment is a strength of 3i's business model. 3i invests from its own balance sheet and also with funds that it manages or advises for others. 3i is currently well funded for investment through the strength of its balance sheet, its liquidity and from the undrawn commitments made by the external investors in its funds.

The management of external funds enhances returns to the Group through fees and carried interest receivable. This section of the Annual Report provides a summary of the development of 3i's fund management and advisory business during the year both at a Group and business line level. Table 1 and Charts 1, 2 and 3, also provide details on each of the individual funds managed or advised as well as information about the composition of the investors in these funds. Further information is also provided at a business line level on pages 31 to 44.

Fund management fees and carried interest are earned on co-investment funds such as Eurofund V and the 3i India Infrastructure Fund. Advisory fees are earned through advising 3i Infrastructure plc. Fee levels vary by fund and also usually over the life of the fund. Fees are based on either committed capital for active investing funds such as Eurofund V, or invested capital, as in the case of 3i Infrastructure plc. When a fund passes the investing phase, fees are earned on the residual portfolio cost being managed.

Following the announcement of the launch of the €1.2 billion Growth Capital Fund on 25 March 2010, all three of 3i's business lines invest using a mix of external and the Group's capital. As can be seen from Table 1, at 31 March 2010 total assets owned, managed or advised by 3i were £9.6 billion (2009: £10.8 billion), with external funds accounting for 40% (2009: 36%) of this total.

3i seeks alignment of interest between shareholders and fund investors in a range of ways, including significant investment or commitment by the Group in each of the funds that it manages or advises.

Development of 3i's fund management and advisory business by business line

Buyouts

3i has used limited partnership funds for buyouts since 1994. 3i manages these funds and, as can be seen from Table 1, it has a significant co-investment commitment in each.

The latest Buyouts fund, the €5 billion Eurofund V, was raised in November 2006 and was 54% invested as at 31 March 2010 (2009: 53%). A slower rate of investment in the last two years has resulted in less funds being deployed than initially anticipated at this stage. The performance on Eurofund IV continues to remain strong.

Fee income from managed funds for Buyouts totalled £39 million in the year (2009: £45 million).

Growth Capital

The major development during the year to 31 March 2010 was the launch of a limited partnership Growth Capital Fund of €1.2 billion just before the year end. At 31 March 2010, investors from Asia, Europe, the Middle East and North America had committed circa €400 million to the Fund. As part of its €800 million commitment, 3i contributed a seed portfolio of Growth Capital investments valued at €339 million. Until this point, Growth Capital investment was funded principally from the 3i balance sheet.

The Growth Capital Fund will continue 3i's existing Growth Capital strategy to make minority investments in growing businesses across Europe, Asia and North America. It is intended that the Fund will be invested in around 20 mid-market companies and will invest between €25 million and €150 million of equity in each opportunity. The Fund's first new investment was announced on 25 March 2010.

Infrastructure

3i's own capital was originally used to launch the Infrastructure business line in Europe and in India. In 2007, a £703 million listed company, 3i Infrastructure plc ("3iN") was launched. The Group's initial investment in 3iN was £325 million and the Group subsequently invested a further £25 million in a £115 million placing and open offer. In September 2007, 3i launched the $1.2 billion 3i India Infrastructure Fund in which 3i and 3iN made individual commitments of $250 million.

At 31 March 2010 3iN had invested 86% of its raised capital and the 3i India Infrastructure Fund was 42% invested (2009: 77% and 41%).

Fee income from infrastructure funds managed or advised by 3i totalled £20 million in the year to 31 March 2010 (2009: £26 million).

Further information about the external funds deployed in our Buyouts, Growth Capital and Infrastructure business lines can be found on pages 31 to 44.

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 2010, the Group had total AUM of £9,633 million (2009: £10,780 million).

This definition has been updated from that used in previous years as each business line now invests alongside and has 3i commitments aligned to external funds. The new AUM measure therefore incorporates 3i's commitments in order to report a total AUM amount which is in line with industry practice.

An 11% reduction in assets under management during the year to £9,633 million at 31 March 2010 (2009: £10,780 million) was principally the result of a reduction in the underlying portfolio cost of non-fund investments following strong realisations in the year and the solvent liquidation of 3i QPEP. This was partially offset by the launch of the Growth Capital Fund.

Chart 1: Breakdown of AUM (%)
as at 31 March 2010

Commitments to active funds managed and advised	74
Residual cost of invested funds	10
Cost of 3i non-fund investments	16

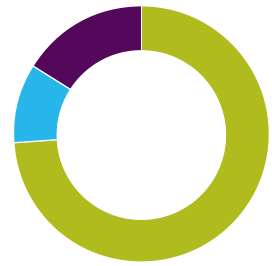


Chart 2: External investor base for non-listed funds managed and advised by geographic location (%)
as at 31 March 2010

Continental Europe	33
North America	27
UK	16
Asia	14
Middle East	10

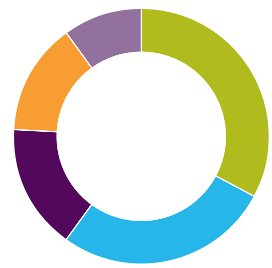


Chart 3: External investor base for non-listed funds managed and advised by type of investor (%)
as at 31 March 2010

Pension funds	30
Fund of funds	21
Government agencies	20
Insurance companies	16
Financial institutions	8
Endowments	3
Private individuals	1
Other	1

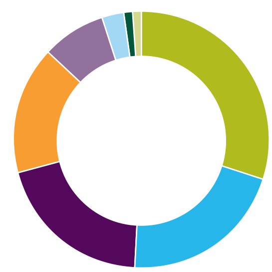


Table 1: Assets under management

	Business line	Close date	Original fund size	Original 3i commitment	% invested at March 2010	Residual cost	AUM
Active investing managed funds							
3i Eurofund V	Buyouts	November 2006	€5,000m	€2,780m	54%	n/a	€5,000m
3i India Infrastructure Fund	Infrastructure	March 2008	$1,195m	$250m	42%	n/a	$945m[1]
3i Growth Capital Fund	Growth Capital	March 2010	€1,192m	€800m	35%	n/a	€1,192m
Active investing advised funds							
3i Infrastructure plc	Infrastructure	March 2007	£928m[2]	£308m[3]	n/a	n/a	£928m[2]
Invested managed funds							
3i Eurofund III	Buyouts/ Growth Capital	July 1999	€1,990m	€995m	91%	€96m	€96m
3i Eurofund IV	Buyouts	June 2004	€3,067m	€1,941m	95%	€640m	€640m
Other invested funds	Various	Various	Various	Various	Various	£364m	£364m
Other assets							
3i owned (non-fund)	Buyouts					£93m	£93m
	Growth Capital					£1,269m	£1,269m
	Infrastructure					£1m	£1m
	Non-core					£168m	£168m
Total AUM (in sterling)							**£9,633m**

1 Adjusted to reflect 3i Infrastructure plc's $250 million commitment to the Fund.
2 Based on latest published NAV (ex-dividend).
3 3i Group's proportion of latest published NAV.

Market conditions

This section provides commentary on the broader environment in which 3i operated during the year.

After the near collapse in the market in late 2008 and early 2009, conditions for private equity fundraising, investment and realisations in 3i's key markets of Europe, Asia and North America were more encouraging in the second half of the financial year to 31 March 2010. An improved macroeconomic environment and increased confidence in equity markets were key reasons for this. However, both remain fragile and conditions are highly variable from country to country. It is also as yet unclear what the impact will be of the unwinding of measures taken by governments in many countries to alleviate the global financial crisis.

Mergers and acquisitions

Conditions in mergers and acquisitions ("M&A") markets influence the environment for both investment and realisations across the Group. Global M&A activity for 2009 was at its lowest level since 2004 (source: Dealogic) with European activity some 44% lower than in the previous year. However, data from the same source showed that deal volume for the six months to 31 March 2010 was starting to recover and was 15% higher than in the six months to 31 March 2009.

New listings (IPOs)

New listings, or IPO activity, started to pick up in the second half of 2009 but was still down 24% on the year (source: Ernst & Young Global IPO update). Asia and South America accounted for 72% of total IPO value in 2009. In North America and Europe activity was very subdued. Global IPO activity in the first quarter of 2010, with 267 deals globally worth $53.2 billion, showed substantial improvement over the first quarter of 2009, which has been the lowest quarter for a decade (52 deals $1.4 billion). Asia accounted for some 66% total global IPO fundraising in the first quarter of 2010.

Fundraising

Fundraising by private equity firms during 2009 was also the lowest since 2004 (source: Preqin). Aggregate capital raised by private equity funds worldwide was $246 billion, down 61% from 2008. However, buyout funds still raised $102 billion in 2009. Although 56% lower than the previous year, this fundraising added significantly to funds raised in earlier years, supporting an active market for secondary transactions and a competitive environment for new investments.

Global fundraising for infrastructure slowed during 2009 to $6.3 billion, with fundraising in North America and Europe aggregating to $2.9 billion. The infrastructure market continued to be affected by tight credit markets.

Investment

European private equity investment at €29 billion was 66% lower in 2009 than in 2008 (source: unquote"). However, investment of approximately €10 billion in the final quarter of 2009, and a similar level in the first quarter of 2010, evidenced signs of a recovery. Mid-market buyout investment (deals between €100 million to €1 billion) accounted for two thirds of first quarter 2010 investment (source: unquote").

New private equity investment in "Asia Pacific", which includes the three main areas in which 3i is active (India, China and South East Asia), was 37% lower in 2009 (source: Asia Venture Capital Journal "AVCJ"). The latest AVCJ data shows that a recovery in the final quarter of 2009 was sustained into the first quarter of 2010.

Detailed descriptions of the market conditions for each of our Buyouts, Growth Capital and Infrastructure business lines are contained within the business line reviews on pages 31 to 44.

Investment and realisations

Table 2: Investment activity – own balance sheet and external funds

	3i's own balance sheet		External funds	
year to 31 March	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Realisations	**1,385**	1,308	**157**	360
Investment	**386**	968	**325**	678
Net divestment/ (investment)	**999**	340	**(168)**	(318)

As Table 2 shows, 3i's realisation proceeds were strong in the year to 31 March 2010. This, combined with a highly selective approach to new investment throughout the year, enabled the Group to deliver net divestment of £1.0 billion.

Investment

Total investment for the year to 31 March 2010 was £386 million (2009: £968 million). This low level of investment included £21 million of new investment and reflected a significantly reduced level of market activity, as well as our focus on supporting the development and growth of portfolio companies.

Chart 4 illustrates the split of total investment in the year by nature of investment. Given the economic conditions experienced during the year, our portfolio required a range of financial support. Several portfolio companies were able to capitalise on growth opportunities and we invested £18 million in these businesses to support them in financing acquisitions. Others needed funding to support restructurings. We invested a total of £83 million in restructurings, which was lower than anticipated at the start of the year. In addition, £64 million was drawn down from existing commitments. The majority of this, £42 million, was for new investments made within the Debt Warehouse. As in previous years, an element of gross investment was non-cash through capitalised interest. This amounted to £183 million in the year to March 2010 (2009: £127 million).

Chart 5 shows investment by business line. At £243 million (2009: £519 million), Buyouts accounted for 63% of total investment, including £137 million of capitalised interest through the PIK note loan instrument commonly used in Buyout transactions. Investment in Buyout restructurings at £44 million was at a low level, given the size of the portfolio. Investment in Growth Capital totalled £121 million (2009: £343 million), which included £21 million in the first new investment of the Growth Capital Fund.

Non-core investment in the year of £20 million (2009: £56 million) was minimal and was focused on meeting existing commitments, or investing to strengthen positions ahead of sale.

As shown by Chart 6, continental Europe and the UK accounted for 88% of gross investment in the year.

In addition to 3i's own balance sheet investment, a further £325 million was invested on behalf of our managed and advised funds, which included new investment made by 3i Infrastructure plc.

Further detail on investment activity within each of our business lines can be found on pages 31, 37 and 43.

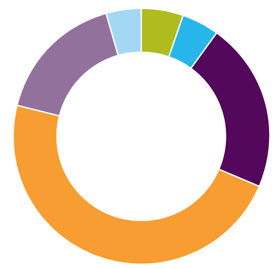
Chart 4: Total investment (£m)

for the year to 31 March 2010

Total investment: £386 million

New/first investment	21
Acquisition finance	18
Restructurings	83
Capitalised interest[1]	183
Drawdown on existing commitments	64
Other	17

1 Includes PIK notes.



A Payment in Kind ("PIK") note is a loan instrument whereby, at pre-agreed dates, interest accrued is capitalised and rolled into the value of the principal of the loan and is payable at the loan repayment date. This capitalised interest is included within the definition of gross investment.

Chart 5: Investment by business line (£m)

for the year to 31 March 2010

Total investment: £386 million

Buyouts	243
Growth Capital	121
Infrastructure	2
Non-core activites	20

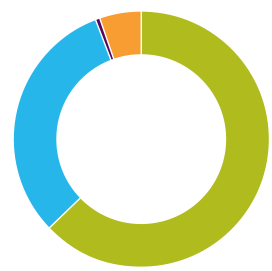
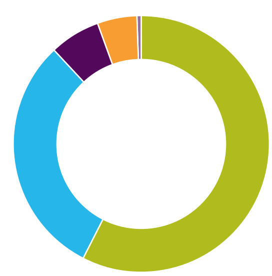


Chart 6: Investment by geography (£m)

for the year to 31 March 2010

Total investment: £386 million

UK	222
Continental Europe	118
Asia	25
North America	19
Rest of World	2



Realisations

Proceeds from realisations of balance sheet investments in the year to 31 March 2010 of £1,385 million (2009: £1,308 million) were marginally ahead of last year but at a substantially higher average uplift to opening value of 19% (2009: 5%). This was driven by a strong level of realisations in the second half of the year, during which we realised a number of investments at good uplifts to their opening values. Realisations generated realised profits of £205 million in the second half at a 30% uplift on 31 March 2009 valuations (previous six months to 30 September 2009: £13 million, 3%).

The proportion of these realisations by business line, geography and type of realisation is shown in Charts 7, 8 and 9.

Buyouts and Growth Capital accounted for 34% and 42% of realisation proceeds respectively. Growth Capital realisations of £578 million include £96 million of proceeds received on the partial sale of the seed portfolio to external investors in the Growth Capital Fund, as well as the sell down of non-core assets transferred from 3i Quoted Private Equity plc ("3i QPEP") (£56 million).

The nature and age profile of infrastructure investments and the structure of 3i's investment in 3i Infrastructure plc mean that realisations during the year were minimal and were comprised almost entirely of the sale of the majority of the Group's remaining own balance sheet holding in Anglian Water Group ("AWG") (£45 million).

Non-core portfolio realisations of £294 million (2009: £236 million), marginally ahead of their carrying value, reduced the non-core portfolio to less than 5% of the Group's total portfolio. These non-core realisations do not include £110 million of cash received by the Group in respect of the 3i QPEP transaction, completed in April 2009.

Continental Europe and the UK accounted for 84% of total realisations (2009: 82%), including the largest three realisations in the year, Ambea (Buyouts: £212 million), Venture Production (Growth Capital: £145 million) and Telecity (Buyouts: £142 million). These realisations are profiled on pages 46 and 47.

As Chart 9 shows, 3i has a range of realisation routes and there was a good spread by type of divestment during the year.

Chart 7: Realisations by business line (£m)
for the year to 31 March 2010

Total realisations: £1,385 million

Buyouts	467
Growth Capital	578
Infrastructure	46
Non-core activities	294

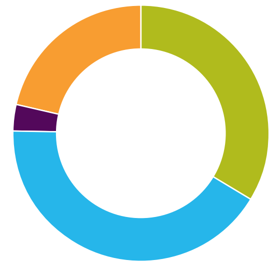


Chart 8: Realisations by geography (£m)
for the year to 31 March 2010

Total realisations: £1,385 million

UK	621
Continental Europe	542
Asia	134
North America	84
Rest of World	4

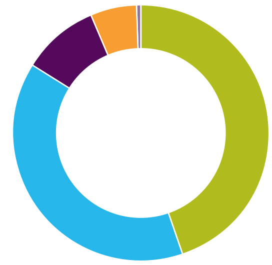
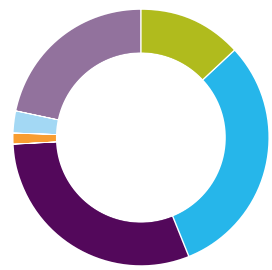


Chart 9: Realisations by type (£m)
for the year to 31 March 2010

Total realisations: £1,385 million

Trade	184
Secondaries	425
Quoted[1]	422
Loan	19
IPO	35
Other	300

1 Realisations of Quoted investments include trade sales of £145 million.



Returns

year to 31 March 2010

Gross portfolio return		Net portfolio return		Total return	
		Gross portfolio return	£843m	Net portfolio return	£623m
Realised profits	£218m	Fees receivable	£59m	Net interest payable	£(112)m
Unrealised value movement	£458m	Net carried interest	£(58)m	Exchange movements	£(35)m
Portfolio income	£167m	Operating expenses	£(221)m	Other	£(69)m
Gross portfolio return	£843m	Net portfolio return	£623m	Total return	£407m

Gross portfolio return	£843m	Net portfolio return	£623m	Total return	£407m
Return on opening portfolio	20.9%	Return on opening portfolio	15.5%	Return on opening equity	16.2%

The diagram above illustrates how the Group presents its financial returns. 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 our operating expenses 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. An explanation of our valuation methodology is contained on pages 130 and 131.

Table 3: Total return

year to 31 March	2010 £m	2009 £m
Realised profits over value on disposal of investments	218	63
Unrealised profits/(losses) on revaluation of investments	458	(2,440)
Portfolio income		
Dividends	59	65
Income from loans and receivables	110	108
Net fees payable	(2)	(2)
Gross portfolio return	843	(2,206)
Fees receivable from external funds	59	75
Carried interest receivable from external funds	30	(3)
Carried interest and performance fees payable	(88)	56
Operating expenses	(221)	(250)
Net portfolio return	623	(2,328)
Net interest payable	(112)	(86)
Movement in the fair value of derivatives	9	(38)
Net foreign exchange movements	(35)	315
Pension actuarial loss	(71)	(8)
Other (including taxes)	(7)	(5)
Total comprehensive income ("Total return")	407	(2,150)

Portfolio valuation – an explanation P130 to P131

Table 4 : Total return by year

year to 31 March	%
2010	16.2
2009	(53.0)
2008	18.6
2007	26.8
2006	22.5

Total return (%) comprises the total comprehensive income stated as a percentage of opening shareholders' funds where opening shareholders' funds is the weighted average of opening shareholders' funds and the equity value following the liquidation of 3i QPEP and the rights issue.

The Group generated a total return of £407 million for the year (2009: £(2,150) million), which represents a 16% return over opening shareholders' funds. Stronger realised profits of £218 million (2009: £63 million) and good growth in the value of the portfolio of £458 million (2009: £(2,440) million) were the main drivers of these returns.

The total return achieved during the year is a significant turnaround from last year and begins to bring the Group back into line with historic return levels as shown in Table 4.

Gross portfolio return

Table 5: Gross portfolio return by year

year to 31 March	%
2010	20.9
2009	(36.7)
2008	23.9
2007	34.0
2006	24.4

Gross portfolio return (%) comprises the income and capital return (both realised and unrealised value movement) generated from the portfolio and is stated as a percentage of opening portfolio value.

Gross portfolio return for the year to 31 March 2010 totalled £843 million (2009: £(2,206) million), a 21% return over opening portfolio value (2009: (37)%). Buyouts, Growth Capital and Infrastructure, our core business lines, generated a combined gross portfolio return of £844 million (2009: £(1,763) million), which represented a 24% return on opening portfolio value.

Table 6: Gross portfolio return by business line

	Gross portfolio return		Return as a % of opening portfolio	
year to 31 March	2010 £m	2009 £m	2010 %	2009 %
Buyouts	550	(678)	38	(34)
Growth Capital	194	(1,035)	11	(44)
Infrastructure	100	(50)	27	(10)
Non-core activities	(1)	(443)	–	(39)
Gross portfolio return	843	(2,206)	21	(37)

The Buyouts business performed very well, generating a gross portfolio return of £550 million (2009: £(678) million). This represented a 38% return (2009: (34)%), driven by both strong realised profits and a recovery in the underlying valuations of the portfolio. This included a return of £110 million from the Debt Warehouse, which is accounted for within the Buyouts business line.

Growth Capital also returned to profit, with the majority of portfolio companies performing well. However, the overall return was impacted by significant losses on a small number of investments.

Infrastructure delivered a high return, at 27% (2009: (10)%), driven by the increase in 3i Infrastructure plc's share price and the growth of the value of the Group's investment in the 3i India Infrastructure Fund.

Non-core activities generated a return of £(1) million (2009: £(443) million) reflecting the continued disposal of the portfolio at close to its book value.

Realised profits

Overall, the Group achieved realised profits in the year of £218 million (2009: £63 million) at an average uplift to opening book value of 19% (2009: 5%).

Buyouts generated good realised profits of £223 million (2009: £255 million), driven by a strong second half of the year. The sales of Ambea and Telecity generated realised profits over their opening values of £102 million and £47 million respectively.

The Growth Capital business generated realised losses of £(14) million (2009: £(66) million). This included a realised loss on British Seafood of £72 million. The seed portfolio of Growth Capital investments transferred to the new Growth Capital Fund generated realised profits of £5 million.

Realisations from our non-core portfolio were made at a modest uplift to opening carrying value generating a realised profit of £9 million, a good result given prevailing pricing for sales of private equity portfolios.

Unrealised value movements

The unrealised value movement of £458 million (2009: £(2,440) million) reflects the recovery in asset values during the 12 months to 31 March 2010. The recovery in global equity markets led to an increase in earnings multiples used to value the portfolio. Tough economic conditions throughout the year continued to put pressure on earnings. However, there was some improvement in the underlying earnings of the portfolio in the second half of the year. The methodology applied in valuing the portfolio incorporates the new International Private Equity and Venture Capital ("IPEV") Valuation Guidelines issued in 2009.

Table 7 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 71% of the portfolio by value at 31 March 2010 (2009: 48%).

Table 7: Unrealised profits/(losses) on revaluation of investments

year to 31 March	2010 £m	2009 £m
Earnings and multiples based valuations		
Equity – Earnings multiples	536	(412)
– Earnings	(171)	14
Loans – Impairments (earnings basis)	76	(620)
First-time movements from cost	–	(584)
Market adjustment to earnings basis	(8)	–
Other bases		
Provisions	(24)	(156)
Uplift to imminent sale	(28)	(140)
Loans – Impairments (other basis)	16	(228)
Other movements on unquoted investments	(16)	(188)
Quoted portfolio	77	(126)
Total	458	(2,440)

Impact of earnings multiple movements

The strong recovery in equity markets during the year increased the earnings multiples applied in valuing the portfolio. This contributed £536 million (2009: £(412) million) in unrealised value growth in the equity of those investments that were valued on an earnings basis at both 31 March 2009 and 31 March 2010.

EBITDA* multiples were used to value 90% (2009: 79%) of the portfolio valued on an earnings basis as at 31 March 2010. This equates to almost two-thirds of the total portfolio value. The weighted average EBITDA multiple before discount used to value the portfolio was 9.5x at 31 March 2010 (2009: 7.1x).

The 34% increase in multiples used in valuations was lower than the overall equity market increases during the year. This was largely due to the specific company quoted comparables used to determine the appropriate multiple for valuation. Total European mid-cap market weighted average EBITDA multiples increased by 41% to 8.6x at 31 March 2010 from 6.1x at 31 March 2009.

Consistent with IPEV guidelines, we apply a marketability and liquidity discount to each asset in determining the valuation. The weighted average discount applied at 31 March 2010 was 7.4%, resulting in a weighted average EBITDA multiple post discount used to value the portfolio at 31 March 2010 of 8.8x.

Earnings movements

When valuing a portfolio investment on an earnings basis, the earnings used are the most recent management accounts for the last 12 months, unless the portfolio company's forecast is lower or we believe that a lower figure from the latest audited accounts would provide a more reliable picture of maintainable earnings performance.

Maintainable earnings, derived using this methodology, were 8% lower than last year. However, this comprised a 13% decrease in the first half of the year to 30 September 2009 and a 5% increase since September, as many of our companies began to show earnings recovery in the second half of the year. Overall earnings, without the adjustments made to determine maintainable earnings, were down only 5% for the year (based on historical data of all 2009 company year ends) across the core portfolio.

The proportion of accounts used to value the portfolio as at 31 March 2010 was: management accounts 79% (2009: 42%), forecast 14% (2009: 21%) and audited 7% (2009: 37%). The significant reduction in the use of forecast earnings at March 2010, compared to the position at September 2009 (39%), also supports the improved outlook for earnings.

The equity value movement in relation to earnings was a reduction of £(171) million (2009: £14 million). The majority of value reductions continue to be attributable to a small number of companies in sectors and geographies particularly impacted by the economic downturn.

*Earnings before interest, tax, depreciation and amortisation.

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.

Impairments for the year to 31 March 2010 were a net positive £92 million. This contrasts with an £(848) million unrealised value loss in the year to 31 March 2009. Of the £92 million movement, £76 million is attributed to investments valued on an earnings basis, with £16 million being for investments valued on other valuation bases.

The Debt Warehouse, which is described in detail on page 36 and which includes several impaired loans, generated an improvement in the aggregate value of these impaired loans of £45 million during the year.

At the beginning of the year, there were 31 core portfolio investments that were valued at nil following the full impairment of their loan value. Since March 2009, seven investments, with a total cost of £191 million, returned to a combined positive value of £89 million. Several of these benefited from debt restructuring and a total of £38 million of further investment by 3i. Fourteen investments were either written off or sold. The remaining 10 investments still held at nil value have a residual cost of £122 million.

First time movements from cost and market adjustment

As reported at the time of our results to 31 March 2009, the Group's valuation policy had historically been to value investments that were less than 12 months old at cost. However, given the unprecedented level of volatility at that time, no assets were held at cost at 31 March 2009 and a market adjustment category was introduced. Consequently, this year, there have been no "First time movements from cost". A small unrealised loss of £(8) million is recorded for assets moving from a market adjustment basis to an earnings basis for the first time.

Other bases of valuation

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. Total provisions for the year are below last year at £24 million (2009: £156 million). Provisions do not include assets written off in the year, which are recorded as realised losses. Write-offs for the year totalled £78 million (2009: £18 million).

Uplift to imminent sale

Imminent sale includes all investments currently in a negotiated sales process or for which the proceeds have been received since the year end. Investments valued on an imminent sale basis resulted in an unrealised value movement of £(28) million (2009: £(140) million), largely attributable to the value reduction of a single investment.

Other

The other category, which largely represents investments valued on different valuation bases such as discounted cash flow or an industry specific measure, had an overall value movement of £(16) million (2009: £(188) million).

Impact of adopting new IPEV Guidelines

The updated IPEV Valuation Guidelines, issued in 2009, were incorporated in our valuation methodology for the first time at 31 March 2010. The main change is the assessment and application of the marketability and liquidity discount. The average discount applied in generating our valuations is 11% (Buyouts 5%, Growth Capital 15%). This change in methodology has resulted in a £37 million value increase in the year, 1% of the total portfolio value at 31 March 2010.

Quoted portfolio

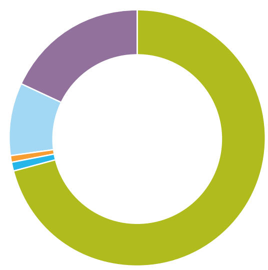
The total quoted equity movement for the 12 months to 31 March 2010 was £77 million, which compares to an unrealised value loss of £(126) million for the 12 months to 31 March 2009. At 31 March 2010, the total quoted portfolio was valued at £312 million (2009: £611 million). The significant reduction in the size of the quoted portfolio is largely attributable to the solvent liquidation of 3i Quoted Private Equity plc and the sales of Telecity and Venture Production.

3i's 33% holding in 3i Infrastructure plc was valued at £300 million at 31 March 2010 (2009: £228 million) and accounted for 96% of the total quoted portfolio value. The increase of £72 million in value during the year was as a result of its share price rising from 84p at the start of the year to 110p at 31 March 2010.

Chart 10: Proportion of portfolio value by valuation basis (%)
as at 31 March 2010

Earnings	71
Imminent sale	1
Market adjustment	–
Net assets	1
Quoted	9
Other[1]	18

1 Other includes industry measures and DCF.



Portfolio income

Table 8: Portfolio income

year to 31 March	2010 £m	2009 £m
Dividends	59	65
Income from loans and receivables	110	108
Net fees payable	(2)	(2)
Portfolio income	167	171
Portfolio income/opening portfolio ("income yield")	4.1%	2.8%

As can be seen from Table 8, portfolio income for the year to 31 March 2010 was broadly in line with that of the previous year. The yield, at 4.1% (2009: 2.8%), was higher due to a lower opening portfolio value. Due to the high proportion of capitalised interest, total portfolio income received as cash was £73 million (2009: £88 million).

Although lower than the previous year, dividend income of £59 million for the year has benefited from good levels of dividend receipts in the Growth Capital business, and dividends received from 3i's investment in 3i Infrastructure plc.

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 2010.

For the year to 31 March 2010, net portfolio return was £623 million (2009: £(2,328) million), or 15% (2009: (39)%) of opening portfolio value.

Net operating expenses (operating expenses less fees receivable from external funds) reduced to £162 million from £175 million in 2009, or 4.0% of opening portfolio value (2009: 2.9%). Dilution from net carried interest was £58 million, or 1.4% of opening portfolio value.

Fees receivable from external funds

Fees receivable from external funds in the year to 31 March 2010 were £59 million (2009: £75 million). The Group received total management and advisory fees from its Buyouts and Infrastructure funds of £56 million (2009: £61 million) and performance fees of £2 million (2009: £8 million).

Fund management fees were lower at £47 million (2009: £53 million) as older funds generated lower fees or reached the end of their fee generating life. Advisory fee income of £9 million is marginally lower than the previous year (2009: £11 million), following the closure of 3i QPEP in 2009. A performance fee is also received from 3i Infrastructure plc, which is based on the net asset value growth per share of the company in excess of an 8% hurdle. During the year, £2 million was recognised (2009: £8 million).

Net carried interest and performance fees payable

By focusing on cash-to-cash returns, carried interest seeks to align the incentives of 3i's investment staff and the management teams in 3i's portfolio with the interests of 3i's shareholders and fund investors. 3i receives carried interest from the external funds it manages, whereas it pays carried interest to investment executives who manage investments from both balance sheet and external funds.

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

Net carried interest and performance fees payable in the 12 months to 31 March 2010 were a cost of £(58) million (2009: £53 million credit). The charge reflects both the uplift over value on realisations, as well as the unrealised value growth in the portfolio in general. In particular, a number of investments made between 2004 and 2006, with strong value increases, are in carried interest schemes which are through the performance hurdle. In addition, the performance of the underlying investments in the 3i India Infrastructure Fund has also been good. The performance fee and a share of the advisory fees generated from 3i Infrastructure plc are payable to 3i investment staff.

The carried interest expense compares with a £53 million credit in the year to 31 March 2009, a consequence of the unrealised losses generated during that period.

Operating expenses

Table 9: Cost efficiency

year to 31 March	2010 £m	2009 £m
Operating expenses	221	250
Fees receivable from external funds*	(57)	(67)
Net operating expenses	164	183
Net operating expenses/opening portfolio ("cost efficiency")	4.1%	3.0%

*Net of £2 million performance fee from 3i Infrastructure plc in 2010 (2009: £8 million).

Cost reduction continued to be a priority and the Group achieved a further 12% reduction in total operating expenses to £221 million during the year to 31 March 2010 (2009: £250 million). A key driver of this improvement in operating expenses was a 20% reduction in staff numbers from 607 at the beginning of the year to 488 at 31 March 2010, including the significant reduction in non-core activities. The year on year reduction in underlying costs was 16%.

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. Despite the reduction in operating costs, the lower opening portfolio value from the prior year led to an increase in the measure from 3.0% at 31 March 2009 to 4.1% at 31 March 2010.

During the year the Group reviewed its cost efficiency measures and, as a result we will, in future, also measure and report 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. This new measure was 2.3% for the year to 31 March 2010.

Total return

Net interest payable

Net interest payable increased during the year from £86 million to £112 million. Despite a significant increase in cash balances and deposits during the year, interest receivable of £12 million (2009: £34 million) reduced, given the prevailing low interest rates. Interest payable has increased marginally to £124 million (2009: £120 million) during the year as the Group re-negotiated its facilities and extended maturities.

Exchange movements

The Group continues to use core currency borrowings to hedge the portfolio but has not implemented any additional hedging through derivatives during the year. As a consequence, 76% of European and Nordic euro and krona denominated portfolios and 32% of the North American and Asian US dollar portfolios are now hedged through borrowings. The foreign exchange movement of £(35) million in the year was largely driven by the weakening of the euro and US dollar against sterling in the year.

Pensions

A loss of £71 million in the year to 31 March 2010 (2009: £8 million) relates to the Group's UK defined benefit pension scheme. Rising equity markets in the period resulted in an increase in the value of the plan's assets. However, a fall in corporate bond yields, reducing the discount factor used to determine the present value of the scheme's obligations, and an increase in inflation, has led to an actuarial loss of £49 million. Additionally, the planned closure of the defined benefit pension scheme to future accrual resulted in the recognition of a potential future liability of £22 million.

Portfolio value

Portfolio assets directly owned by the Group

As a result of the good level of realisations in the year, the value of the Group's directly owned investments was lower at £3,517 million (2009: £4,050 million), despite unrealised value growth of £458 million (2009: £(2,440) million). The opening value of investments realised was £1,167 million.

The Buyout portfolio grew in value during the year through unrealised value growth of £249 million as the levels of investment matched the carrying value of assets disposed. The Growth Capital portfolio reduced in size as, despite the transfer of assets from 3i QPEP at the start of the year, the significant levels of asset disposals outweighed the combined increases from investment and value growth. Non-core portfolios reduced to £165 million as these portfolios were sold down in the year.

Table 10: 3i direct portfolio value by geography

as at 31 March	2010 £m	2009 £m
Continental Europe	1,381	1,618
UK	1,327	1,719
Asia	509	491
North America	294	209
Rest of World	6	13
Total	3,517	4,050

The proportion of the portfolio value in the UK and continental Europe was lower following strong realisations in these geographies. The portfolio in North America grew as a percentage of the total portfolio due to the increase in the underlying value of investments in this region. A broadly stable portfolio value in Asia over the period led to a slight increase in its proportion of total portfolio value.

Table 11: 3i direct portfolio value by sector

as at 31 March	2010 £m	2009 £m
Business Services	694	749
Consumer	303	327
Financial Services	335	265
General Industrial	1,020	764
Healthcare	427	545
Media	177	214
Oil, Gas and Power	71	253
Technology	83	391
Infrastructure	407	371
QPE	–	171
Total	3,517	4,050

The most significant movements in the value of the portfolio by sector were in General Industrials, Healthcare, Oil, Gas and Power and Technology. General Industrial increased as a percentage of the total portfolio, from 19% to 29% during the year, driven in part by a recovery in performance and resulting increased valuations of a number of investments in this sector.

The largest three realisations in the year, Ambea (Healthcare), Venture Production (Oil, Gas and Power) and Telecity (Technology) resulted in reductions in value in these sectors.

Table 12: Portfolio value movement by business line and vintage year

	Opening Portfolio value 1 April 2009 £m	Impact of 3i QPEP liquidation £m	New investment £m	Value disposed £m	Unrealised value movement £m	Other movement £m	Closing Portfolio value 31 March 2010 £m
Core business lines							
Buyouts	1,467	–	243	(244)	249	(101)	1,614
Growth Capital	1,574	151	121	(592)	145	(68)	1,331
Infrastructure	371	–	2	(46)	84	(4)	407
	3,412	151	366	(882)	478	(173)	3,352
Non-core activities	638	(171)	20	(285)	(20)	(17)	165
Total	4,050	(20)	386	(1,167)	458	(190)	3,517

Balance sheet

Table 13: Balance sheet

as at 31 March	2010	2009
Shareholders' funds	£3,068m	£1,862m
Net debt	£258m	£1,912m
Gearing	8%	103%
Diluted net asset value per share	£3.21	£2.79[1]

1 Adjusted to reflect the impact of the rights issue and shares issued as part of the acquisition of the assets of 3i QPEP.

Gearing and borrowings

The Group made significant progress in strengthening its balance sheet by reducing net debt from £1.9 billion at 31 March 2009 to £258 million at 31 March 2010. Several factors, including the £732 million rights issue in June 2009, strong realisations from the core portfolio, as well as the continued sale of quoted and non-core investments, contributed to the reduction in net debt. The reduction in net debt, combined with an increase in shareholders' funds to £3,068 million, reduced gearing to 8% at 31 March 2010 from 103% at the start of the year.

The Group's focus on the management of the overall gross debt position, and the extension of its maturity profile, has also resulted in changes to the overall composition of the Group's borrowings during the year. In some cases this has meant issuing new debt ahead of a maturity.

The Group refinanced its revolving credit facilities during the year and replaced its £150 million multicurrency bilateral facility with a new £100 million facility, extending its maturity to autumn 2012. A £300 million forward start facility was agreed during the year. This extends the maturity of the existing £486 million facility to October 2012. In addition, the Group has agreed a further multicurrency revolving credit facility (a five year £200 million bilateral facility) which commenced in November 2009 and matures in November 2014.

As a result, facilities previously due within the year from 31 March 2010 have been extended and will mature within the next three years, and long-term debt repayments due within one year are reduced to £33 million.

In March 2010, the Group issued a €350 million bond at 5.625% with a seven year maturity, which enabled the Group to further extend the maturity profile of its debt at attractive terms, ahead of the £430 million convertible bond coming due in May 2011. After the year end, the Group announced that it has made market purchases of the convertible bond. At the end of April, purchases of a total of £145 million had been made. The purchased bonds will be cancelled and, following cancellation, there will remain £285 million in convertible bonds outstanding.

Liquidity

Liquidity at 31 March 2010 increased significantly to £2,731 million from £1,020 million at 31 March 2009, and comprises £2,252 million of cash and deposits and undrawn facilities of £479 million. This increase resulted from cash generated from realisations, the rights issue and new debt issuance.

Diluted NAV

The diluted NAV of £3.21 at March 2010 (2009: £4.96, restated: £2.79) includes the impact of the rights issue and 3i Quoted Private Equity plc transactions. The rights issue diluted net asset value per share by 194p. The liquidation of 3i Quoted Private Equity plc had a further 23p reduction in net asset value per share as new shares were issued to partially fund the transaction. The total return of £407 million added 43p per share to net asset value.

Buyouts

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.

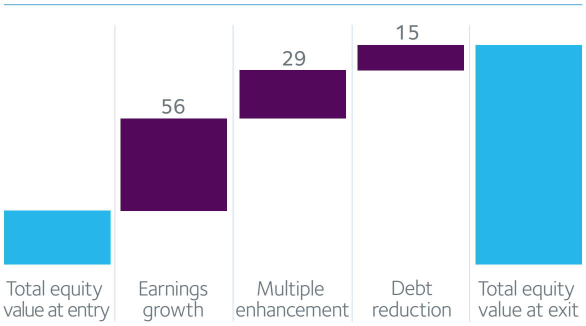
Returns from individual investments are achieved through a mix of capital realisations upon exit, returns of capital and portfolio income. Returns to 3i Group are enhanced through management fees and carried interest from external funds which we manage alongside 3i's own balance sheet commitments.

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

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

Chart 11 shows our success in delivering earnings growth. As at 31 March 2010, for the 66 investments made since 1 January 2001 that have been exited, 56% of the growth in the value of the companies' equity was driven by earnings growth. Enhanced multiples on exit also contributed to this growth in equity value, the majority of which is due to the strategic repositioning of these companies, with the balance due to market movements.

Chart 11: Buyouts sources of value creation from realised investments (%)



The above shows the change in total equity value of the 66 exited investments made through our Eurofunds since 1 January 2001.

The market

The 2009 calendar year saw a low level of new deal activity as the buyout market struggled to recover from the debt crisis and from the ongoing effects of a recessionary environment. In Western Europe there were 54 reported new buyout transactions of a deal size between €100 million and €1 billion (source: unquote/3i). This was significantly down on the market peak in the 2007 calendar year of 233 transactions.

Activity levels did start to pick up in the second half of 2009 and this trend has continued into 2010, with 18 transactions announced in the quarter to 31 March 2010 (source: unquote/3i; preliminary data). There remains significant amounts of undrawn private equity capital in funds raised since 2006. This has kept competition and pricing levels high for the lower levels of new deals coming to the market. The first quarter of 2010 has also seen some signs of improved exit activity returning to the market.

The leverage market has significantly improved over the last 12 months, but the availability of credit remains some way short of its pre-debt crisis peak. Some underwriting capacity has returned, and deals over €1 billion can now be financed, provided they meet a more disciplined approach to credit assessment and pricing. The number of active providers of leverage for buyout transactions remains relatively low, although some new entrants have come into the market.

In-house banking expertise therefore remains critical to managing banking relationships, both for completing new deals and for the ongoing management of existing portfolios. Increased regulation, combined with a number of other structural factors such as sovereign debt levels and refinancing profiles in existing corporate debt structures, are likely to present an ongoing mix of opportunity and risk.

New buyout funds announced in 2009 raised €69 billion globally, significantly down on the €146 billion announced in 2008 (source: Preqin). Most industry commentators are expecting 2010 to remain a difficult environment for raising new funds. Many limited partners continue to have significant undrawn commitments to existing funds, while some have also scaled back the number of general partners they are prepared to invest with going forward. The time and effort necessary to raise new money has increased as limited partners have increased their due diligence requirements before they are prepared to commit fresh capital.

Looking forward to the next financial year, we expect ongoing change to our market environment, as some uncertainty remains over the wider economic outlook. Although competition levels are likely to remain high, we anticipate that there will be more opportunities to originate attractive new investments than we have seen in the last 12 months, although this may not materialise in the near term.

Priorities and opportunities for 3i

The main priorities for the Buyouts business line are to originate and invest in attractive new investment opportunities, to maximise the returns generated from the existing portfolio and to prepare for the next stage of fundraising.

We are well placed to identify attractive investment opportunities, often ahead of the wider market, through the combination of our brand, network, sector expertise and geographic presence in our chosen markets. This should position us favourably relative to the competition.

We aim to continue to improve the operational efficiency of our portfolio companies through our active partnership approach, driving growth in the underlying earnings.

Our current portfolio companies have considerable potential for growth. Where appropriate, we will make further investments in the portfolio to enhance its overall return potential.

We will divest those portfolio companies where our value plan has been substantially delivered and where good terms can be achieved in the current market environment.

Finally, we will continue to develop proactively our limited partner relationships for future new funds.

Investment activity

Table 14: Buyouts investment and realisations

year to 31 March	2010 £m	2009 £m
Realisation proceeds	467	494
Investment	(243)	(519)
Net divestment/(investment)	224	(25)

Realisation proceeds of £467 million were generated in the year to 31 March 2010, compared to £494 million in the prior year. The principal realisations included the sale of Ambea, generating proceeds of £212 million, and the sale of our remaining holdings in Telecity, generating proceeds of £142 million, and Dockwise, generating proceeds of £27 million.

No new investments were completed during the year. Although general market activity was low, we did review a number of potential transactions, but ultimately decided not to pursue these. The signing of Vedici, a French acute healthcare provider, was announced in March 2010, however the completion of this transaction remains subject to competition clearance. It is therefore not included in the results to 31 March 2010.

Of the £243 million of gross investment in the year, £42 million was invested in the Debt Warehouse, £52 million was used to support portfolio companies either through investing into a new capital structure following a balance sheet restructuring, targeted equity cures, buying debt below par or supporting capital expenditure, and £12 million was used to support acquisitions made by our portfolio companies in the year. The remaining £137 million of gross investment in the year was capitalised interest.

Performance

Gross portfolio return

Table 15: Returns from Buyouts

year to 31 March	2010 £m	2009 £m
Realised profits over value on the disposal of investments	223	255
Unrealised profits/(losses) on the revaluation of investments	249	(995)
Portfolio income	78	62
Gross portfolio return	550	(678)
Gross portfolio return %	38%	(34)%
Fees receivable from external funds	39	45

The Buyouts portfolio has generated a strong gross portfolio return of £550 million, or 38% of opening portfolio value (2009: £(678) million loss, (34)%).

Realised profits of £223 million in the year were driven principally by the sale of Ambea, which generated profits of £102 million, representing a 93% uplift over its March 2009 valuation, as well as by good uplifts on the realisations of Telecity and Dockwise, which generated realised profits in the year of £47 million and £10 million respectively.

The unrealised value gain of £249 million was underpinned by a robust performance across the portfolio, with the majority of portfolio companies growing in value.

Portfolio income of £78 million in the year was largely attributable to accrued interest and was higher than in 2009, principally due to a lower level of provisions required against this income.

The gross portfolio return of £550 million includes a £110 million contribution from the Debt Warehouse. Further details on the performance of the Debt Warehouse can be found on page 36.

Portfolio performance

The performance of the portfolio has stabilised in the year, with the second half showing a more encouraging trend.

We have continued to work proactively to improve the operational effectiveness of many of our portfolio companies through our active partnership approach. During the period, our portfolio companies grew their margins in aggregate across the portfolio, despite many facing weaker market conditions.

The improvements to their operating models should position these portfolio companies well to capitalise on improved market conditions in the future.

Portfolio earnings

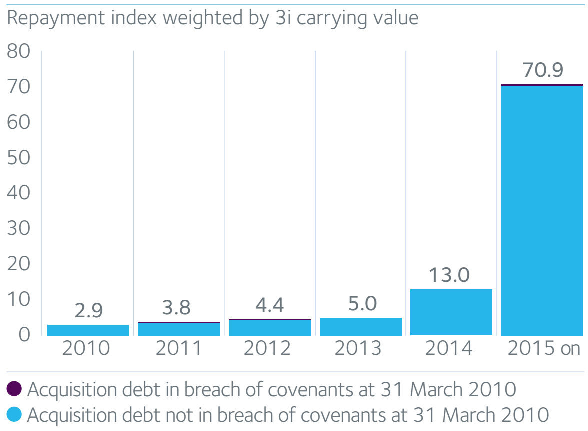
For 2009 portfolio company year ends, aggregate earnings in the year decreased by 9% on 2008 portfolio company year end levels. This is a reflection of the tougher trading environments experienced in much of 2009. However, many of our portfolio companies saw improved performance starting to come through in the final quarter of 2009 and this has continued into 2010.

Portfolio leverage

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

The contracted repayment profile of acquisition debt in the Buyouts portfolio is shown in Chart 12 below.

Chart 12: Contracted repayment profile of acquisition debt in the Buyouts portfolio (%)
as at 31 March 2010



Note: Index weighted by 3i Group carrying value at 31 March 2010.
Repayment profile reflects gross acquisition debt as at 31 March 2010.
Excludes working capital lines, leasing and cash on balance sheet.

Underperformance in an investment can trigger a covenant breach on a loan, which may imply that a loan requires refinancing earlier, if an agreement over the effect of the breach cannot be reached with the loan providers.

As at 31 March 2010, we were in negotiations with the loan providers of seven portfolio companies, as a result of covenant breaches up to that date (2009: 16 portfolio companies).

Of these seven portfolio companies, four are ongoing cases from 31 March 2009. These four are smaller, older investments – their total gross investment cost is £30 million and each is over five years old. Although their underlying performance is such that they remain in breach of covenants, for each of these cases we have agreed a stand still agreement with the respective lenders to enable us to work through turnaround plans to improve their performance.

Of the remaining 12 portfolio companies that were in breach of covenants at 31 March 2009, 10 have either undergone a successful restructuring, or have received "equity cures" to solve the covenant breach, and have subsequently seen an improvement in performance.

Two investments that were in breach of covenants at 31 March 2009, Global Garden Products ("GGP") and Ultralase, were written off during the year. Both were valued at £nil at 31 March 2009, hence their write-offs did not have an impact on the gross portfolio return for the year to 31 March 2010. In both cases 3i held extensive negotiations with senior lenders, proposing to inject new equity to reduce the overall levels of leverage. These proposals were refused by the lenders, which decided instead to take the two assets under direct ownership.

The three new portfolio companies that breached covenants during the year had an aggregate cost of £132 million, but were valued at £4 million as at 31 March 2010. In each case, discussions with lenders remain ongoing, and we continue to work towards solutions with the assistance of our in-house banking team.

Chart 13 shows the range of leverage across the Buyouts portfolio at 31 March 2010, weighted by 3i carrying value. It is worth noting that higher leverage levels do not necessarily correlate to underperformance.

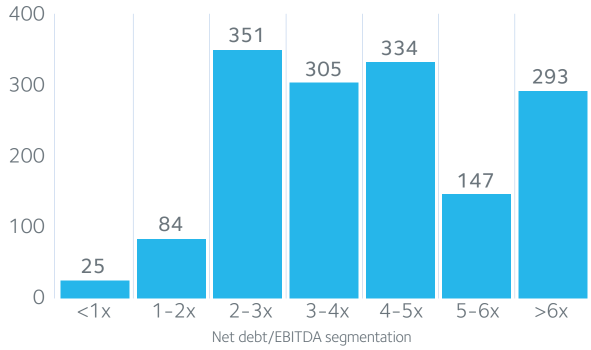
Portfolio health

The year to 31 March 2010 saw a significantly lower level of negative value movements compared to the prior year. Write-offs in the year had £nil impact on gross portfolio return, as the gross investment cost that had been written off during the year of £347 million had already been valued at £nil at 31 March 2009.

At 31 March 2010, 65% of the portfolio based on cost was classified as "healthy"; an improvement from the 60% recorded at 30 September 2009 and broadly in line with the position at 31 March 2009 (67% healthy). Investments are only moved back to "healthy" status when their performance and valuation demonstrates that a recovery of our invested capital is probable.

Chart 13: Ratio of net debt to EBITDA – Buyouts portfolio

Weighted by 3i Group carrying value (£m)



Note: The above has been calculated in line with 31 March 2010 3i Group valuations and excludes the Debt Warehouse.

Portfolio valuations

The unrealised value growth in the Buyouts portfolio in the year to 31 March 2010 was £249 million (2009: £(995) million loss). This positive value uplift was driven principally by an increase in the multiples used to value portfolio companies, as well as by the portfolio's underlying earnings performance in the second half of the year.

At 31 March 2010, 92% of the Buyouts portfolio (excluding the Debt Warehouse) was valued on an earnings basis. The weighted average EBITDA multiple pre discount was 9.1x and the ratio of net debt to EBITDA was 4.5x for these companies.

The positive valuations movement was stronger in the second half than in the first half of the year. Value growth totalled only £8 million in the first half, compared to £196 million in the second half (excluding the Debt Warehouse).

The three largest contributors to the overall value growth during the year were Norma (£57 million), Axellia (£51 million) and MWM (£39 million). The largest negative value movement was Eltel (£(45) million).

This £249 million uplift includes a value recovery of £45 million on the Debt Warehouse, which had been valued at £nil at 31 March 2009 on a first loss mark-to-market basis.

Long-term performance

Table 16 shows the performance of each vintage year since 2002 to 31 March 2010. The vintages to 2007 continue to show IRRs above 20%. The IRR of the 2006 vintage has increased to 49% (2009: 46%) due to the successful realisations of Ambea and Telecity in the year to 31 March 2010.

The IRR of the 2008 vintage, which included GGP and Ultralase, remains negative, albeit it had improved to (18)% at 31 March 2010 from (30)% at 31 March 2009. The improvement in performance over the year to 31 March 2010 was largely due to increases in the valuations of Inspicio, MWM and Scandlines.

The 2009 vintage, although still relatively immature, recorded a 9% IRR to 31 March 2010, with Axellia and LHi being the two largest contributors to this performance to date.

Table 16: Long-term performance – Buyouts

New investments made in the financial years ended 31 March

Vintage year	Total investment[1] £m	Return flow £m	Value remaining £m	IRR to 31 March 2010	IRR to 31 March 2009
2010	–	–	–	–	–
2009	359	1	365	9%	n/a
2008	682	20	381	(18)%	(30)%
2007	612	321	507	25%	25%
2006	508	1,137	48	49%	46%
2005	372	953	90	62%	62%
2004	330	523	108	34%	34%
2003	277	664	21	49%	49%
2002	186	441	–	61%	61%

Analysis excludes investment in Debt Warehouse.
1 Total investment includes capitalised interest.

Portfolio composition

As can be seen from the charts below, the Buyouts portfolio is well diversified by sector and geography, both by value and by number of portfolio companies. The value of our 46 investments at 31 March 2010 was £1,614 million (2009: £1,467 million). The three largest investments by valuation at 31 March 2010 were Inspicio (£147 million), Enterprise (£144 million) and MWM (£127 million).

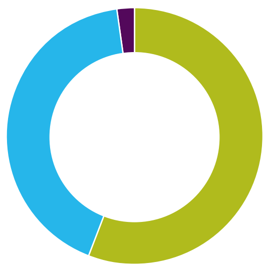
Buyouts – Direct portfolio by value

as at 31 March 2010

Total portfolio value £1,614 million

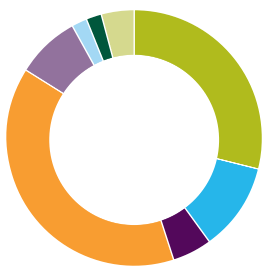
By geography (%)

Continental Europe	56
UK	42
Asia	2
North America	–
Rest of World	–



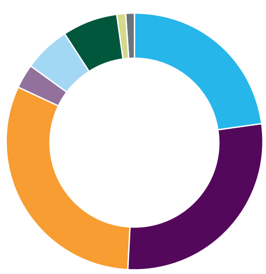
By sector (%)

Business Services	29
Consumer	11
Financial Services	5
General Industrial	39
Healthcare	8
Media	2
Oil, Gas and Power	2
Technology	4



By vintage year (%)

2010	–
2009	23
2008	28
2007	31
2006	3
2005	6
2004	7
2003	1
2002 and before	1



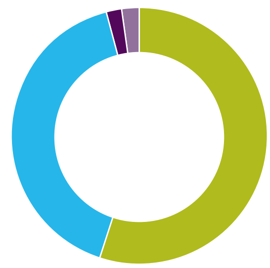
Buyouts – Direct portfolio by number

as at 31 March 2010

Total number of companies 46

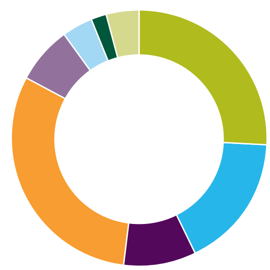
By geography (%)

Continental Europe	55
UK	41
Asia	2
North America	–
Rest of World	2



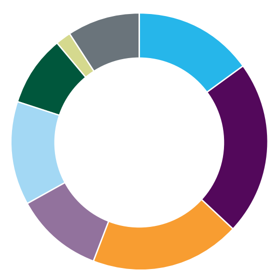
By sector (%)

Business Services	26
Consumer	17
Financial Services	9
General Industrial	31
Healthcare	7
Media	4
Oil, Gas and Power	2
Technology	4



By vintage year (%)

2010	–
2009	15
2008	22
2007	19
2006	11
2005	13
2004	9
2003	2
2002 and before	9



Fund management

The latest Buyouts fund, Eurofund V, a €5 billion fund which was raised in November 2006, was 54% invested as at 31 March 2010, compared to 53% invested at 31 March 2009. During the year, Eurofund V sold its remaining holding in Dockwise, generating a 2.1x money multiple over the life of the investment.

Eurofund IV, which had its final close in 2004, continues to perform strongly. At 31 March 2010 the fund portfolio had generated 1.88x of its gross commitments, up from 1.76x at 31 March 2009, driven by the realisations of Ambea and Daalderop in the year.

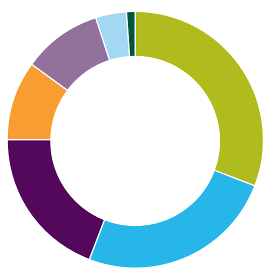
Eurofund III, a 1999 vintage fund, is almost fully realised, with only five assets remaining. There were no realisations from the fund in the year and at 31 March 2010, the fund portfolio had generated 1.89x of its gross commitments, in line with its position at 31 March 2009.

Fee income from managed funds totalled £39 million in the year (2009: £45 million), underpinned by fee income from Eurofund V.

As can be seen from Chart 14, there is a diverse mix of investors in 3i's buyout funds.

Chart 14: Buyout investor base for non-listed funds managed and advised by type of investor (%)
as at 31 March 2010

Pension funds	31
Fund of funds	25
Insurance companies	19
Financial institutions	10
Government agencies	10
Endowments	4
Private individuals	1



Debt Warehouse

A debt management capability was established in October 2007 to capitalise on the opportunity to buy high-quality debt in non-3i investments. Investments are made through a Debt Warehouse facility, provided by Lloyds Bank. This facility was recently renewed, and now matures in October 2012. There was an increase in the first loss percentage to 40% (previously 30%) and a reduction in the facility size to €325 million (previously €550 million). 3i has committed up to €130 million on a first loss basis.

As at 31 March 2010, the Debt Warehouse had invested €259 million of which 3i's commitment was €103 million. The credit quality of the portfolio is satisfactory and is focused on a diversified portfolio of large businesses in diversified sectors. As at 31 March 2010, the Debt Warehouse was in full compliance with all its covenants.

During the financial year, the total size of the underlying portfolio of the Debt Warehouse was reduced from €445 million to €259 million, as we took advantage of rising secondary loan pricing to sell out of loans at a profit.

The impact of the Debt Warehouse on 3i's financial results in the year to 31 March 2010 was realised profits of £55 million (2009: nil), unrealised value growth of £45 million (2009: unrealised loss of £(112) million) and income and fees of £10 million (2009: £4 million).

Growth Capital

Business model

3i's Growth Capital business operates across Europe, Asia and North America making, typically, minority equity investments of between €25 million and €150 million in established, profitable and mainly international businesses.

The Group's international presence, sector knowledge, networks and broader resources create the premium market access to companies that are "not for sale". Over the last three years, 65% 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.

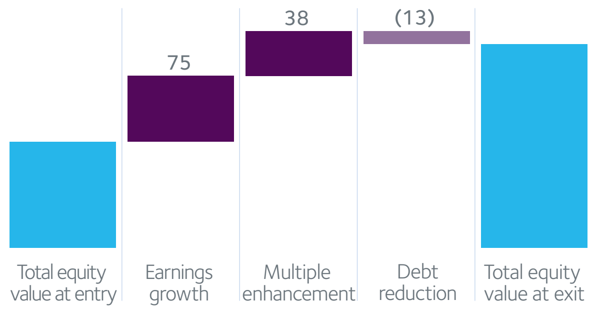
The Group's track record of making such investments for over 60 years has provided it with the experience, approach and techniques critical to success in minority investing. These are underpinned by only investing where we can align interests with entrepreneurs and management teams and the differentiated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

3i has historically carried out its Growth Capital activity using own balance sheet funds, and has not in the past managed external funds. In March 2010, however, the Group announced the closure of its first Growth Capital Fund, raising €1.2 billion, including €800 million of commitments from 3i and €392 million from external investors. This fund was seeded with a portfolio of seven investments, worth €339 million from the Group's current balance sheet, allowing external investors to have immediate exposure to this growing segment of the private equity market from the outset of the Fund. This enhances returns to 3i Group through management fees and carried interest. All new Growth Capital investments will be made through this Fund.

An important aspect of our business model is the way in which we generate growth in the value of our portfolio companies. As can be seen from Chart 15, 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. Systemic multiple enhancement on realisation in Growth Capital portfolio companies is driven by three 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.

The portfolio is well diversified by geography and sector and has a low reliance on leverage to produce returns. As can be seen from Chart 15, no value creation for this Growth Capital portfolio can be attributed to debt reduction.

Chart 15: Growth Capital sources of value creation from realised investments (%)



The above shows the change in value of the 32 realised investments since 1 January 2003.

The market

Activity levels in the global growth capital markets were exceptionally low in 2009 compared to recent years. The number of growth capital transactions completed in Europe in 2009 fell to just over 50, compared to nearly 250 in 2007, with no change in the average transaction value. The trend in North America and Asia was similar.

However, we expect activity levels in the growth capital market to materially increase in 2010. With the availability of credit remaining subdued, the growth capital approach to investing – with its emphasis on lower leverage and value adding partnership – is ideally suited to the current environment, and we have seen it grow its share of the private equity market over the course of the year.

We have already seen an increase in deal activity over the last six months, as entrepreneurs and business owners regain their appetite for expansion and value creation, shifting their focus away from business preservation as economies stabilise and recover.

The current economic environment will also provide the opportunity to invest in buy-and-build situations, employing slightly higher leverage, as market leading businesses target competitors weakened by the economic crisis.

The market for raising new funds was challenging in 2009, with many limited partners continuing to have significant undrawn commitments to existing funds. However, within this context, there has been an increase in industry comment on growth capital and it is a segment of the private equity market which, due to its low reliance on leverage, is attracting more limited partner attention.

Priorities and opportunities for 3i

Having raised a new Growth Capital Fund, origination and new investment is a key area of focus for our team. From a competitor perspective, Growth Capital is an ill-defined and poorly addressed market. Our specialisation of investing in businesses "not for sale", combined with our strong brand and international presence, positions us 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 to ensure investment will continue to be selective.

However, we will continue to invest selectively to ensure optimal returns for 3i and for the investors in our Fund.

Our investment strategy has been tightened to focus on a smaller subset of investment types, which allow us to work in partnership with entrepreneurs to drive value creation via earnings growth. As part of this strategy, we will continue to explicitly avoid investments which do not ensure alignment with management and other shareholders, where we would hold a public equity investment at the outset or where we were 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 change during 2010 to support revenue growth projects, including funding acquisitive growth, where appropriate, as well as continuing to drive efficiency in the portfolio.

The newly raised Growth Capital Fund will provide additional capacity to continue 3i's existing Growth Capital strategy of making minority investments in growing businesses across Europe, Asia and North America. The Fund will make investments of €25 million to €150 million in around 20 mid-market companies.

Investment activity

Table 17: Growth Capital investment and realisations

year to 31 March	2010 £m	2009 £m
Realisation proceeds	578	461
Investment	(121)	(343)
Net divestment/(investment)	457	118

The Growth Capital business line adopted a cautious and selective approach to investment during the past year. A modest amount of £121 million was invested in the 12 months to 31 March 2010, compared to £343 million in the year to March 2009.

Of this amount, £21 million was invested in Refresco – the only new investment to be completed this year, and the first new investment made since the launch of the Growth Capital Fund. The transaction, announced on 25 March 2010, involved the acquisition of newly issued shares in Refresco, representing 20% of the share capital of the company and a commitment to invest up to a further £26 million. Refresco, a European market leader in the production of private label fruit juices and soft drinks, will use the funds to pursue its buy-and-build growth strategy. This marks the second time that 3i has invested in Refresco, having supported a management buyout in 2003. After a period of active management, geographic expansion and significant profitable growth for the company, 3i generated an excellent return on its investment in Refresco when it was sold in April 2006.

The balance of £100 million was invested in the existing portfolio (2009: £137 million), of which £5 million was to support acquisitions (2009: £86 million), £16 million was working capital to fund further growth (2009: £26 million), and £33 million was in support of strong businesses which were adversely impacted by the economic downturn (2009: £21 million). The balance of the investment into the portfolio related to non-cash, capitalised interest on loans held by 3i.

The pipeline of investment opportunities has been improving steadily over the past six months, and we expect investment activity to increase over the coming year.

Realisation activity was strong and ahead of last year. Realisation proceeds of £578 million were generated during the year from 42 exits (2009: £461 million, 39). We have continued to focus on the sale of older, non-core investments which diluted the overall return of the portfolio, while at the same time opportunistically exiting larger investments where attractive returns can be generated, such as PCD, DNA and Venture Production. Additionally, we sold a share of seven investments to new investors in the Growth Capital Fund generating £96 million of proceeds.

The sale of Venture Production, a listed, UK-based oil and gas company, was the largest realisation in the year, generating proceeds of £145 million and realised profits of £4 million over the 31 March 2009 value.

Performance

Gross portfolio return

Table 18: Returns from Growth Capital

year to 31 March	2010 £m	2009 £m
Realised (losses)/profits over value on the disposal of investments	(14)	(66)
Unrealised profits/(losses) on the revaluation of investments	145	(1,029)
Portfolio income	63	60
Gross portfolio return	194	(1,035)
Gross portfolio return %	11%	(44)%
Fees receivable from external funds	–	1

The Growth Capital business line generated a gross portfolio return of £194 million in the year to 31 March 2010, or 11% of opening portfolio value, compared to £(1,035) million, or (44)%, in the year to 31 March 2009.

While the majority of portfolio companies have performed well and earnings at an aggregate level were stable, the overall return for the year was materially impacted by large losses on a small number of investments and the ongoing priority to realise non-core and legacy investments.

The main contributor to the gross portfolio return was the impact of unrealised valuation movements of £145 million. The unrealised value gain was driven principally by multiple expansion, with the average multiple (before discount) up from 7.4x in 2009 to 10.3x in 2010, while underlying earnings were down only marginally by 2% year-on-year.

Realised losses of £14 million for the year to 31 March 2010 were lower compared to last year (2009: £(66) million) and reflect a small number of large realised losses, as well as our continued priority to pursue exits of our non-core and legacy portfolio.

The placing of UK-based fish importer British Seafood into administration in February 2010 crystallised a loss of £72 million, while the sale of the Korea Global Fund, a Korea-based investment vehicle, crystallised a loss of £27 million. These losses, however, were offset by realised gains of £22 million, £24 million and £17 million on the sales of PCD Stores, Welspun and DNA respectively.

Portfolio income of £63 million for the year to 31 March 2010 was broadly in line with last year (2009: £60 million), but benefited from a special distribution from Quintiles of £23 million following a strong trading performance and debt raising in 2009.

Portfolio performance

The portfolio performed well in the year, with EBITDA down only (2)% in a challenging environment.

We have worked to improve the earnings with many of our portfolio companies using our active partnership approach to focus on operational efficiency.

Leverage across the portfolio has increased marginally to 2.2x EBITDA (2009: 2.0x EBITDA) as earnings have stayed flat and companies have taken on debt to pursue buy-and-build strategies. In addition, we have exited a number of larger, lower debt, investments.

Valuations have recovered strongly in the second half of the year, primarily due to the global market recovery and associated impact on the multiples we use to value the portfolio.

Portfolio earnings

For 2009 company year ends, aggregate earnings in the portfolio were greater than £1.5 billion and were down only marginally (by 2%) on prior year levels. This minor fall in aggregate earnings was attributable principally to a reduction in margins, which was offset almost entirely by improvements to operational effectiveness from initiatives implemented by 3i and management teams across the portfolio.

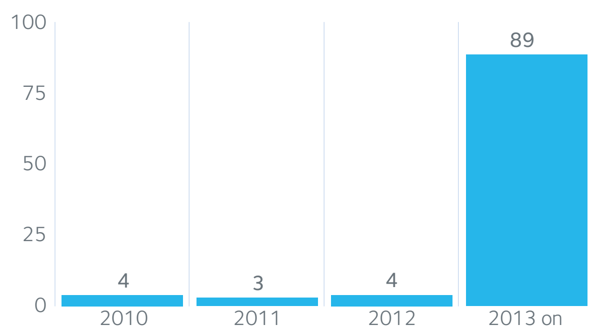
We expect 2010 to be a more positive year for company earnings, with a return to revenue growth and stabilising margins expected for almost all of the companies in the portfolio.

Portfolio leverage

In line with the Growth Capital business model, leverage is low across the portfolio. The average entry level of debt on new investments over the last five years has been 1.7x EBITDA. The current debt across the portfolio is marginally higher at 2.2x EBITDA. Debt is often raised alongside our equity investment to fund acquisition strategies.

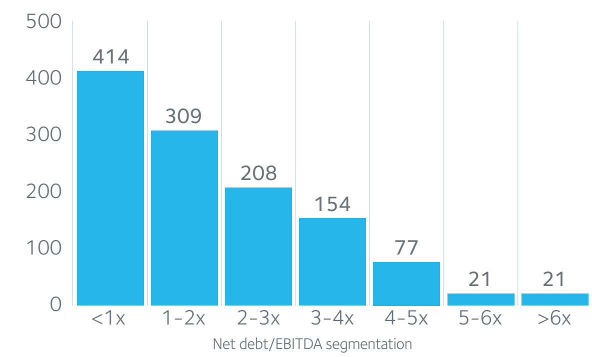
Levels of leverage vary across the portfolio, depending upon the specific nature of the business, international profile, and the phase of development. Chart 17 shows the range of leverage (net debt to EBITDA multiples) across the portfolio as at 31 March 2010. By number, 34 of the 67 investments in the portfolio have leverage below 1 times EBITDA.

Chart 16: Debt repayment profile – Growth Capital portfolio
as at 31 March 2010
Repayment index weighted by 3i carrying values (%)



Note: Index weighted by 3i Group carrying value as at 31 March 2010.

Chart 17: Ratio of net debt to EBITDA – Growth Capital portfolio
Weighted by 3i Group carrying value (£m)



Note: The above has been calculated in line with 31 March 2010 3i Group valuations.

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Portfolio health

The year to 31 March 2010 saw a significantly lower level of negative value movements compared to the prior year. However, we experienced a small number of significant deteriorations in performance resulting in write-offs, the largest being the placing of British Seafood into administration in February 2010.

Write-offs in the year had a £(72) million impact on gross portfolio return (2009: £(2) million).

As at 31 March 2010, 74% (2009: 81%) of the portfolio was classified as healthy, based on cost. This reduction in the health of the portfolio reflects the harsher trading environment seen during the course of 2009. We would expect this to improve in 2010 as the economy recovers.

Portfolio valuations

The improvement in global equity markets over the year has helped generate value growth of £145 million (2009: £(1,029) million loss) as the majority of the portfolio is valued with reference to an external benchmark (typically EBITDA multiples).

Earnings in the portfolio, at an aggregate level, were stable overall at (2)%, in line with expectations.

The average multiple used to value investments which were valued on an earnings basis at 31 March 2010 was 10.3x, a 39% improvement from the 7.4x used at 31 March 2009.

The three largest increases in value in the year were Mold-Masters (£53 million), Quintiles (£51 million) and Navayuga Engineering (£41 million).

Long-term performance

The Growth Capital long-term performance improved for the more recent vintages of 2008 and 2009, while the more mature vintages remained in line with last year.

The improvement in performance for the more recent vintages was due to improved valuations and strong realisations in the year. However, we do not expect these vintages to achieve the returns seen in earlier years, as they have been more heavily impacted by the current economic conditions.

The IRR of the 2008 vintage, which includes British Seafood, remains negative, albeit improving to (3)% at 31 March 2010 from (16)% at 31 March 2009. The improvement in performance over the year to 31 March 2010 was largely due to increases in the valuations of Mold-Masters and Quintiles and to the realised profit achieved on the sale of Welspun, offset by the loss on British Seafood.

Table 19: Long-term performance – Growth Capital

New investments made in the financial years to 31 March

Vintage year	Total investment[1] £m	Return flow £m	Value remaining £m	IRR to 31 March 2010	IRR to 31 March 2009
2010	21	–	21	n/a	n/a
2009	208	42	144	(7)%	n/a
2008	1,042	394	557	(3)%	(16)%
2007	553	185	342	(2)%	(2)%
2006	443	594	89	24%	23%
2005	179	250	48	25%	27%
2004	297	487	13	25%	25%
2003	231	411	31	24%	25%
2002	498	716	6	12%	12%

1 Total investment includes capitalised interest.

Portfolio composition

As can be seen from the charts below, the Growth Capital portfolio is well diversified by sector and geography, both in terms of value and number of portfolio companies.

The total book value of our 67 investments as at 31 March 2010 was £1,331 million (2009: £1,574 million).

The largest three investments are the Group's investments in ACR Capital Holdings Pte Limited (£149 million), Quintiles (£128 million), and Foster + Partners (£113 million).

Growth Capital – Direct portfolio by value

as at 31 March 2010

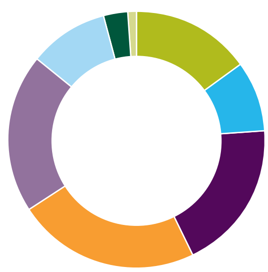
Total portfolio value £1,331 million

By geography (%)

Continental Europe	34
Asia	28
UK	16
North America	22
Rest of World	–

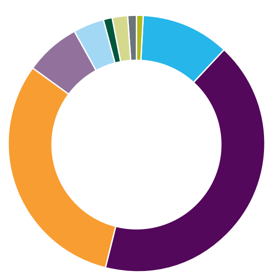
By sector (%)

Business Services	15
Consumer	9
Financial Services	19
General Industrial	23
Healthcare	20
Media	10
Oil, Gas and Power	3
Technology	1



By vintage year (%)

2010	1
2009	11
2008	42
2007	31
2006	7
2005	4
2004	1
2003	2
2002 and before	1



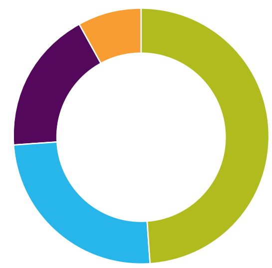
Growth Capital – Direct portfolio by number

as at 31 March 2010

Total number of companies 67

By geography (%)

Continental Europe	49
Asia	25
UK	18
North America	8
Rest of World	–

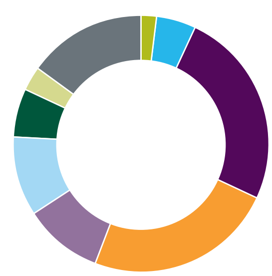


By sector (%)

Business Services	16
Consumer	16
Financial Services	13
General Industrial	28
Healthcare	8
Media	9
Oil, Gas and Power	5
Technology	5

By vintage year (%)

2010	2
2009	5
2008	25
2007	24
2006	10
2005	10
2004	6
2003	3
2002 and before	15



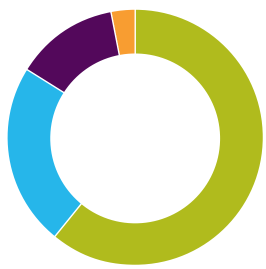
Fund management

Historically, 3i's Growth Capital investments have typically been funded through the balance sheet, with limited external funds involved. However, on 25 March 2010, 3i announced the closing of its first Growth Capital Fund, at €1.2 billion. 3i committed €800 million to the Fund, while investors from Asia, Europe, the Middle East and North America committed €392 million to the 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. Of this, £96 million was the proportion sold to new investors.

The Growth Capital Fund will continue 3i's existing Growth Capital strategy and make minority investments in growing businesses across Europe, Asia and North America. The Fund will invest in around 20 mid-market companies, typically investing €25 million to €150 million of equity.

Chart 18: Growth Capital investor base for non-listed funds managed and advised by type of investor (%)
as at 31 March 2010

Government agencies	61
Pension funds	23
Insurance companies	13
Financial institutions	3



Infrastructure

Business model

The business model for 3i's infrastructure business line is to invest in a broad range of international infrastructure assets with a geographic focus on Europe, India and North America and a sectoral focus on the utilities, transport and social infrastructure sectors.

Infrastructure investments are made through two vehicles: 3i Infrastructure plc, a global infrastructure fund listed in London, and through the 3i India Infrastructure Fund, a limited partnership focusing on investing in Indian infrastructure.

Priorities for 3i

We aim to strengthen our position as a leading participant in the infrastructure market through the ongoing investment of our funds in a portfolio of robust assets, which will 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 return objectives of the two funds advised or managed. This will be key in positioning the business line for future fundraisings.

Managing the existing portfolio to generate attractive returns will also remain a priority for the Infrastructure team. The assets in the two funds are performing well, and the team's portfolio management expertise, as well as the broader resources of 3i Group, will be leveraged to continue to drive value from those assets.

Opportunities for 3i

3i is well positioned in the infrastructure market, with a strong brand and robust track record of generating attractive returns through 3i Infrastructure plc and through the 3i India Infrastructure Fund.

The 3i India Infrastructure Fund, a $1.2 billion fund is 42% invested and has a strong pipeline of investment opportunities. The macroeconomic outlook in India is favourable, with strong projected growth, and the fundamentals for infrastructure investment remain attractive, with the current infrastructure deficit in the country providing significant opportunity for private investment. Our team on the ground in India has a well-established presence in the market, with a broad network of contacts and an agreement with the India Infrastructure Corporation Ltd providing access to a wide range of opportunities. The undrawn funds committed to the 3i India Infrastructure Fund are likely to be deployed over the next 12 to 18 months, which could present an opportunity to raise a successor fund should market conditions allow.

Conditions for investment are improving more gradually in developed markets, however the opportunity for infrastructure investment is significant, driven by balance sheet restructuring and the sale of non-core assets in the private sector, and by budgetary constraints in the public sector. The Infrastructure team is building up the pipeline of investment opportunities submitted to 3i Infrastructure plc, which currently has ample liquidity to invest in new assets.

The market

Infrastructure market activity slowed down considerably in 2008 and 2009, with many market participants unwilling to transact due to significant pricing volatility and market instability, as well as the uncertain macroeconomic outlook.

The market for infrastructure investment, however, is improving, and 2010 should see a pick up in activity. Asset prices are stabilising, the macroeconomic outlook is increasingly positive and a return to growth should have a positive impact across the asset class, and in particular on more pro-cyclical sectors such as transport, which should benefit from demand growth.

As many governments have had to intervene heavily in the economy to avoid a recession, budgetary constraints should result in new private investment in new infrastructure, as well as in the privatisation of existing state-held infrastructure assets. Opportunities for investment should also arise from the private sector, where the necessity to restructure balance sheets is likely to result in the divestiture of non-core assets from certain banks and large corporates.

The competitive environment remains relatively benign since the market shake out of 2008/2009. While there are still significant undrawn funds available for investment, the increasing importance of operational expertise in managing infrastructure assets is posing a significant barrier to entry for emerging players.

3i Infrastructure plc

3i holds a 33.2% investment in 3i Infrastructure plc, which is an investment company listed on the London Stock Exchange and a component of the FTSE 250. The company raised £703 million at IPO in 2007 and £115 million through a subsequent Placing and Open Offer in July 2008.

3i Infrastructure plc is based in Jersey, is governed by an independent board of directors, and targets a 12% net return through NAV growth, of which 5% is returned to shareholders through dividends.

3i Group plc, through 3i Investments plc, a wholly-owned subsidiary, acts as investment adviser to 3i Infrastructure plc 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% of the growth in net asset value, before distributions, over an 8% hurdle calculated each year.

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

3i India Infrastructure Fund

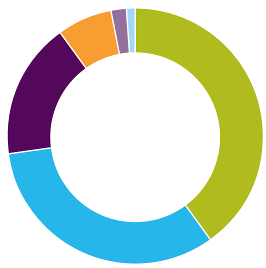
The 3i India Infrastructure Fund is a $1.2 billion limited partnership fund established by 3i to invest in Indian infrastructure, with a particular focus on ports, airports, roads and power assets. 3i and 3i Infrastructure plc each have a $250 million commitment to the Fund.

The Fund closed in March 2008 with a target investment horizon of two to four years and, as at 31 March 2010, had invested 42% of total commitments.

3i earns management fees and carry from all limited partners in the Fund, with the exception of 3i Infrastructure plc.

Chart 19: Investor base for 3i India Infrastructure Fund by type of investor (%)
as at 31 March 2010

Pension funds	40
Government agencies	33
Fund of funds	17
Other	7
Financial institutions	2
Endowments	1



Other Infrastructure assets

Over the year, 3i Group has continued to reduce its holdings in infrastructure assets held directly on its own balance sheet. 3i Group's holding in 3i Osprey LP, the vehicle through which 3i Group and 3i Infrastructure plc own their stake in AWG, was further reduced in the year, resulting in a total portfolio held directly by 3i of £6 million (excluding the Group's holdings in 3i Infrastructure plc and the 3i India Infrastructure Fund).

Performance

Gross portfolio return and fee income

Table 20: Returns from Infrastructure (£m)

year to 31 March	2010	2009
Realised profits/(losses) over value on the disposal of investments	–	(20)
Unrealised profits/(losses) on the revaluation of investments	84	(62)
Portfolio income	16	32
Gross portfolio return	100	(50)
Gross portfolio return	27%	(10)%
Fees receivable from external funds	20	26

The infrastructure business line generated a gross portfolio return of £100 million in the year to 31 March 2010 (2009: £50 million loss). The return was determined by a strong unrealised value gain of £84 million (2009: £62 million loss) and strong portfolio income of £16 million (2009: £32 million).

The unrealised value gain was driven principally by the strong mark-to-market gain on the Group's holding in 3i Infrastructure plc, which was up 32% year on year, generating an unrealised gain of £72 million (2009: £74 million loss). The remainder of the unrealised gain is attributable in large part to the £10 million revaluation of the holding in the 3i India Infrastructure Fund (2009: £14 million).

Portfolio income of £16 million was down year on year, as the 2009 figure included a special dividend received from AWG. 3i Group's direct holding in AWG has now been substantially divested. Dividends received on the holding in 3i Infrastructure plc were up marginally compared to last year.

Fees receivable from 3i Infrastructure plc and the 3i India Infrastructure Fund amounted to £19 million, broadly in line with 2009.

Investment and realisations

The infrastructure business line invests principally through 3i Infrastructure plc and the 3i India Infrastructure Fund. Both vehicles invested cautiously during the year, reflecting the volatile market environment and a decline in overall transaction volumes in the infrastructure market.

The 3i India Infrastructure Fund drew £2 million from 3i Group to fund a small additional investment in Adani Power Private Limited, one of its holdings, ahead of its IPO in August 2009.

Case studies

Our three largest realisations in the year and the largest portfolio company from each of our business lines.

Realisations

Our top three realisations in the year, reflecting both our approach and our performance.

Go online to see further case studies

/casestudies

Ambea

Buyouts Healthcare Sweden
www.ambea.com

Nature of business

Ambea is a leading provider of healthcare and care services with operations in Sweden, Finland and Norway, focused on privately and publicly funded care and healthcare services.

3i's investment

3i's Eurofund IV invested a total of £46 million in the buyout of Carema in July 2005. The investment case was to back a highly responsible growth oriented team in a growing market. Eurofund IV invested a further £49 million in 2006, to support the acquisition of Finnish based Mehilainen. The combined group was named Ambea.

3i Group plc's investment

	March 2010 £m	March 2009 £m
Cost	–	20
Valuation	–	102
Proceeds	212	–
Equity interest	–	44.7%
Income in the year	–	–

Developments since 3i invested

Driven by the strength of its offering, reputation for quality and strong operational performance, as well as a number of acquisitions, Ambea has grown substantially since 3i first invested. As a result, in 2009, Ambea employed 10,300 staff and handled almost two million patient visits. This success has delivered strong financial performance, with sales rising an average of 15% per year to SEK 7.3 billion and EBITDA growing by 31% per year to SEK 624 million.

In addition to building a strong board, 3i added considerable value to Ambea through its knowledge and expertise, particularly in international development and acquisitions.

On 23 February 2010, 3i announced the agreement of the sale of Ambea to Triton for €850 million, delivering an overall IRR of 42% for 3i and Eurofund IV investors. 3i Group's proceeds from this sale were £212 million. As a result of this, Ambea delivered an uplift over cost of £188 million, a recapitalisation in 2007, and a realised profit of £102 million.

Telecity Group Plc

Buyouts Technology, Media & Telecoms UK
www.telecitygroup.com

Nature of business

Operating from 23 sites in prime city centre locations, Telecity is the leading provider of premium network independent data centres in Europe.

3i's investment

3i first invested in the company as a start up in 1998, however the relevant investment for this case study was made in 2005 to support the "take private" of Telecity. The company had not achieved its potential as a public company, in part because the internet data centre market, which it had pioneered, had failed to deliver the growth anticipated through the "dot com" bubble. However, 3i had a clear view about the potential attractiveness of this market if there was consolidation in the sector.

Concluding that this strategy could more effectively be executed in the private domain, 3i teamed up with US investment firm Oak Hill Capital Partners to de-list Telecity for £60 million and invested £30 million to support this.

3i Group plc's investment

	March 2010 £m	March 2009 £m
Cost	–	16
Valuation	–	95
Proceeds	142	–
Equity interest	–	22.6%
Income in the year	–	–

Developments since 3i invested in 2005

The agreed merger in 2005 with Redbus, a key European competitor was Telecity's first consolidation step. Following this and the acquisition of another UK competitor, Globix, the three companies were successfully rationalised and integrated. This led to significantly improved financial performance allowing Telecity to enter an investment phase again. The re-listing of the business in October 2007 raised further funds to support the build out of a new generation of data centres across Europe. In the year to 31 December 2009, Telecity achieved revenues of £169 million and EBITDA of £64 million – over 10 times its level of profitability before the take private in 2005.

Telecity has also been a leader in good environmental practice in its industry, winning a number of industry awards including "Best Leadership and Innovation in Environmental Policy" in the 2009 Data Centre Europe Awards.

In addition to a partial disposal of shares for £30 million in May 2009, 3i realised its remaining 16.5% stake in February 2010 for £112 million. Total proceeds since the re-listing of £153 million represent a five-fold return on the 2005 investment.

Venture Production plc

Growth Capital Oil and Gas UK
www.vpc.co.uk

Nature of business

Venture Production was a UK North Sea oil and gas producer, focusing on development and enhancement of discovered and producing oil and gas fields.

3i's investment

3i initially backed Venture Production in 1997 before its IPO and realised its investment in 2002. In 2006, 3i became a minority shareholder again in Venture Production when it received shares as partial consideration on the sale of a portfolio company, CH4. 3i then invested a further £110 million in Venture Production during August 2007. The investment case was to support the company's growth and, in particular, its development in the UK and Netherlands sectors of the North Sea.

3i Group plc's investment

	March 2010 £m	March 2009 £m
Cost	–	110
Valuation	–	140
Proceeds	145	5
Equity interest	–	5.4%
Income in the year	2	3

Developments since 3i invested

Venture Production continued its strong growth from 2006 through acquisitions and adding interests in new discoveries and exploration prospects. This market development was translated into strong financial performance and its last published accounts, before its acquisition by Centrica plc in July 2009 illustrate growth since 2006.

3i realised its equity and loan investments in Venture Production in July 2009, delivering total proceeds of £145 million. As a result of this and other cash flows since 2006, 3i's equity investment in Venture Production delivered a profit over cost of £35 million and realised profit of £4 million.

Portfolio companies

Our largest Buyouts and Growth Capital investments, together with AWG, a 3i Infrastructure plc investment.

Go online to see further case studies

/casestudies

ACR

Growth Capital Financial Services Singapore
www.asiacapitalre.com

Nature of business

ACR is an independent re-insurer focusing on specialty lines of re-insurance across Asia in the "large risks" segment for aviation, casualty, marine, energy, property and engineering projects. ACR delivers a combination of Asian dedicated capacity, global underwriting standards and expertise, as well as in-depth knowledge of the needs and dynamics of Asian insurance markets to its clients.

3i's investment

3i invested US$200 million in November 2006, out of a total capital raising of US$620 million, to create Asia's first exclusively pan-Asian focused independent reinsurer. The investment case was fundamentally to back a proven team to take advantage of a high growth market opportunity and build an industry leader. ACR is now 3i's second largest investment by value and its valuation is based upon a multiple of the book value as a reinsurance industry specific valuation method.

3i Group plc's investment

	March 2010 £m	March 2009 £m
Cost	105	105
Valuation	149	125
Equity interest	31.2%	31.6%
Income in the year	–	–

Developments since 3i invested

Since 3i invested, ACR has developed into a sizeable pan-Asian business, with gross written premiums of approximately US$500 million. In 2007, ACR created a joint venture in Malaysia with Khazanah Nasional Berhad. In 2008, ACR invested US$60 million as part of a US$300 million Islamic reinsurance joint venture created to serve the growing Retakaful sector. This, and a number of other initiatives to deliver growth and diversify risk, have proven successful, despite a more challenging environment for both premium and investment income.

3i works closely with management to evaluate M&A proposals and strategic investments, and provides input on risk and investment management.

Current trading

ACR now has a widely diverse portfolio spanning over 50 countries and 600 clients. ACR has a financial strength rating from A.M. Best of A- (Excellent) and from Standard & Poor's of A- (Strong). These ratings reflect ACR's adequate capitalisation, well balanced portfolio with diversified geographic risk, adequate reserves and strong risk management capabilities.

Inspicio

Buyouts Business Services UK
www.inspicioplc.com

Nature of business
Inspicio is a market-leading provider of commodity, food and environmental testing, inspection and certificating services. It operates in over 120 countries across the world and employs 8,000 people.

3i's investment
3i's Eurofund V invested £164 million in February 2008 to enable the public-to-private buyout of Inspicio. The investment case was based upon underlying market growth and the opportunity for further sector consolidation. Eurofund V invested a further £15 million in 2010 to fund the acquisition of GTS and to buyout Inspicio's Indian joint venture partner. Inspicio is now 3i's third largest investment by value and is valued on an earnings basis.

3i Group plc's investment

	March 2010 £m	March 2009 £m
Cost	133	107
Valuation	147	105
Equity interest	38.2%	38.2%
Income in the year	17	14

Developments since 3i invested in 2008
A significant capital expenditure programme was put in place to accelerate laboratory developments and increase Inspicio's offerings to customers. In addition to GTS, 10 further acquisitions have been made since the original buyout.

Current trading
Despite challenging market conditions during 2009, Inspicio was able to achieve growth in revenue and EBITDA of 14% and 17% respectively in the year to 31 December 2009, with revenues of £334 million and EBITDA of £42 million.

Inspicio has a good financial position and no banking covenant issues.

AWG

Infrastructure Utilities UK
www.awg.com

This investment is held by 3i Infrastructure plc.

Nature of business

AWG is the parent company of Anglian Water, the fourth largest water supply and waste water company in England and Wales as measured by regulatory capital value. The majority of the group's revenue is earned through tariffs regulated by Ofwat and linked to RPI. The group also includes Morrison Facilities Services, a support services business focused on the local authorities and housing sectors, and a small property development business.

3i Infrastructure's investment

AWG has strong infrastructure characteristics, with a regulated near-monopoly position in its geographical area for the provision of water supply and sewerage treatment, stable and predictable earnings through RPI-linked tariffs and largely predictable operating costs.

Developments since initial investment

3i initially invested in AWG in 2006, taking the company private in partnership with a consortium of international investors. Approximately half of this initial investment was then transferred to 3i Infrastructure as part of its seed portfolio at IPO. Since then, 3i has further reduced its direct holding in AWG through a sale to the consortium members, in which 3i Infrastructure plc also participated, increasing its holding in AWG from 9% to 10.3%. 3i holds a small residual holding in AWG of 0.3%.

Current trading

AWG continues to perform well operationally. For the year ending 31 March 2010, EBITDA for the group had increased by 7.1% over the prior year. The core water business, Anglian Water, was ranked in the top two places in Ofwat's Overall Performance Assessment for the third year running.

In November 2009, Ofwat published its Final Determination, setting out price limits and capital expenditure allowances for the period from 2010 to 2015. The outcome of the Final Determination was slightly more favourable than the proposals set out in the Draft Determination, and confirmed the position of Anglian Water as among the most efficient of the water supply and waste water companies.

AWG complies with the Walker Code and its report and accounts are available on www.awg.com.

Risk

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

Risk

This section provides a review of the evolution and management of the Group's key risks during the year, together with a description of the main inherent risk factors facing the Group. This is followed by an overview of the main elements of 3i's risk governance framework.

Further details on the management of key risks, and related results and outcomes, can be found in the relevant sections of this Annual Report following the references shown under "Further information" and in the section on risk factors.

The ICSA Hermes Transparency in Governance Awards 2009 – Winner

FTSE 100: Best practice disclosure on risk management and internal control.

Review of risks

External

The key external risks identified by the Group at the start of the financial year fell into three broad categories: the impact of the continuing adverse market and economic conditions; the wider reputational impact on the financial services sector of the banking and financial crisis; and the potential for wide-ranging regulatory changes.

The current market and economic uncertainty continues to impact the market in which 3i operates in a number of ways. Fundraising conditions, for example, remain challenging and investors have become more discerning. Notwithstanding this background, 3i successfully closed its first Growth Capital Fund in March 2010.

The lack of M&A activity over the past 18 months combined with a private equity funding overhang and improved debt terms have tended to fuel high prices for transactions. These market imbalances continue to create uncertainty around the overall market outlook.

Economic conditions also present risks for 3i's portfolio companies and therefore overall performance and valuations, as described under Investment risk opposite.

The reputation of the wider financial services sector remains low. In this context, there is a trend towards closer scrutiny of the integrity and transparency of firms and a greater emphasis on socially responsible investing. Firms that are able to differentiate themselves in these areas are likely to be at an advantage in the future.

Regulatory changes could bring higher costs in the form of onerous disclosures for private equity owned companies, putting private equity firms at a disadvantage compared with other owners.
The European AIFM directive, as currently drafted, has the potential to restrict investment by non-European investors in European managed funds and could trigger retaliatory measures from other countries if deemed unfair or anti-competitive.

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Overview: Chief Executive's statement and Our strategy	P8 and P12
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Strategic

At the start of the year, 3i undertook a number of key strategic projects, focused primarily on improving the Group's financial position. These included the rights issue and solvent liquidation of 3i QPE plc, both of which were successfully completed. Completion of these and other related projects has reduced significantly the Group's gearing, funding and liquidity risks, as described under Treasury and funding risks.

The Group's human resource base has reduced following restructurings during the past two financial years, leaving the risk that it may not be able to take full advantage of improving market opportunities. A strategic review by the Board has identified specific measures to ensure 3i has the necessary capability in place.

Investment

Several of the Group's key investment risks at the start of the financial year resulted from a combination of adverse economic and market conditions, described earlier, combined with the constraints of the Group's financial position. Risks included the potential need to sell assets at the wrong time or price, low levels of new investment and potential underperformance of portfolio companies impacting valuations.

The overall health of the portfolio has shown signs of stabilisation in the second half of the financial year. Notwithstanding this, some further valuation write-downs have been necessary during the year owing to under performance.

Some refinancing difficulties have been experienced by individual portfolio companies, which in most cases have been resolved, but with increased borrowing costs or other less favourable debt terms. In isolated cases, portfolio companies have had to scale back expansion plans. More detail on this can be found in the business line reviews, which start on page 31.

Treasury and funding

Improving the Group's financial position has been a top priority in the course of the financial year. This has included improving liquidity, the reduction of net debt levels and refinancing of maturing debt. As a result of the actions taken over the course of the year, including the successful rights issue, the risks associated with the Group's financial structure at the start of the year are much reduced. The Group aims to maintain a conservative financial structure and has instituted tighter controls and targets to support this, for example, in relation to limits on the proportion of debt maturing in any one year.

The uncertainty around the funding of the Group's main defined benefit pension plan has been reduced with the decision to close the plan to future accrual of benefits by members from 1 April 2011.

Following the Board's decision in 2008 to unwind forward contracts used to hedge currency assets largely denominated in euros and US dollars, the Group currently only uses core currency borrowing to hedge foreign exchange exposures in the portfolio. The limited availability of currency funding at times during the year meant that the Group's US dollar and euro positions were exposed to the impact of adverse currency movements. As gross debt is reduced, and more of the portfolio is invested outside of the UK, the exposure to foreign exchange risk could also increase.

Operational

The key operational risks facing the Group during the year relate mainly to people. In common with many other businesses, headcount reductions, cost pressures, low levels of investment activity and change in the external business environment have all contributed to a degree of uncertainty for staff. More specific risks include key man retention (specifically in relation to managed funds), alignment to a different and difficult operating environment and the balance of skills and resources to meet these challenges. A people plan has been developed to enable 3i to deliver its business strategy and vision by addressing these and other people risks.

Further information on

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Risk factors

	External	Strategic
Risk type	Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations	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	– 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	– Understanding and analysis of risks and rewards – Appropriateness of business model – Changes in the Group's operating environment – Unanticipated outcomes versus assumptions
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 – Regular Group Risk Management Committee and Board reviews to anticipate, assess and act upon external developments and consider reputational risks	– Periodic strategic reviews – Regular monitoring of key risks by Group Risk Management 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	– Continuing adverse economic and market conditions – Regulatory developments which may be unfavourable – Reputational risk in portfolio companies	– Organisational changes, including changes to senior management – Risks from corporate projects diminished – Potential loss of key staff in certain areas
Further information	Overview – Chairman's statement, 3i at a glance, Chief Executive's statement Business review – Our strategy, Market conditions	Overview – Chairman's statement, 3i at a glance, Chief Executive's statement Business review – Our strategy, 3i's Business model, Market conditions

Investment	Treasury and funding	Operational
Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios	Risks in relation to changes in market prices and rates; access to capital markets and third-party funds; and the Group's capital structure	Risk arising from inadequate or failed processes, people and systems or from external factors affecting these
– 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 – Asset valuations – Overexposure to a particular sector, geography or small number of assets – Investment performance track record – Reputational risks arising from portfolio related events	– 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	– Resource balance, including recruitment and retention of capable people – Appropriate systems, processes and procedures – Adherence to tax regulations – Complexity of regulatory operating environment – Potential exposure to litigation – Reputational risks arising from operational risk incidents – Exposure to fraud – Business disruption
– 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	– Weekly detailed cash flow forecasts, tracked against a minimum liquidity headroom – Net debt limit and monitoring of gearing range – 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, net debt and large currency exposures – Regular Board reviews of the Group's financial resources and treasury policy, eg currency hedging	– 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
– Significantly reduced investment and realisation levels – Impact of current economic environment on portfolio companies' earnings causing valuations to lag public markets	– Liquidity position strengthened – Funding of Group pension plan – Foreign exchange risk	– Organisational changes, including headcount reductions – Risks from key corporate projects eg rights issue diminished
Overview – 3i at a glance Business review – Assets under management, Investment and realisations, Financial review (Returns), Business lines Financial statements Portfolio and other information	Overview – Chief Executive's statement Business review – Investment funding model, Assets under management, Market conditions, Financial review (Balance sheet) Financial statements	Business review Corporate responsibility report Governance

Risk governance framework

3i's risk governance framework provides a structured process to oversee the identification, assessment and approach to mitigation in respect of those risks which could materially impact the Group's strategic objectives or execution.

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

By reporting regularly to Audit and Compliance Committee, the Group's Risk Management Committee provides support to the Board in maintaining oversight of the effectiveness of risk management across the Group. The risk governance framework and the responsibilities of the main committees involved are shown below. Further details can also be found in the Governance section (Pillar 3 disclosures) at www.3igroup.com.

Operation during the year

The framework outlined above has been in operation since the start of the financial year, following a review aimed at simplifying and enhancing its effectiveness. This review, concluded in March 2009, was driven by the practical experience of operating through a prolonged period of heightened risks, in the context of deteriorating and uncertain market and economic conditions, and the desire to improve risk oversight in relation to balance sheet management and the investment portfolio. A similar review was conducted in February 2010, with the overall conclusion that the current framework remains fit for purpose.

Each of the committees has met on a quarterly basis, with two exceptions. A sub-committee of the Group Risk Management Committee met monthly during the financial year to monitor key risks and related management actions. This was considered necessary in the context of continued market and economic uncertainty. The Portfolio Risk Committee has met twice. This Committee is closely linked to the Group's Investment Committee, which itself has undergone refinements following the creation of the new role of Chief Investment Officer in 2009. The respective roles of these Committees have been reviewed and clarified as part of the wider review of 3i's investment processes.

Related committees

The Corporate Responsibility Committee considers and reviews corporate responsibility issues relevant to 3i's business, reporting to the Board. This includes identifying and assessing the significant risks and opportunities for 3i arising from corporate responsibility issues. Any reported risks are also considered by the Operational Risk Committee or Group Risk Management Committee as appropriate.

Group Risk Management Committee

Chairman: Chief Executive

- Oversight of the Group's overall risk management processes
- Monitors changes in the Group's external and strategic risk profile
- Reviews reports from each of the Treasury Management, Portfolio Risk and Operational Risk Committees
- Assesses the adequacy of risk mitigation steps put in place in respect of higher level risks
- Reports to the Audit and Compliance Committee

Treasury Management Committee

Chairman: Chief Executive

- Oversees management of funding, gearing, liquidity, interest rate and foreign exchange exposures in relation to policies agreed by the Board

Operational Risk Committee

Chairman: Group Communications Director

- Oversees the key operational risks facing the Group, including changes to the operational risk profile and new and emerging risks

Portfolio Risk Committee

Chairman: Managing Partner/ Chief Investment Officer

- Oversees risks arising from investment portfolio concentration by vintage, geography, sector and size

Corporate responsibility

Information about 3i's approach to corporate responsibility and our performance in the year.

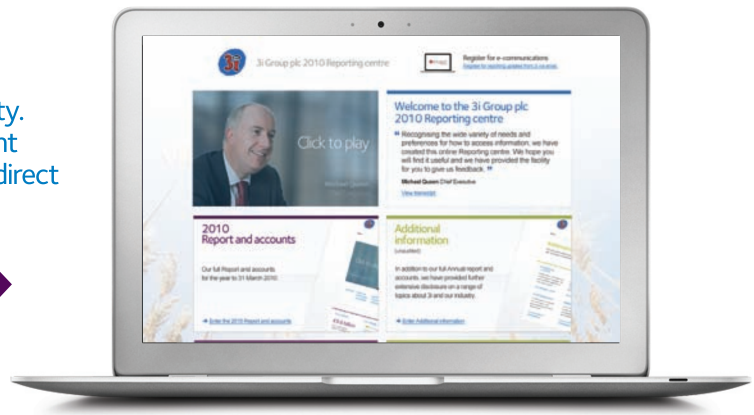
Corporate responsibility at 3i

This section has been extracted from 3i's full Corporate responsibility report, which is available in the 2010 Reporting centre www.2010reportingcentre.3igroup.com and in the Corporate responsibility ("CR") section of our Investor relations website, www.3igroup.com.

This extract focuses primarily on CR in our investment business, 3i's core activity. Also included are the results of our recent employee engagement survey and 3i's direct environmental impacts.

Please go online to see a full report on CR

www.2010reportingcentre.3igroup.com



CR Committee	
Kevin Dunn	Company Secretary and Chairman of the Committee
Deepak Bagla	Director in 3i's India Infrastructure investment business
Douwe Cosijn	Head of Investor Relations
Patrick Dunne	Group Communications Director
Jan-Peter Onstwedder	Head of Risk
Tony Wang	Associate Director in 3i's Asia investment business
Phil White	Partner in 3i's Infrastructure business line

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

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

"The focus for our CR development this year has been on 3i as an investor. We have further strengthened our investment process and worked more closely with our portfolio companies to understand in more detail how they manage CR."

Kevin Dunn Group Company Secretary and General Counsel

Our approach

– 3i's approach to CR, both as an investor and a company, is commercially driven

– An active approach to CR means more to 3i than simply retaining our licence to operate or reducing risk

– We believe that our approach to CR provides genuine competitive advantage and helps maximise long-term returns

– We also think it is important to review our approach to CR every year and to keep innovating in this important area

Our values

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

– be commercial and fair

– respect the needs of shareholders, investors, our people and the companies in which we invest

– maintain our integrity and professionalism

– strive for continual improvement and innovation

The following information illustrates our commitment to CR and provides detail on our CR performance.

Corporate responsibility as an investor

3i's approach to CR in its investment activities must been seen in the context of 3i's business model described on pages 16 to 17. This approach to CR is embedded in our investment processes and is an important aspect of how we approach investing.

CR in our investment activity

During the year, we significantly updated our global CR investment policies. These provide guidance and procedures for our investment teams to help them appraise CR issues in the companies in which we invest. Additionally, we conducted a review of a number of our largest portfolio companies to improve our understanding of how they manage CR in their businesses.

As an investor, we view CR from two perspectives; opportunity and risk. We believe that an active approach to CR has the potential to bring a wide variety of business benefits to our portfolio companies.

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

A Group-wide review of our business needs and policies in relation to CR was conducted in 2008. This review identified the need for further development of our policy and accompanying operational procedures. This need was driven by several factors, including increased globalisation, 3i's own international growth, as well as a recognition that public expectations were growing at a time when trust in the financial services sector was coming under greater scrutiny.

A new Group-wide CR policy was developed and rolled out across our investment business during the year. The main features of this new policy, to which all employees have online access, include:

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

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

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

– clear arrangements for policy governance and accountability.

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

CR in our portfolio

During the year, a project was conducted to assess how 3i's portfolio companies are managing the most relevant CR issues for their company. A sample of investments across a range of sectors, geographies and business lines was as part of the initial review.

The portfolio review was designed to benchmark how companies in the portfolio are managing their most relevant CR issues. The key issues that were benchmarked were environment, climate change, labour issues, human rights, business ethics and corruption, and finally, transparency. Each of these issues was assessed for materiality and level of engagement and a summary analysis prepared for each company.

The benchmarking exercise also considered the strength of the policies and systems that the company had in place to manage these issues as well as the strength of monitoring processes.

This project, through engagement with portfolio companies and 3i investment executives, has:

– increased awareness within 3i and within the companies of material CR issues;

– produced more examples of best CR practice that can be used by other portfolio companies; and,

– highlighted key risks and opportunities to strengthen portfolio companies CR policies and processes.

3i intends to build on the work in this project and broaden and deepen its engagement with portfolio companies on CR issues.

Summary of 3i CR policy

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

3i has set itself the overall goal of being a top performer in CR in our industry and a positive influence for sustainable social and environmental practices across its international investment portfolio.

Specifically, 3i is committed to:

1. Human rights

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

2. Labour/workplace rights

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

3. The environment

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

4. Anti-corruption

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

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

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

/transparency

Corporate responsibility as a company

3i has been a member of the Dow Jones Sustainability World Index ("DJSI") since 2002 and the Business in the Community Corporate Responsibility Index since 2003. 3i has also been reporting to the Carbon Disclosure Project for the past two years.

Dow Jones Sustainability Indexes
Member 2009/10

In 2009, 3i again participated in the annual Business in the Community's ("BitC") Corporate Responsibility Index and were included in BitC's "Top 100 Companies that Count". In particular, the integration of our CR principles and management into our investment processes were recognised.

Business in the Community
CORPORATE RESPONSIBILITY INDEX 2009

As a private equity business with fewer than 500 employees world-wide, 3i has a relatively small footprint on many CR issues. However, we recognise that our sustained success and our reputation for being a good corporate citizen means taking our corporate responsibilities seriously.

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

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

3i is compliant with the Walker Guidelines on disclosure for private equity firms and their portfolio companies. More detailed information on 3i's approach to transparency can be found in our online Reporting centre.

In this section, we provide commentary and detailed information on the Group's two key non-financial performance measures – our employee engagement and direct environmental impact. Many other aspects of how we manage our CR, the roles and responsibilities, staff training and diversity, health and safety, procurement etc, are covered in detail in the CR section of www.3igroup.com and in the full CR report in our online Reporting centre.

Employee engagement

Employee survey

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

Following last year's web-based survey, a comprehensive telephone poll survey was conducted this year by Ipsos MORI, which was open to all staff. It was conducted in January and February 2010. The previous comprehensive survey was held in 2008.

The response rate for the 2010 survey was high with 96% of employees participating in the survey, significantly greater than last year's web-based poll in 2009 (56%). 3i's web-based polls traditionally achieve lower response rates than telephone surveys (2008: 92%). The 2010 poll was conducted following a highly turbulent time in our markets and for the company, with staff numbers falling from 739 at 31 March 2008 to 488 at 31 March 2010.

The results for this key non-financial performance measure were encouraging in that the overall employee engagement score was stable at 74% (2008: 83%) over the previous year. Advocacy, which has traditionally been high at 3i, remained so at 82%, although it was lower than in 2008 (90%). 81% of staff taking part said that they were proud to work for 3i. The survey also highlighted some areas for improvement, including the communication of strategy and organisational change. The results of the survey were communicated to staff in March 2010 and a number of actions have been taken as a result.

Environment

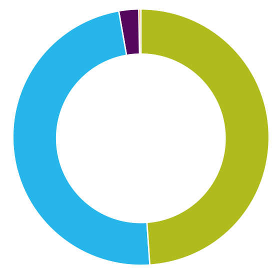
As a financial services business employing less than 500 employees' world-wide, 3i's direct environmental impact is relatively low.

Our environmental priorities are carbon emissions and waste. In 2007, the Board set an objective to be carbon neutral by 2010. To achieve this we have improved the measurement and modelling of our carbon emissions, reduced the energy intensity of our operations and invested in carbon offsets. We have chosen to offset our emissions by purchasing European Union Emissions Allowances and retiring them via UK Government assured offsetting.

In 2009/10, we worked with a specialist adviser, the Edinburgh Centre for Carbon Management (ECCM), to evaluate our greenhouse gas emissions. We also refined our modelling to include updated UK government CO_2 equivalent (CO_2e) emissions factors, most notably the CO_2 factor for UK grid electricity generation. This information has improved our understanding, control and reporting of emissions.

3i global operations –
Breakdown of emissions by source (%)

Premises	49.0
Business travel	48.3
Company owned vehicles	2.6
Other	0.1



Reported emissions for the year to 31 March 2010 were 15% lower than the previous year at 7232 CO_2e (t/yr).This decrease is largely explained by our work in this area, particularly reducing energy usage and improving our data capture techniques. The climate change impact assessment table outlines this amount as a percentage of each emission type.

In the forthcoming year, we will continue to endeavour to reduce our energy use and have set targets to help us achieve this which can be found on 3i's CR pages at www.3igroup.com.

Results of the 2010 employee survey

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

Highlights

- A response rate of 96%
- An employee engagement score of 74%
- 81% of staff are proud to work for 3i
- High employee advocacy, with 82% of those surveyed saying they would speak highly of 3i
- High commitment to helping 3i achieve its objectives (94%)

Areas for improvement

- As with any survey of this nature, there were a number of detailed or specific issues relating to particular parts of the business
- Only 57% of employees feel valued and recognised for the work that they do
- Qualitative feedback also suggested that there was room to improve communication of strategy

Action

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

Governance

Profiles of our Board and Management Committee, statutory and corporate governance information, together with our Directors' remuneration report.

Board of Directors and Management Committee

Baroness Hogg Chairman
Chairman since 2002 and a non-executive Director since 1997. Chairman of the Financial Reporting Council, Senior Adviser to the Financial Services Authority and Member of the Takeover Panel. Chairman of Frontier Economics Limited and Senior Independent Director of BG Group plc. From 1995 to 2002 Chairman of Foreign & Colonial Smaller Companies PLC. From 2003 to 2006 Deputy Chairman of GKN plc. Formerly Head of the Prime Minister's Policy Unit.

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

Julia Wilson Group Finance Director
Group Finance Director and member of the Management Committee since 2008. Joined 3i in 2006 as Deputy Finance Director, with responsibility for the Group's finance, taxation and treasury functions. Previously Group Director of Corporate Finance at Cable & Wireless plc. During her absence on maternity leave from April 2009 to March 2010 her major responsibilities were managed by Stephen Halliwell, Chief Financial Officer of the Group's infrastructure business, and by Ian Nolan.

Non-Executive Directors

John Allan
Non-executive Director since September 2009. Chairman of DSG International since September 2009. A non-executive Director of ISS A/S and National Grid plc and a member of the University of Edinburgh Campaign Board. Formerly CFO of Deutsche Post, having been appointed to the Management Board following its acquisition of Exel plc in December 2005 where he had been Chief Executive since 1994. Formerly Chairman of Samsonite Corporation and a non-executive Director of PHS Group plc, Wolseley plc, Hamleys plc and Connell plc.

Alistair Cox
Non-executive Director since October 2009. Chief Executive of Hays plc. Formerly Chief Executive of Xansa plc from 2002 to 2007, and Regional President of Asia and Group Strategy Director at Lafarge (formerly Blue Circle Industries) between 1994 and 2002.

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

Willem Mesdag
Non-executive Director since 2007. Managing Partner of Red Mountain Capital Partners LLC. Formerly a Partner and Managing Director of Goldman, Sachs & Co.

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

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


Baroness Hogg


John Allan


Willem Mesdag


Michael Queen


Alistair Cox


Christine Morin-Postel


Julia Wilson


Richard Meddings


Robert Swannell

Management Committee

Kevin Dunn
General Counsel and Company Secretary responsible for 3i's legal, compliance, internal audit, human resources and company secretarial functions. A member of the Management Committee since joining 3i in 2007. Formerly a Senior Managing Director, running GE's European Leveraged Finance business after serving as European General Counsel for GE. Prior to GE, was a partner at the law firms Travers Smith and Latham & Watkins.

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

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

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

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

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

Board Committees

Audit and Compliance Committee
- Robert Swannell (Chairman)
- John Allan
- Alistair Cox
- Richard Meddings
- Christine Morin-Postel

Remuneration Committee
- John Allan (Chairman)
- Baroness Hogg
- Willem Mesdag
- Christine Morin-Postel

Nominations Committee
- Baroness Hogg (Chairman)
- John Allan
- Alistair Cox
- Richard Meddings
- Willem Mesdag
- Christine Morin-Postel
- Michael Queen
- Robert Swannell

Valuations Committee
- Baroness Hogg (Chairman)
- Willem Mesdag
- Michael Queen
- Robert Swannell
- Julia Wilson


Kevin Dunn


Bob Stefanowski


Ian Nolan


Paul Waller


Stephen Halliwell
During Julia Wilson's maternity leave in the year many of her responsibilities were managed by Stephen Halliwell, who has been Chief Financial Officer for 3i's infrastructure investment business since 2007, responsible for its operational, financial and reporting requirements. Previously Head of Financial Planning and Analysis in the Group's Finance function. Joined 3i in 1998.


Jonathan Russell


Guy Zarzavatdjian

Statutory and corporate governance information

This section of the Directors' report contains statutory and corporate governance information for the year to 31 March 2010 ("the year").

Principal activity

3i Group plc is an international investor focused on buyouts, growth capital and infrastructure, investing in Europe, Asia and North America. The principal activity of the Company and its subsidiaries ("the Group") is investment.

Group investment policy

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

- 3i is an investment company which aims to provide its shareholders with quoted access to private equity returns. Currently, its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds across Europe, Asia and North America. The geographies, economic sectors, funds and asset classes in which 3i invests continue to evolve as opportunities are identified. Proposed investments are assessed individually and all significant investments require approval from the Group's Investment Committee. Overall investment targets are subject to periodic reviews and the investment portfolio is also reviewed to monitor exposure to specific geographies, economic sectors and asset classes.
- 3i seeks to diversify risk through significant dispersion of investments by geography, economic sector, asset class and size as well as through the maturity profile of its investment portfolio. In addition, although 3i does not set maximum exposure limits for asset allocations, no more than 15% by value of 3i's portfolio can be held in a single investment.
- Investments are generally funded with a mixture of debt and shareholders' funds with a view to maximising returns to shareholders, whilst maintaining a strong capital base. 3i's gearing depends not only on its level of debt, but also on the impact of market movements and other factors on the value of its investments. The Board takes this into account when, as required, it sets a precise maximum level of gearing. The Board has therefore set the maximum level of gearing at 150% and has set no minimum level of gearing. If the gearing ratio should exceed the 150% maximum limit, the Board will take steps to reduce the gearing ratio to below that limit as soon as practicable thereafter. 3i is committed to achieving balance sheet efficiency.

When the Company published its investment policy in its Annual Report and accounts for the year to 31 March 2009, the Board also stated that it would reconsider the appropriateness of the previously stated optimum gearing ratio range of 30% to 40% across the cycle in light of the then occurring dislocation in the debt markets and the substantial changes in the pricing and availability of debt finance.

The Board has decided that in current circumstances it is appropriate to adopt a more conservative financing structure. The Board recognises the current need to manage liquidity and gross and net debt levels on a conservative basis such that the Company should be well-placed to deal with external events, take advantage of opportunities and manage its investment and divestment activities in a flexible manner. The Board has decided that net debt should not exceed £1 billion in the next three years and may at times be significantly below this limit. As a consequence, during that period, gearing, which is a function of both net debt and asset values, is expected to be in the range of 0%–30%. It should be noted that (subject always to the formal gearing limit in the Company's investment policy statement set out above) the actual gearing level at any point in time will fluctuate since it is a function of, among other things, asset valuations and the timing of investment and realisation cash flows. The Board anticipates that the Company may be in a net cash position during certain periods (for example during periods of high valuations where realisations might be expected to exceed investment) but may have net debt in other periods (for example where valuations are relatively low or after periods of low return flows).

Tax and investment company status

The Company is an investment company as defined by section 833 of the Companies Act 2006. HM Revenue & Customs has approved the Company as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the financial period to 31 March 2009. Since that date the Company has directed its affairs to enable it to continue to be so approved.

Regulation

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

Management arrangements

3i Investments plc acts as investment manager to the Company and certain of its subsidiaries. Contracts for these investment management and other services, for which regulatory authorisation is required, provide for fees based on the work done and costs incurred in providing such services. These contracts may be terminated by either party on reasonable notice.

3i plc provides the Group with certain corporate and administrative services, for which no regulatory authorisation is required, under contracts which provide for fees based on the work done and costs incurred in providing such services together with a performance fee based on realised profits on the sale of assets.

Results and dividends

Total recognised income and expense for the year was £407 million (2009: £(2,150) million). An interim dividend of 1.0p per ordinary share in respect of the year to 31 March 2010 was paid on 13 January 2010. The Directors recommend a final dividend of 2.0p per ordinary share be paid in respect of the year to 31 March 2010 to shareholders on the Register at the close of business on 18 June 2010.

The trustee of The 3i Group Employee Trust ("the Employee Trust") has waived (subject to certain minor exceptions) dividends declared by the Company after 26 May 1994 on shares held by the Employee Trust.

Business review

The Group's development during the year to 31 March 2010, its position at that date and the Group's likely future development are detailed in the Chairman's statement on page 5, the Chief Executive's statement on pages 8 to 10 and the Business review on pages 11 to 44.

Share capital

The issued share capital of the Company as at 31 March 2010 comprised 970,381,476 ordinary shares of $73^{19}/_{22}$p each and 4,635,018 B shares (cumulative preference shares of 1p each), which represented 99.99% and 0.01% respectively of the nominal value of the Company's issued share capital. During the year, the issued share capital of the Company altered as set out below.

Ordinary shares

The issued ordinary share capital of the Company as at 1 April 2009 was 383,970,880 ordinary shares. During the year to 31 March 2010 this increased by 586,410,596 ordinary shares as a result of the Company's rights issue, the issue of shares to the trustee of the 3i Group Share Incentive Plan, the issue of shares in connection with the Employee Share Investment Plan and the issue of shares in connection with the 3i Quoted Private Equity plc acquisition.

At the Annual General Meeting ("AGM") on 8 July 2009, the Directors were authorised to repurchase up to 96,000,000 ordinary shares in the Company (representing approximately 22.8% of the Company's issued ordinary share capital as at 8 May 2009) until the Company's AGM in 2010 or 7 October 2010, if earlier. This authority was not exercised in the year to 31 March 2010.

B shares

The issued B share capital of the Company as at 1 April 2009 was 9,305,993 B shares. No new B shares were issued in the year to 31 March 2010. At the AGM on 8 July 2009, the Directors were authorised to repurchase up to 9,305,993 B shares in the Company until the Company's AGM in 2010 or 7 October 2010, if earlier. In the year to 31 March 2010, the Company repurchased and cancelled 4,670,975 B shares (representing 0.01% of the nominal value of the Company's total called-up share capital as at 1 April 2010) pursuant to this authority for £5,932,138.

Directors' interests

In accordance with FSA Listing Rule 9.8.6(R)(1), Directors' interests in the shares of the Company (in respect of which transactions are notifiable to the Company under FSA Disclosure and Transparency Rule 3.1.2(R)) as at 31 March 2010 are shown below:

	Ordinary shares	B shares
Baroness Hogg	83,328	0
J M Allan	933	0
A R Cox	800	0
R H Meddings	14,360	0
W Mesdag	115,885	0
C J M Morin-Postel	19,851	0
M J Queen	1,266,012	6,227
R W A Swannell	36,685	0
J S Wilson	45,877	1,038

The share interests shown for Mr M J Queen and Mrs J S Wilson include shares held in the 3i Group Share Incentive Plan (see the table on page 86) and share bonus awards under the 3i Group Deferred Bonus Plan. The share interests shown exclude share option, performance share and super-performance share awards detailed in the Directors' remuneration report. From 1 April 2010 to 1 May 2010, Mr M J Queen and Mrs J S Wilson became interested in an additional 138 ordinary shares each and there were no other changes to Directors' share interests.

Major interests in ordinary shares

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules) as at 31 March 2010 and 1 May 2010:

	As at 31 March 2010	% of issued share capital	As at 1 May 2010	% of issued share capital	Nature of holding
Ameriprise Financial, Inc. and its group	22,069,504	5.24	22,069,504	5.24	Direct and indirect
AXA S.A. and its group	15,580,556	4.06	15,580,556	4.06	Direct and indirect
BlackRock, Inc.	146,283,947	15.08	146,283,947	15.08	See Note 1 below
Deutsche Bank AG	36,145,173	3.72	36,145,173	3.72	See Note 2 below
Lloyds Banking Group Plc	20,160,720	4.78	20,160,720	4.78	Direct and indirect
Legal & General Group plc and/or its subsidiaries	38,620,595	3.98	38,620,595	3.98	Direct
Schroders Plc	48,480,507	4.99	48,553,167	5.00	Indirect
Standard Life Investments plc	50,093,084	5.16	50,093,084	5.16	Direct and indirect
The Goldman Sachs Group, Inc	22,865,000	5.97	22,865,000	5.97	Indirect

1 Indirect, and Financial Instruments with similar economic effect to Qualifying Financial Instruments.
2 Direct, and Qualifying Financial Instruments.

Rights and restrictions attaching to shares

A summary of the rights and restrictions attaching to shares as at 31 March 2010 is set out below.

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

The 2010 Notice of AGM contains a special resolution proposing the adoption of new Articles of Association. If this resolution is passed, the rights and restrictions attaching to shares will be altered as set out in the form of Articles of Association submitted to the AGM. A summary of the differences between the current and proposed Articles of Association is set out in the 2010 Notice of AGM.

Holders of ordinary shares and B shares enjoy the rights accorded to them under the Articles of Association of the Company and under the laws of England and Wales. Any share may be issued with or have attached to it such rights and restrictions as the Company by ordinary resolution or failing such resolution the Board may decide.

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company and to appoint proxies and, in the case of corporations, corporate representatives to attend, speak and vote at such meetings on their behalf. On a poll, holders of ordinary shares are entitled to one vote for each share held. Holders of ordinary shares are entitled to receive the Company's Annual Report and accounts, to receive such dividends and other distributions as may lawfully be paid or declared on such shares and, on any liquidation of the Company, to share in the surplus assets of the Company after satisfaction of the entitlements of the holders of the B shares or such other shares with preferred rights as may then be in issue.

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

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

There are no restrictions on the transfer of fully paid shares in the Company, save as follows. The Board may decline to register a transfer of uncertificated shares in the circumstances set out in the Uncertificated Securities Regulations or where a transfer is to more than four joint holders. The Board may decline to register any transfer of certificated shares which is not in respect of only one class of share, which is to more than four joint holders, which is not accompanied by the certificate for the shares to which it relates, which is not duly stamped in circumstances where a duly stamped instrument is required, or where in accordance with section 794 of the Companies Act 2006 a notice (under section 793 of that Act) has been served by the Company on a shareholder who has then failed to give the information required within the specified time. In the latter circumstances the Company may make the relevant shares subject to certain restrictions (including in respect of the ability to exercise voting rights, to transfer the shares validly and, except in the case of a liquidation, to receive the payment of sums due from the Company). Since 14 July 2009 the Company has been entitled to appoint a person to execute a transfer on behalf of all holders of B shares in acceptance of an offer, paying the holders such amount as they would have been entitled to on a winding-up of the Company.

There are no shares carrying special rights with regard to control of the Company. There are no restrictions placed on voting rights of fully paid shares, save where in accordance with Article 12 of the Company's Articles of Association a restriction notice has been served by the Company in respect of shares for failure to comply with statutory notices or where a transfer notice (as described below) has been served in respect of shares and has not yet been complied with.

In the circumstances specified in Article 38 of the Company's Articles of Association the Company may serve a transfer notice on holders of shares. The relevant circumstances relate to: (a) potential tax disadvantage to the Company, (b) the number of "United States Residents" who own or hold shares becoming 75 or more, or (c) the Company being required to be registered as an investment company under relevant US legislation. The notice would require the transfer of relevant shares and pending such transfer the rights and privileges attaching to those shares would be suspended.

To attend and vote at a Company general meeting a shareholder must be entered on the register of members at such time (not being earlier than 48 hours before the meeting) as stated in the notice of general meeting.

The Company is not aware of any agreements between holders of its securities that may restrict the transfer of shares or exercise of voting rights.

Debentures

As detailed in notes 19 and 20 on pages 117 and 118 respectively, as at 31 March 2010 the Company had in issue 3.625 per cent convertible bonds due 2011, Notes issued under the 3i Group plc £2,000 million Note Issuance Programme and Notes issued under the 3i Group plc €1,000 million Euro-Commercial Paper Programme.

Appointment and re-election of Directors

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, non-executive Directors are appointed for an initial period of three years. Before the third and sixth anniversaries of a non-executive Director's first appointment, the Director discusses with the Board whether it is appropriate for a further three year term to be served.

The Company's Articles of Association provide for:

(a) the minimum number of Directors to be two and the maximum to be 20, unless otherwise determined by the Company by ordinary resolution;

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

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

- (i) they have been appointed by the Board since the preceding AGM; or
- (ii) they held office during the two preceding AGMs but did not retire at either of them; or
- (iii) not being Chairman of the Board, they held non-executive office for a continuous period of nine years or more at the date of that AGM; and

(d) shareholders to have the power to remove any Director by special resolution.

Subject to the Company's Articles of Association, retiring Directors are eligible for reappointment. The office of Director shall be vacated if the Director resigns, becomes bankrupt or is prohibited by law from being a Director or where the Board so resolves following the Director suffering from mental ill-health or being absent from Board meetings for 12 months without the Board's permission.

Notwithstanding the provisions of the Articles of Association for the periodic retirement of Directors, in accordance with emerging best practice the Board has decided it would be appropriate for all Directors to submit to reappointment every year. Accordingly at the AGM to be held on 7 July 2010 all the Directors will retire from office at the Annual General Meeting as will Sir Adrian Montague who has been appointed a Director with effect from 1 June 2010. All these Directors, including Sir Adrian Montague, are eligible for, and, save for Baroness Hogg who is stepping down as Chairman at the conclusion of the Annual General Meeting, seek, reappointment.

The Board's recommendation for the reappointment of Directors is set out in the 2010 Notice of AGM.

Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association enable Directors to approve conflicts of interest and include other conflict of interest provisions. The Company has implemented processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

Directors' indemnities

As permitted by the Company's Articles of Association, the Company has maintained Qualifying Third-Party Indemnity Provisions (as defined under relevant legislation) for the benefit of the Company's Directors throughout the period.

Employment

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise.

The Group treats applicants and employees with disabilities equally and fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure access and support to job applicants who happen to be disabled and who respond to our request to inform the Company of any requirements. Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within the Group. The Group also provides financial support to disabled employees who are unable to work, as appropriate to local market conditions.

The Group's principal means of keeping in touch with the views of its employees are through employee appraisals, informal consultations, team briefings, and staff conferences and surveys. Managers throughout the Group have a continuing responsibility to keep their staff fully informed of developments and to communicate financial results and other matters of interest. This is achieved by structured communication including regular meetings of employees.

The Group has clear grievance and disciplinary procedures in place, which include comprehensive procedures on discrimination and the Group's equal opportunities policy. The Group also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all staff and their families in the UK.

There are clearly defined staff policies for pay and working conditions. The Group's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring relevant costs remain at an appropriate level.

The Group's remuneration policy is influenced by market conditions and practices in the countries in which it operates. All employees receive a base salary and are eligible for a performance-related bonus. Where appropriate, employees are eligible to participate in Group share schemes to encourage employees' involvement in the performance of the Group. Investment executives may also participate in co-investment plans and carried interest schemes, which allow executives to share directly in any future profits on investments. Employees participate in local state or company pension schemes as appropriate to local market conditions.

Charitable and political donations

Charitable donations made by the Group in the year to 31 March 2010 amounted to £407,490. Detail on these donations is provided in the full Corporate responsibility report, which can be found in the Additional information section of our Reporting centre and in the CR section of our Investor relations website, www.3igroup.com.

In line with Group policy, during the year to 31 March 2010 no donations were made to political parties or organisations, or independent election candidates, and no political expenditure was incurred.

Policy for paying creditors

The Group's policy is to pay suppliers in accordance with the terms and conditions of the relevant markets in which it operates. Expenses are paid on a timely basis in the ordinary course of business. The Company had no trade creditors outstanding at the year end. 3i plc had trade creditors outstanding at the year end representing on average 11.5 days' purchases.

Significant agreements

As at 31 March 2010 the Company was party to the following agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

(a) £486 million Revolving Credit Facility Agreement dated 20 September 2005, between 3i Holdings plc, Barclays Capital, Bayerische Landesbank, London branch, Dresdner Kleinwort Wasserstein Limited, HSBC Bank plc, Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Société Générale, UBS Limited, WestLB AG, London branch and the Company, in relation to the provision of a multi-currency revolving credit facility to 3i Holdings plc and the Company. Under this agreement, the Company would be required to notify Lloyds TSB Bank plc, in its capacity as agent for the banks, within five days of any change of control of the Company. Such notification would open a negotiation period of 50 days (from the date of the change of control) to determine whether the Majority Banks (as defined in the agreement) would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by the Majority Banks, amounts outstanding would be required to be repaid and the facility cancelled. If no such requirement was imposed by the Majority Banks, any dissenting bank could require amounts outstanding to it to be repaid and cease to participate in the facility;

(b) £300 million Revolving Credit Facility Agreement dated 15 July 2009, between the Company, 3i Holdings plc and Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Société Générale, Commerzbank AG, London Branch, Standard Chartered Bank, UBS Limited, Bank of Ireland and JPMorgan Chase Bank N.A., London Branch in relation to the provision of a multi-currency revolving credit facility to the Company and 3i Holdings plc. Under this agreement, the Company would be required to notify Lloyds TSB Bank plc in its capacity as agent for the banks, within five days of any change of control of the Company. Such notification would open a negotiation period of 20 days (from the date of the change of control) to determine whether the Majority Lenders (as defined in the agreement) would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by the Majority Lenders, amounts outstanding would be required to be repaid and the facility cancelled;

(c) £100 million Revolving Credit Facility Agreement dated 17 September 2009, between the Company, 3i Holdings plc and Nordea Bank AB (publ) in relation to the provision of a multi-currency revolving credit facility to the Company and 3i Holdings plc. Under this agreement, the Company would be required to notify Nordea Bank AB (publ) within five days of any change of control of the Company. Such notification would open a negotiation period of 20 days (from the date of the change of control) to determine whether Nordea Bank AB (publ) would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by Nordea Bank AB (publ), amounts outstanding would be required to be repaid and the facility cancelled;

(d) £200 million Revolving Credit Facility Agreement dated 4 November 2009, between the Company, 3i Holdings plc and Lloyds TSB Bank plc in relation to the provision of a multi-currency term and revolving credit facility to the Company and 3i Holdings plc. Under this agreement, the Company would be required to notify Lloyds TSB Bank plc within five days of any change of control of the Company. Such notification would open a negotiation period of 20 days (from the date of the change of control) to determine whether Lloyds TSB Bank plc would be willing to continue to make available the facility and, if so, on what terms. Failing agreement and if so required by Lloyds TSB Bank plc, amounts outstanding would be required to be repaid and the facility cancelled;

(e) Limited Partnership Agreements dated 12 July 2006, between 3i EFV GP Limited, 3i Europartners V Verwaltungs GmbH & Co. KG, the Company and other investors from time to time in relation to the formation of partnerships to carry on the business of investing as the fund known as 3i Eurofund V. Under these agreements, the manager, 3i Investments plc, would be required to notify the investors of any change of control of the Company. If such a change of control occurs before the end of the relevant investment period, the manager's powers to make new investments on behalf of the partnerships would be suspended unless the investors had given consent before the change of control occurred. Where suspension occurs, the investors may consent at any time before the end of the investment period to the resumption of the manager's powers;

(f) Limited Partnership Agreements dated 24 March 2010, between 3i GC GP Limited, the Company, other 3i entities and other investors from time to time in relation to the formation of partnerships to carry on the business of investing as the fund known as 3i Growth Capital Fund. Under these agreements, the manager, 3i Investments plc, would be required to notify the investors of any change of control of the Company. If such a change of control occurs before the end of the relevant investment period, the manager's powers to make new investments on behalf of the partnerships would be suspended unless the investors had given consent before the change of control occurred. Where suspension occurs, the investors may consent at any time before the end of the investment period to the resumption of the manager's powers; and

(g) 3i Group plc £430,000,000 3.625 per cent convertible bonds due 2011 (the "bonds"). Condition 6 of the terms and conditions of the bonds sets out the conversion rights of the holders of the bonds and the calculation of the conversion price payable. The conversion price will decrease if a "Relevant Event" occurs. Condition 6(b)(x) sets out the definition of Relevant Event and the consequential adjustment to the conversion price. In summary, a Relevant Event occurs if an offer is made to all (or as nearly as may be practicable all) shareholders to acquire all or a majority of the issued shares of the Company or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme (as defined)) and (such offer or scheme having become unconditional in all respects) the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become unconditionally vested in the offeror and/or an associate (as defined) of the offeror. Condition 7(d) of the terms and conditions of the bonds gives bondholders an early redemption option (early repayment at face value plus accrued interest) upon a Relevant Event occurring.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards which have been adopted by the European Union.

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

(a) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;

(d) state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and

(e) make judgements and estimates that are reasonable and prudent.

The Directors have a responsibility for ensuring that proper accounting records are kept which are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In accordance with the FSA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors of the Company and their functions are listed on pages 64 and 65.

Going concern

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2010.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review section. The financial position of the Group, its capital structure, gearing and liquidity positions are described in the Financial review section. The Group's policies on risk management, including treasury and funding risks, are contained in the Risk section. Further details are contained in the financial statements and notes including, in particular, details on financial risk management and derivative financial instruments.

The Directors believe that the Group is well placed to manage its business risks successfully despite the continuing uncertain economic outlook. The Directors have considered the uncertainties inherent in current and expected future market conditions and their possible impact upon the financial performance of the Group. After consideration, the Directors are satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and accounts.

Audit information

Pursuant to section 418(2) of the Companies Act 2006, each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Appointment of auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Ernst & Young LLP as the Company's auditors will be put to members at the forthcoming AGM.

By order of the Board

K J Dunn Company Secretary
12 May 2010

Registered Office:
16 Palace Street, London, SW1E 5JD

Corporate governance statement

Corporate governance

Throughout the year, the Company complied with the provisions of section 1 of the Combined Code on corporate governance published by the Financial Reporting Council in June 2008.

The Company's approach to corporate governance

The Company has a policy of seeking to comply with established best practice in the field of corporate governance. The Board has adopted core values and global policies which set out the behaviour expected of staff in their dealings with shareholders, customers, colleagues, suppliers and others who engage with the Company. One of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business.

The Board's responsibilities and processes

The Board is responsible to shareholders for the overall management of the Group and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles of Association and any directions given by special resolution of the shareholders. The Articles of Association empower the Board to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company on such terms as the Board may decide. The Articles of Association empower the Board to issue and buy-back shares, which powers are exercisable in accordance with authorities approved from time to time by shareholders in general meeting.

At the AGM in July 2009, shareholders renewed the Board's authority to allot ordinary shares and to buy-back ordinary shares on behalf of the Company subject to certain limits. At the AGM in July 2009, shareholders authorised the Board to buy-back B shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2010 AGM are set out in the 2010 Notice of AGM.

The Articles of Association also specifically empower the Board to exercise the Company's powers to borrow money and to mortgage or charge the Company's assets and any uncalled capital and to issue debentures and other securities.

The Board determines matters including financial strategy and planning and takes major business decisions. The Board has put in place an organisational structure. This is further described under the heading "internal control".

Attendance at Board and Committee Meetings

The table below shows the number of scheduled meetings attended by Directors during the year to 31 March 2010 and, in brackets, the number of meetings they were eligible to attend. In addition to these meetings a small number of ad hoc meetings were held to discuss specific items as they arose.

Name	Board	Audit and Compliance Committee	Nomination Committee	Remuneration Committee	Valuations Committee
Total meetings held	6	4	2	7	3
Number attended:					
Baroness Hogg	6(6)	–	2(2)	7(7)	3(3)
M J Queen	6(6)	–	2(2)	–	3(3)
J M Allan[1]	4(4)	2(2)	1(1)	3(3)	–
A R Cox[2]	3(3)	2(2)	1(1)	–	–
R H Meddings	6(6)	4(4)	1(2)	–	–
W Mesdag[3]	6(6)	–	1(2)	7(7)	1(1)
C J M Morin-Postel	6(6)	4(4)	1(2)	7(7)	–
Lord Smith of Kelvin[4]	2(3)	1(2)	0(1)	4(4)	–
O H J Stocken[5]	4(4)	–	0(1)	–	2(2)
R W A Swannell	6(6)	4(4)	2(2)	–	3(3)
J S Wilson[6]	2(2)	–	–	–	–

1 Appointed to the Board on 1 September 2009 and to Remuneration Committee, Nominations Committee and Audit and Compliance Committee on 1 October 2009.
2 Appointed to the Board and Nominations Committee on 1 October 2009 and to Audit and Compliance Committee on 1 November 2009.
3 Appointed to Valuations Committee on 1 January 2010.
4 Retired on 31 October 2009.
5 Retired on 31 December 2009.
6 On leave of absence for maternity from 7 April 2009 to 1 March 2010.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved to it and its duly authorised Committees for decision. These include:

- approval of the Group's overall strategy, strategic plan and annual operating budget;
- approval of the Company's half-yearly and annual financial statements and changes in the Group's accounting policies or practices;
- changes relating to the capital structure of the Company or its regulated status;
- major capital projects;
- major changes in the nature of business operations;
- investments and divestments in the ordinary course of business above certain limits set by the Board from time to time;
- adequacy of internal control systems;
- appointments to the Board and Management Committee;
- principal terms and conditions of employment of members of Management Committee; and
- changes in employee share schemes and other long-term incentive schemes.

Matters delegated by the Board to management include implementation of the Board approved strategy, day-to-day operation of the business, the appointment and remuneration of all executives below Management Committee and the formulation and execution of risk management policies and practices.

A succession and contingency plan for executive leadership is prepared by management and reviewed periodically by the Board. The purpose of this plan is to identify suitable candidates for succession to key senior management positions, agree their training and development needs, and ensure the necessary human resources are in place for the Company to meet its objectives.

Meetings of the Board

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

- the strategic plan, budget and financial resources;
- the Group's capital structure, including the Company's rights issue;
- regular reports from the Chief Executive;
- the recommendations of the Valuations Committee on valuations of investments;
- the Board's risk appetite and risk tolerance;
- the business model and its application by different business lines; and
- independence of non-executive Directors.

Information

Reports and papers are circulated to the Directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

Performance evaluation

During the year, the Board conducted its annual evaluation of its own performance and that of its committees and individual Directors. The evaluation was externally facilitated by The Zygos Partnership and the results of the process formally reported to the Board.

The Board performance evaluation included consideration of the overall functioning of the Board including strategic planning, risk management processes, Board balance and succession issues including the criteria for identifying a successor to the Chairman, who had announced her intention to retire during 2010. The evaluation found a strong correlation of views on the topics considered and clearly shared goals between the executive and non-executive Directors. The Board continued to identify areas where its working practices could be developed further.

In his role as Senior Independent Director, Mr R W A Swannell led a review by the Directors of the performance of the Chairman and subsequently reported back to the Board.

The roles of the Chairman, Chief Executive and Senior Independent Director

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined and has been approved by the Board.

The Chairman

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and constructive relations between executive and non-executive Directors. The Chairman ensures that regular reports from the Company's brokers are circulated to the non-executive Directors to enable non-executive Directors to remain aware of shareholders' views. The Chairman ensures effective communication with the Company's shareholders.

The Chief Executive

The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive has formed a committee called Management Committee to enable him to carry out the responsibilities delegated to him by the Board. The Committee comprises the executive Directors, Mr K J Dunn, Mr I M Nolan, Mr J B C Russell, Mr R Stefanowski, Mr P Waller, and Mr G A R Zarzavatdjian. The Committee meets on a regular basis to consider operational matters and the implementation of the Group's strategy.

Senior Independent Director

Throughout the year Mr R W A Swannell served as Senior Independent Director, to whom, in accordance with the Combined Code, concerns were able to be conveyed.

Directors

The Board comprises the Chairman, six independent non-executive Directors and two executive Directors. Biographical details for each of the Directors are set out on page 64. Baroness Hogg (Chairman), Mr R H Meddings, Mr W Mesdag, Mme C J M Morin-Postel, Mr M J Queen, Mr R W A Swannell and Mrs J S Wilson served throughout the period under review. Mr J M Allan and Mr A R Cox served as Directors from 1 September 2009 and 1 October 2009 respectively. Lord Smith of Kelvin and Mr O H J Stocken served as Directors until 31 October 2009 and 31 December 2009 respectively.

In addition to fulfilling their legal responsibilities as Directors, non-executive Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct, and to help the Board provide the Company with effective leadership. They are also expected to ensure high standards of financial probity on the part of the Company and to monitor the effectiveness of the executive Directors.

The Board's discussions, and its approval of the Group's strategic plan and annual budget, provide the non-executive Directors with the opportunity to contribute to and validate management's plans and assist in the development of strategy. The non-executive Directors receive regular management accounts, reports and information which enable them to scrutinise the Company's and management's performance against agreed objectives.

Directors' independence

All the non-executive Directors (other than the Chairman, who was independent on appointment) were considered by the Board to be independent for the purposes of the Combined Code in the year to 31 March 2010 with the exception of Mr O H J Stocken who served as a Director until 31 December 2009 and who was considered non-independent having served as a non-executive Director for in excess of nine years.

The Board assesses and reviews the independence of each of the non-executive Directors at least annually, having regard to the potential relevance and materiality of a Director's interests and relationships rather than applying rigid criteria in a mechanistic manner. No Director was materially interested in any contract or arrangement subsisting during or at the end of the financial period that was significant in relation to the business of the Company.

Directors' employment contracts

Details of executive Directors' employment contracts are set out in the Directors' remuneration report on page 87.

Training and development

The Company has developed a training policy which provides a framework within which training for Directors is planned with the objective of ensuring Directors understand the duties and responsibilities of being a director of a listed company. All Directors are required to update their skills and maintain their familiarity with the Company and its business continually. Presentations on different aspects of the Company's business are made regularly to the Board. On appointment, all non-executive Directors have discussions with the Chairman and the Chief Executive following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged. The Company provides opportunities for non-executive Directors to obtain a thorough understanding of the Company's business by meeting members of the senior management team who in turn arrange, as required, visits to investment or support teams.

The Company has procedures for Directors to take independent legal or other professional advice about the performance of their duties.

The Board's committees

The Board is assisted by various standing committees of the Board which report regularly to the Board. The membership of these committees is regularly reviewed by the Board. When considering committee membership and chairmanship, the Board aims to ensure that undue reliance is not placed on particular Directors.

These committees all have clearly defined terms of reference which are available at www.3igroup.com. The terms of reference of the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee provide that no one other than the particular committee chairman and members may attend a meeting unless invited to attend by the relevant committee.

Audit and Compliance Committee

The Audit and Compliance Committee comprises Mr R W A Swannell (Chairman), Mr J M Allan, Mr A R Cox, Mr R H Meddings, and Mme C J M Morin-Postel, all of whom served throughout the period, save for Mr J M Allan and Mr A R Cox who served from 1 October 2009 and 1 November 2009 respectively. Lord Smith of Kelvin served as a member of the Committee until 31 October 2009. All the members of the Committee are independent non-executive Directors. The Board is satisfied that the Committee Chairman, Mr R W A Swannell, has recent and relevant financial experience.

During the year, the Committee:

– reviewed the effectiveness of the internal control environment of the Group and the Group's compliance with its regulatory requirements and received reports on bank covenants, third-party liabilities and off balance sheet liabilities;

– reviewed and recommended to the Board the accounting disclosures comprised in the half-yearly and annual financial statements of the Company and reviewed the scope of the annual external audit plan and the external audit findings;

– received the reports of the Valuations Committee on the valuation of the Group's investment assets;

– received regular reports from the Group's internal audit function, monitored its activities and effectiveness, and agreed the annual internal audit plan;

– received regular reports from the Group's regulatory compliance function and Group Risk Management Committee, and monitored their activities and effectiveness;

– oversaw the Company's relations with its external auditors including assessing auditor performance, independence and objectivity, recommending the auditors' reappointment and approving the auditors' fees; and

– met with the external auditors in the absence of management.

Remuneration Committee

The Remuneration Committee comprises Mr J M Allan (Chairman), Baroness Hogg, Mr W Mesdag and Mme C J M Morin-Postel, all of whom served throughout the period, save for Mr J M Allan who served from 1 October 2009. Lord Smith of Kelvin served as Chairman and member of the Committee until 31 October 2009. All the current members of the Committee are independent non-executive Directors, save for Baroness Hogg who was independent on appointment as Chairman of the Board.

Details of the work of the Remuneration Committee are set out in the Directors' remuneration report.

Nominations Committee

The Nominations Committee comprises Baroness Hogg (Chairman), Mr M J Queen, Mr J M Allan, Mr A R Cox, Mr R H Meddings, Mr W Mesdag, Mme C J M Morin-Postel and Mr R W A Swannell, all of whom served throughout the year, save for Mr J M Allan and Mr A R Cox who served from 1 October 2009. Lord Smith of Kelvin and Mr O H J Stocken served as members of the Committee until 31 October 2009 and 31 December 2009, respectively.

During the year, the Nominations Committee:

- established a sub-committee to consider candidates to succeed Baroness Hogg as Chairman;
- considered and recommended two candidates for appointment as non-executive Directors of the Company, being Mr J M Allan and Mr A R Cox; and
- considered the size, balance and composition of the Board.

A formal, rigorous and transparent process for the appointment of Directors has been established with the objective of identifying the skills and experience profile required of new Directors and identifying suitable candidates. The procedure includes the appraisal and selection of potential candidates, including (in the case of non-executive Directors) whether they have sufficient time to fulfil their roles. Specialist recruitment consultants assist the Committee to identify suitable candidates for appointment. The Committee's recommendations for appointment are put to the full Board for approval.

Valuations Committee

The Valuations Committee comprises Baroness Hogg (Chairman), Mr M J Queen, Mr W Mesdag, Mr R W A Swannell and Mrs J S Wilson, all of whom served throughout the year save for Mr W Mesdag who served from 1 January 2010. Mr O H J Stocken served as a member until 31 December 2009.

During the year, the Valuations Committee considered and made recommendations to the Audit and Compliance Committee on valuations of the Group's investments to be included in the half-yearly and annual financial statements of the Group and reviewed valuations policy and methodology.

The Company Secretary

All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board, through the Chairman, on governance matters. The Company's Articles of Association and the schedule of matters reserved to the Board or its duly authorised committees for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Relations with shareholders

The Board recognises the importance of maintaining a purposeful relationship with the Company's shareholders. The Chief Executive and the Finance Director, together with the Group Communications Director, meet with the Company's principal institutional shareholders to discuss relevant issues as they arise. The Chairman maintains a dialogue with shareholders on strategy, corporate governance and Directors' remuneration as required.

The Board receives reports from the Company's brokers on shareholder issues and non-executive Directors are invited to attend the Company's presentations to analysts and are offered the opportunity to meet shareholders.

The Company's major shareholders are offered the opportunity to meet newly-appointed non-executive Directors.

The Company also uses its AGM as an opportunity to communicate with its shareholders. At the Meeting, business presentations are generally made by the Chief Executive and the Finance Director. The Chairmen of the Remuneration, Audit and Compliance, and Nominations Committees are generally available to answer shareholders' questions.

During the year, at the invitation of the Chairman, the Company's major shareholders met with the Chairman, the Chairman of the Audit and Compliance Committee and the Company Secretary to discuss matters of corporate governance and corporate responsibility relevant to the Company and its shareholders.

The 2009 Notice of AGM was dispatched to shareholders not less than 20 working days before the Meeting. At that Meeting, voting on each resolution was taken on a poll and the poll results were made available on the Company's website.

Portfolio management and voting policy

In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources and contacts. In relation to quoted investments, the Group's policy is to exercise voting rights on matters affecting its interests.

Internal control

The Board is responsible for the Group's system of internal control and reviews its effectiveness at least annually. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Through the regular meetings of the Board and the schedule of matters reserved to the Board or its duly authorised committees for decision, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Board considers and approves a strategic plan regularly and approves a budget on an annual basis. In addition, there are established procedures and processes for planning and controlling expenditure and the making of investments. There are also information and reporting systems for monitoring the Group's businesses and their performance.

The Group Risk Management Committee is a management committee formed by the Chief Executive and its purpose is to review the business of the Group in order to ensure that business risk is considered, assessed and managed as an integral part of the business. There is an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place for the year to 31 March 2010 and up to the date of this report.

The Group Risk Management Committee's activities are supported by the activities of Treasury Management Committee as well as the Portfolio Risk Committee and Operational Risk Committee. Details of the risk management framework can be found in the Risk section on pages 51 to 56.

The overall internal control process is regularly reviewed by the Board and the Audit and Compliance Committee and complies with the internal control guidance for Directors on the Combined Code issued by the Turnbull Committee. The process established for the Group includes:

Policies

- core values and global policies together comprising the Group's high level principles and controls, with which all staff are expected to comply;
- manuals of policies and procedures, applicable to all business units, with procedures for reporting weaknesses and for monitoring corrective action;
- a code of business conduct, with procedures for reporting compliance therewith.

Processes

- appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities;
- a planning framework which incorporates a Board approved strategic plan, with objectives for each business unit;
- formal business risk reviews performed by management which evaluate the potential financial impact and likelihood of identified risks and possible new risk areas;
- the setting of control, mitigation and monitoring procedures and the review of actual occurrences, identifying lessons to be learnt;
- a comprehensive system of financial reporting to the Board, based on an annual budget with monthly reporting of actual results, analysis of variances, scrutiny of key performance measures including gearing and net debt levels, and regular re-forecasting;
- regular treasury reports to the Board, which analyse the funding requirements of each class of assets, track the generation and use of capital and the volume of liquidity, measure the Group's exposure to interest and exchange rate movements and record the level of compliance with the Group's funding objectives;
- a Group Compliance function whose role is to integrate regulatory compliance procedures and best practices into the Group's systems;
- well defined procedures governing the appraisal and approval of investments, including detailed investment and divestment approval procedures, incorporating appropriate levels of authority and regular post-investment reviews;

Verification

- an Internal Audit function which undertakes periodic examination of business units and processes and recommends improvements in controls to management;
- the external auditors who are engaged to express an opinion on the annual financial statements; and
- an Audit and Compliance Committee which considers significant control matters and receives reports from Internal Audit, the external auditors and Group Compliance on a regular basis.

The internal control system is monitored and supported by Internal Audit which operates on an international basis and reports to management and the Audit and Compliance Committee on the Group's operations. The work of Internal Audit is focused on the areas of greatest risk to the Group determined on the basis of the Group's risk management process.

The external auditors independently and objectively review the approach of management to reporting operating results and financial condition. In co-ordination with Internal Audit, they also review and test the system of internal financial control and the information contained in the annual financial statements to the extent necessary for expressing their opinion.

Auditors' independence and objectivity

Subject to annual appointment by shareholders, auditor performance is monitored on an ongoing basis and formally reviewed every five years, the last review being held during the year to 31 March 2009. Following this review the Audit and Compliance Committee concluded that Ernst & Young LLP's appointment as the Company's auditors should be continued.

The Audit and Compliance Committee recognises the importance of ensuring the independence and objectivity of the Company's auditors. It reviews the nature and extent of the services provided by them, the level of their fees and the element comprising non-audit fees.

The Audit and Compliance Committee Chairman is notified of all assignments allocated to Ernst & Young over a set threshold, other than those related to due diligence within the Group's investment process where the team engaged would be independent of the audit team. Safeguards have been put in place to reduce the likelihood of compromising auditor independence, including the following principles which are applied in respect of services provided by the auditors and other accounting firms and monitored by the Audit and Compliance Committee:

- services required to be undertaken by the auditors, which include regulatory returns, formalities relating to borrowings, shareholder and other circulars. This work is normally allocated directly to the auditors;
- services which it is most efficient for the auditors to provide. In this case, information relating to the service is largely derived from the Company's audited financial records; for example, corporate tax services. This work is normally allocated to the auditors subject to consideration of any impact on their independence; and
- services that could be provided by a number of firms including general consultancy work. All significant consultancy projects are normally put out to tender and work would be allocated to the auditors only if it did not present a potential threat to the independence of the audit team. Included in this category is due diligence work relating to the investment process. If this service were to be provided by the auditors, the specific team engaged would be independent of the audit team.

Details of the fees paid to the auditors are disclosed in note 6 to the financial statements on page 101.

Directors' remuneration report

Note: References in this report to "the year" relate to the financial year 1 April 2009 to 31 March 2010. References to "the current year" relate to the financial year 1 April 2010 to 31 March 2011.

Remuneration Committee

Remuneration Committee:

- during the year comprised Mr J M Allan (Committee Chairman and member from 1 November 2009), Baroness Hogg, Mr W Mesdag, Mme C J M Morin-Postel and Lord Smith of Kelvin (Committee Chairman and member until 31 October 2009), all of whom were independent non-executive Directors, save for Baroness Hogg (Chairman of the Board) who was independent on appointment; and
- has terms of reference which are available on the Company's website.

During the year, the Committee:

- held seven regular scheduled meetings (all of which were attended by all members of the Committee) to consider remuneration policy and to determine, on behalf of the Board, the specific remuneration packages and co-investment and carried interest arrangements for executive Directors and other members of Management Committee.

Assistance to the Committee:

The Committee was materially assisted with advice on Directors' remuneration in the year by Kepler Associates (external remuneration advisers appointed by the Committee) and Mr M J Queen (Chief Executive), who did not advise the Committee on his own remuneration. Kepler Associates did not provide any other services to the Group during the year.

Remuneration policy – overall framework

Chairman and non-executive Directors

Fees are reviewed regularly by the Board (or, in the case of the Chairman's fee, by the Committee) and are intended to be competitive with fees paid by FTSE 100 companies and FTSE 100 financial services companies of broadly similar size. The Chairman and non-executive Directors are not eligible for bonuses, long-term incentives, pensions or performance-related remuneration. No changes to remuneration policy for the Chairman and non-executive Directors are expected for the current or subsequent years.

Executive Directors

The Company's policy for executive Directors (being the Chief Executive and Finance Director only during the year) is that:

- remuneration and other benefits should be sufficient to attract, retain and motivate executives of the calibre required;
- variable remuneration linked to performance (currently comprising discretionary annual cash bonuses, deferred share bonuses and long-term incentives) is intended to form a substantial component of total remuneration; and
- remuneration for the Chief Executive and Finance Director should be competitive with FTSE 100 companies and FTSE 100 financial services companies of broadly similar size.

Whilst no changes to remuneration policy for executive Directors are currently planned for the current or subsequent financial years, the Committee is conscious that the Company operates in the private equity industry where remuneration and incentive arrangements often differ from those found in listed companies. As mentioned below the Committee intends to review executive Directors' long-term incentive arrangements during the course of the current year . The Committee has also revised the corporate performance indicators relating to bonuses to be used in the current year.

Share ownership

The Company's share ownership and retention policy requires executive Directors to build up over time, and thereafter maintain, a shareholding equivalent to at least 1.5 times salary in the Company's shares.

Remuneration policy – components of pay

Chairman and non-executive Directors

	Fees for 2009-10
Chairman fee	£260,000 plus 8,000 shares
Non-executive Directors:	
Board membership fee	£48,000 plus 1,600 shares
Deputy Chairman fee	£30,000
Senior Independent Director fee	£10,000
Committee fees*:	
Chairman	£20,000
Member	£3,000

*Fees are payable in respect of Audit and Compliance Committee and Remuneration Committee only.

Executive Directors

(a) Salaries

The Committee's remuneration advisers assist in reviewing salary benchmarks for the Chief Executive and Finance Director. When considering pay increases, the Committee is also sensitive to wider issues, including pay and employment conditions elsewhere in the Group.

In common with the vast majority of the Group's staff, the Chief Executive and Finance Director received no increases in their base salaries during the year.

(b) Bonuses

Framework:

– Executive Directors are eligible for non-pensionable discretionary annual bonuses.

– Target bonuses are determined by the Committee, expressed as a multiple of salary, together with a target split between cash and deferred shares.

– Maximum bonus payable is twice the target bonus.

– Awards are determined on the basis of corporate and personal performance. Bonuses above target are given only for outstanding performance.

– The Committee retains discretion to make adjustments to bonus arrangements in appropriate circumstances.

Bonus arrangements during the year were as follows:

– Target bonus in respect of the year for the Chief Executive was 125% of base salary and the maximum bonus was set at 250%.

– Target bonus for the Finance Director was 100% of base salary and the maximum bonus was set at 200%.

– Generally that part of any bonus which exceeds 100% of salary is receivable in shares deferred for two years.

– The indicators used as a guide to the corporate performance element for the year reflected the Company's short-term priorities and included the level of realisations, income (fees, dividends, interest), cost control, provisions, vintage year returns (for the last three years relative to the market) and net debt.

For the current year the performance indicators to be used as a guide to corporate performance will be based on operating expenses, together with cost efficiency, costs relative to assets under management, net carried interest, gross portfolio return, total return, gross debt, net debt, gearing and liquidity.

(c) Long-term incentives

Long-term incentive arrangements during the year for the Chief Executive and Finance Director consisted of share options and Performance Share awards under the 3i Group Discretionary Share Plan:

– Share options and/or Performance Share awards could be awarded based on factors including market practice, individual performance, the specific circumstances facing the Company and calculations of the fair values of awards.

– The annual maximum for an award of:

  (a) share options was an award with an aggregate exercise price of six times salary; and

  (b) Performance Shares was an award with an aggregate market value of three times salary.

– The combination of all share-based awards should not have a fair value of more than 2.5 times salary in any year. Fair values are calculated by the Committee's remuneration advisers.

– Options may normally be exercised from the third until the tenth anniversaries of grant and Performance Shares normally vest on the third anniversary of grant.

– Vesting is normally subject to an appropriate performance condition which is calculated over a three-year performance period. Performance conditions are regularly reviewed to determine whether they are appropriate to current market, commercial and Company-specific conditions.

The 10 year life of the Group's current share-based long-term incentive plan will expire in 2011 and accordingly the Committee plans during the current year to review future long-term incentive arrangements for executive Directors. Awards in the year to 31 March 2011 are intended to be made in accordance with the existing arrangements described above.

The Committee may also make grants of restricted shares, subject only to a forfeiture condition on departure from the Company within a specified period.

(d) Co-investment and carried interest plans

3i's co-investment and carried interest plans provide long-term incentives for senior executives other than the Chief Executive and Finance Director. The Chief Executive and Finance Director are not currently eligible to participate, although Mr Queen has retained certain interests acquired prior to his appointment as Chief Executive, details of which are provided on pages 87 and 88.

(e) Employee Share Investment Plan

As part of the arrangements for the Company's rights issue, the Committee approved an Employee Share Investment Plan to create alignment between employees and shareholders. The plan allowed employees who took up their rights and agreed to subscribe for additional shares at full market price to receive an award of matching shares, subject to a three year performance condition. Executive Directors were able to acquire shares in the Company at full market price but were not eligible to receive the award of matching shares.

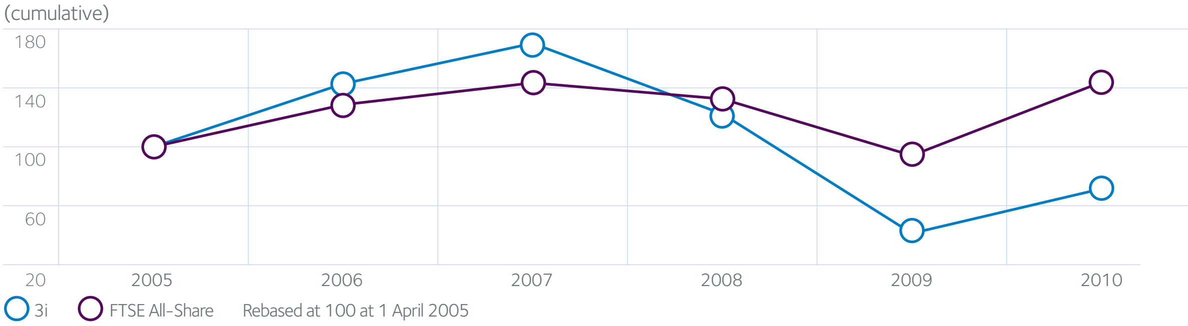
Performance graphs

1 TSR graph:

This graph compares the Company's total shareholder return ("3i TSR") for the five financial years to 31 March 2010 with the total shareholder return of the FTSE All-Share Index. The Directors consider that since the Company invests in a broad range of industrial and commercial sectors, this continues to be the most appropriate index against which to compare the Company's total shareholder return.

3i total shareholder return versus FTSE All-Share total return

(cumulative)

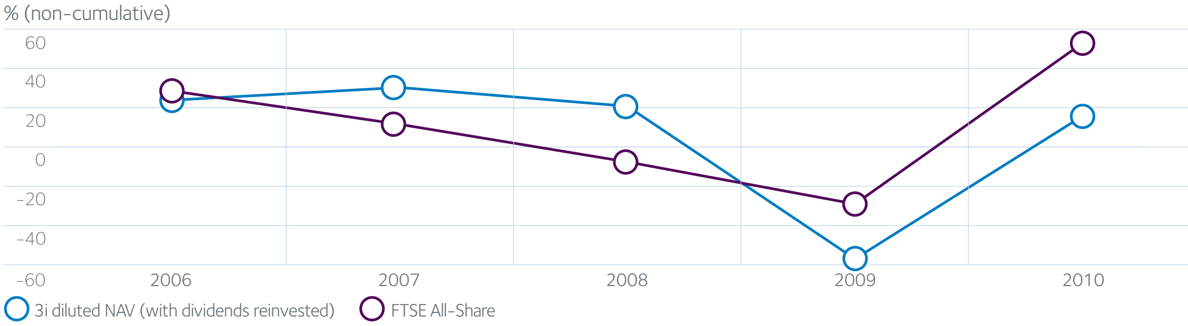


2 Diluted NAV graph:

This graph compares percentage changes in the Company's diluted net asset value ("NAV") per share over each of the last five financial years (with dividends reinvested) with the FTSE All-Share Index total return over the same periods. This has been included as NAV growth is one of the tests used in the Company's long-term incentive schemes. NAV prior to June 2009 has been adjusted to reflect the rights issue in June 2009.

3i diluted NAV versus FTSE All-Share total return

% (non-cumulative)



Directors' remuneration during the year

	Salary and fees £'000	Bonus for the year £'000	(note 1) Deferred share bonus £'000	(note 2) Benefits in kind £'000	(note 3) Award deferred from prior periods £'000	**Total remuneration year to 31 March 2010 £'000**	Total remuneration year to 31 March 2009 £'000
Executive Directors (note 5)							
M J Queen	570	550	481	2	375	**1,978**	1,252
J S Wilson	291	–	–	2	–	**293**	207
Chairman and non-executive Directors (note 7)							
Baroness Hogg	282	–	–	–	–	**282**	287
J M Allan (from 1 September 2009)	41	–	–	–	–	**41**	–
A R Cox (from 1 October 2009)	27	–	–	–	–	**27**	–
R H Meddings	55	–	–	–	–	**55**	32
W Mesdag	55	–	–	–	–	**55**	63
C J M Morin-Postel	58	–	–	–	–	**58**	60
R W A Swannell	82	–	–	–	–	**82**	71
Former Directors							
S P Ball (until 30 November 2008)	–	–	–	–	–	**–**	568
Lord Smith of Kelvin (until 30 October 2009)	44	–	–	–	–	**44**	75
F G Steingraber (until 9 July 2008)	–	–	–	–	–	**–**	17
O H J Stocken (until 31 December 2009) (note 6)	73	–	–	–	–	**73**	109
P E Yea (until 27 January 2009) (note 4)	–	–	–	–	–	**–**	927
Total	1,578	550	481	4	375	**2,988**	3,668

Notes:

1 Deferred share bonuses relating to the year to 31 March 2010 will be paid in ordinary shares in the Company, deferred for two years.

2 "Benefits in kind" were health insurance (Mr M J Queen and Mrs J S Wilson).

3 The £375,000 award shown for Mr M J Queen represented the exceptional payment deferred from 2007/08 described in note 2 on page 88 and paid in July 2009.

4 Amounts payable to former Directors were as follows: Mr P E Yea, £853,600 (comprising amounts payable post-cessation of employment in accordance with his employment contract) and Dr P Mihatsch, £35,414 (Chairman of the Company's German Advisory Board).

5 As at 31 March 2010, executive Directors' salaries were as follows: Mr M J Queen, £550,000 per annum and Mrs J S Wilson, £400,000 per annum. Mrs Wilson was on leave of absence for maternity during part of the year.

6 Fees for Mr O H J Stocken (to 31 December 2009) included £11,250 as Chairman of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan.

7 During the year, non-executive Directors took part of their basic fee in ordinary shares; for the Chairman this amounted to 8,000 shares and for non-executive Directors 1,600 shares (pro-rated for Directors who did not serve the full year). Figures in the table include the market value at the date of receipt in November 2009.

Share options over ordinary shares held by Directors during the year:

	Date of grant	Held at 1 April 2009	Granted during the year	Adjustment during the year (rights issue)	Lapsed during the year	Held at 31 March 2010	Exercise price £	Earliest normal exercise date	Expiry date
M J Queen	06.07.99	36,002	–	21,812	57,814	–	4.53	06.07.02	05.07.09
	28.06.00	30,795	–	18,657	–	49,452	8.56	28.06.03	27.06.10
	27.06.02	131,603	–	79,734	–	211,337	4.19	27.06.05	26.06.12
	25.06.03	57,218	–	34,666	–	91,884	3.54	25.06.06	24.06.13
	23.06.04	89,552	–	54,256	–	143,808	3.76	23.06.07	22.06.14
	21.06.05	44,733	–	27,102	–	71,835	4.32	21.06.08	20.06.15
	09.02.09	936,170	–	567,201	–	1,503,371*	2.18	31.03.12	08.02.19
	15.06.09	–	595,667	–	–	595,667	2.77	15.06.12	14.06.19
		1,326,073	595,667	803,428	57,814	2,667,354			
J S Wilson	11.01.06	13,113**	–	7,944	–	21,057	5.58	11.01.09	10.01.16
	14.06.06	8,433**	–	5,109	13,542	–	5.21	14.06.09	13.06.16
	18.06.07	21,303**	–	12,906	–	34,209	7.31	18.06.10	17.06.17
	23.06.08	26,537**	–	16,078	–	42,615	5.16	23.06.11	22.06.18
	12.11.08	249,739	–	151,310	–	401,049	2.99	12.11.11	11.11.18
	15.06.09	–	288,808	–	–	288,808	2.77	15.06.12	14.06.19
		319,125	288,808	193,347	13,542	787,738			

No options were exercised by Directors during the year.

The performance condition has not been met for those options shown in blue.

* The exercise price of these options was set approximately 50% above the market price at date of grant.
**Awarded before appointment as a Director.

Notes

1 Options granted before 1 April 2001 vested provided a performance condition was met over a rolling three-year period. This required adjusted net asset value per share (with dividends reinvested) at the end of the three-year period to equal or exceed the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

2 Options granted after 1 April 2001 vest subject to a performance condition, measured over a three-year performance period, relating to annual percentage compound growth in net asset value per share with dividends reinvested, relative to the annual percentage change in RPI, as shown below. For options granted after 31 March 2004 there is no opportunity for the performance condition to be retested after the three-year period. The Committee determines the fulfilment of performance conditions based on calculations independently reviewed by the Company's auditors.

Award granted	NAV growth required for minimum vesting	% vesting	NAV growth required for maximum vesting	% vesting	For NAV growth between minimum and maximum vesting levels
Since 31 March 2005	RPI + 3 percentage points	30%	RPI + 8 percentage points	100%	The grant vests pro rata
In year to 31 March 2005	RPI + 3 percentage points	50%	RPI + 8 percentage points	100%	The grant vests pro rata
Between 1 April 2001 and 31 March 2004	RPI + 5 percentage points	50%	RPI + 10 percentage points	100%	The grant vests pro rata

3 Fair values of awards granted in the year (calculated by the remuneration adviser using a Black-Scholes valuation) were as follows: Mr M J Queen, £280,500 and Mrs J S Wilson, £136,000. The fair value of the share options granted during the year was calculated as 17% of the market value at the date of grant of the shares under option.

4 The market price of ordinary shares in the Company at 31 March 2010 was 291.2p and the range during the period 1 April 2009 to 31 March 2010 (adjusted for the rights issue) was 310.7p to 175.5p. No gains were made by the highest paid Director (2009: nil) or by the Directors in aggregate (2009: nil).

5 As at 31 March 2010:

- 18.74 million ordinary shares had been issued or remained issuable in respect of executive (discretionary) schemes within the past 10 years. This was within the 5% dilution limit suggested by the Association of British Insurers.
- 20.89 million ordinary shares had been issued or remained issuable in respect of awards granted under "all employee" plans within the past 10 years. This was within the 10% dilution limit suggested by the Association of British Insurers.

6 Options granted before June 2009 were adjusted, in connection with the Company's nine for seven rights issue in June 2009, on the basis that option holders should be neither advantaged nor disadvantaged by the rights issue. The number of shares under option was increased by a factor of 1.605875 and the exercise price per share was reduced by a factor of 0.622713.

Performance and Super-performance Shares awards held by Directors during the year:

	Date of award	Held at 1 April 2009		Granted/Issued during the year		Adjustment during the year (rights issue)		Lapsed during the year		Held at 31 March 2010		Market price on date of grant £	Date of vesting
		Ord	B	Ord	B	Ord	B	Ord	B	Ord	B	Ord	
(a) Performance Shares													
M J Queen	06.02.09	702,127	–	–	–	425,401	–	–	–	1,127,528	–	2.35	06.02.12
	15.06.09	–	–	202,205	–	–	–	–	–	202,205	–	2.72	15.06.12
		702,127	–	202,205	–	425,401	–	–	–	1,329,733	–		
J S Wilson	23.06.08	46,988*	–	–	–	28,468	–	–	–	75,456	–	8.29	23.06.11
	12.11.08	124,869	–	–	–	75,655	–	–	–	200,524	–	4.81	12.11.11
	15.06.09	–	–	147,058	–	–	–	–	–	147,058	–	2.72	15.06.12
		171,857	–	147,058	–	104,123	–	–	–	423,038	–		
(b) Super-performance Shares													
M J Queen	29.11.06	70,175	113,518	–	–	–	–	70,175	113,518	–	–	9.69	29.11.11
		70,175	113,518	–	–	–	–	70,175	113,518	–	–		

No awards vested during the year.

*Awarded before appointment as a Director.

Notes

1 The fair values (calculated using a Monte Carlo simulation) of Performance Shares awards made in the year were as follows: Mr M J Queen, £242,000 and Mrs J S Wilson, £176,000. The fair value of the Performance Shares awarded during the year was calculated as 51% of the market value at the date of award of the shares subject to the award.

2 The performance condition relating to Performance Shares awards is based on a comparison of the growth in value of a shareholding in the Company over three years (averaged over a 60 day period) with the FTSE 100 Index (both with dividends reinvested), as below:

Growth in value for Company versus FTSE 100 (as described above)	% of award vesting
Below the FTSE 100	Zero
Same as the FTSE 100*	35%
8% p.a. above the FTSE 100*	100%

*Between these levels, awards vest pro rata.

3 The Super-performance Shares award shown above was subject to a particularly challenging performance condition and lapsed unvested during the year.

4 Awards granted before June 2009 were adjusted, in connection with the Company's nine for seven rights issue in June 2009, on the basis that award holders should be neither advantaged nor disadvantaged by the rights issue. The number of shares comprised in relevant awards was increased by a factor of 1.605875.

5 B shares comprised in the Super-performance Shares award shown above resulted from the bonus issue of B shares in 2007.

Share Incentive Plan

Participants in the HM Revenue & Customs approved Share Incentive Plan invest up to £125 per month from pre-tax salary in ordinary shares ("partnership shares"). For each partnership share the Company grants two free ordinary shares ("matching shares") which are normally forfeited if employment ceases (other than on retirement or other "qualifying reasons") within three years of grant. Dividends are reinvested in further ordinary shares ("dividend shares"). Directors' participation is shown below:

	Held at 1 April 2009: Partnership Shares		Held at 1 April 2009: Matching Shares		Held at 1 April 2009: Dividend Shares		Held at 31 March 2010: Partnership Shares		Held at 31 March 2010: Matching Shares		Held at 31 March 2010: Dividend Shares	
	Ord	B	Ord	B	Ord	B	Ord	B	Ord	B	Ord	B
M J Queen	1,282	1,527	2,562	3,082	415	490	1,830	975	3,658	1,998	435	20
J S Wilson	642	344	1,284	689	60	4	1,139	344	2,278	690	71	4

Notes
1 From 1 April 2010 to 1 May 2010, Mr M J Queen and Mrs J S Wilson each acquired a further 46 partnership ordinary shares and 92 matching ordinary shares.

2 Ordinary shares were awarded in the year at prices between 239.2p and 313.2p per share, with an average price of 273.7p per share.

3 B shares held within the plan result from the bonus issues of B shares in 2006 and 2007.

Pension arrangements

The Chief Executive and Finance Director were members of the 3i Group Pension Plan, a defined benefit contributory scheme, in the year to 31 March 2010. The Plan provides for a maximum pension of two-thirds of final pensionable salary (limited, in the case of members joining on or after 1 June 1989, to the plan earnings cap) on retirement. Further details of the Plan are set out in note 9 to the financial statements on pages 104 to 106.

	Age at 31 March 2010	Complete years of pensionable service at 31 March 2010	(note 1) Increase in accrued pension (excluding inflation) during the year to 31 March 2010 £'000 pa	(note 2) Total accrued pension at 31 March 2010 £'000 pa	Director's own contributions (excluding AVCs) paid into the Plan during the year to 31 March 2010 £'000 pa	(note 1) Increase in accrued pension (including inflation) during the year to 31 March 2010 £'000	(note 3) Transfer value of the accrued benefits at 31 March 2010 £'000	(note 3) Transfer value of the accrued benefits at 31 March 2009 £'000	Difference between transfer values at start and end of the accounting year, less Director's contribution £'000	Transfer value at the end of the year of the increase in accrued benefits during the years less Director's contribution £'000
M J Queen	48	22	10.7	242.7	20.0	10.7	4,395.7	3,926.3	449.4	170.3
J S Wilson	42	4	2.9	10.5	4.7	2.9	144.6	98.2	41.7	34.7

Notes
1 The increase in accrued pension shown reflects the difference between deferred pensions on leaving, payable from age 60.

2 The pensions shown are deferred pensions payable from the Normal Retirement Age of 60.

3 The transfer values have been calculated on the basis of actuarial advice in accordance with pensions regulations.

4 Additional voluntary contributions are excluded from the above table.

Directors' service contracts

The Chairman and the non-executive Directors hold office under the Company's Articles of Association and do not have service contracts. Their appointment letters provide that there is no entitlement to compensation or other benefits on ceasing to be a Director.

The main terms of the service contracts of the executive Directors who served in the year are as follows:

Dates of contracts	Mr M J Queen: 31 March 2009 Mrs J S Wilson: 1 October 2008
Notice period – by the Director – by the Company	– Six months – 12 months Company policy is that executive Directors' notice periods should not normally exceed one year. Save for these notice periods the contracts have no unexpired terms.
Termination payments	There are no provisions for compensation of executive Directors on early termination save as follows: (a) the contract for Mr Queen contains provisions entitling the Company to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment; and (b) all Directors' contracts entitle the Company to give pay in lieu of notice.

Arrangements relating to Mr Queen's previous responsibilities

Before appointment as Chief Executive in January 2009 Mr Queen had been awarded interests in arrangements relating to his responsibilities as Managing Partner, Infrastructure and, before that, Managing Partner, Growth Capital. These are set out below. Mr Queen is no longer eligible to receive awards under the Infrastructure Incentive Plan or to participate in future carried interest and co-investment arrangements.

	Plan interests, being the percentage of the bonus pool in which the participant is interested					
	Award as at 1 April 2009 (%)	Awarded in year (%)	As at 31 March 2010 (%)	End of period over which interests may vest	Amounts received in respect of plan interests in year £'000	Amounts receivable in respect of plan interests in future years £'000
M J Queen						
Infrastructure Incentive Plan						
Vintage year 2007/08	22.34	–	22.34	Fully vested	762	762
Vintage year 2008/09	15.5	–	15.5	Fully vested	643	643

Note
Under the Infrastructure Incentive Plan executives are granted a percentage interest in a bonus pool, provided they invest certain of their own monies in 3i Infrastructure plc shares. Mr Queen has invested £1 million since March 2007. Since his appointment as Chief Executive in January 2009, Mr Queen has not been eligible to receive further awards under this plan. Amounts receivable under plan interests are payable as follows: for vintage year 2007/08, 50% was paid in July 2008 and 50% was deferred across the two following financial years; for vintage year 2008/09, 50% was paid in July 2009 and 50% was deferred across the two following financial years.

	Amounts co-invested		Plan interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits						
	Invested during the year £'000	Total invested to 31 March 2010 £'000	As at 1 April 2009 (%)	Awarded in year (%)	Forfeited in year (%)	As at 31 March 2010 (%)	End of period over which interests may vest	Amounts receivable in respect of plan interests vested in year £'000	**Accrued value of plan interests as at 31 March 2010 £'000**
M J Queen									
Co-investment plans									
Global Growth Co-invest 2006-08 plans	–	97	0.023	–	–	0.023	31.07.08	Nil	**Nil**
Carried interest plans									
Pan-European Growth Capital 2005/06	–	–	0.44	–	–	0.44	31.03.10	222	**94**
Infrastructure 2005/06	–	–	0.69	–	–	0.69	16.05.10	267	**196**
Primary Infrastructure 2005/06	–	–	0.53	–	–	0.53	19.08.10	Nil	**108**
Global Growth 2006-08 plans	–	–	0.34	–	–	0.34	31.03.11	Nil	**Nil**
Combined carried interest and co-investment plans									
Global Growth 2008-10	0	7	0.03	–	–	0.03	31.03.13	Nil	**Nil**
India Infrastructure 2007-10	57	191	1.00	–	–	1.00	30.09.12	Nil	**687**

Notes

1 Co-investment plans
Mr Queen ceased to be eligible to make any further related co-investment in the Global Growth Co-invest 2006-08 plans with effect from April 2007, following his appointment as Managing Partner, Infrastructure.

2 Carried interest plans
In recognition of Mr Queen's increased focus on infrastructure investment on his appointment in 2007 as Managing Partner, Infrastructure, his level of participation in the Global Growth 2006-08 carried interest plan was cut by half, from 0.68% to 0.34% of investments. It was decided that he would instead receive an exceptional payment, part of which was deferred over the three years from 2007/08 to 2009/10. The third payment as part of this arrangement, in respect of 2009/10, is set out in note 3 to the table on page 83.

3 Combined carried interest and co-investment plans
Following his appointment as Chief Executive in January 2009, Mr Queen forfeited a proportion of his interests in the Global Growth 08-10 and India Infrastructure 07-10 plans.

4 General
Accrued values of plan interests are calculated on the basis set out in note 5 on page 100. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to an actual payment to the participant.

Audit

The tables in this report (including the notes thereto) on pages 83 to 88 have been audited by Ernst & Young LLP.

By Order of the Board

John Allan Chairman, Remuneration Committee
12 May 2010

Financial statements

Statement of comprehensive income

for the year to 31 March

	Notes	2010 £m	2009 £m
Realised profits over value on the disposal of investments	2	218	63
Unrealised profits/(losses) on the revaluation of investments	3	458	(2,440)
		676	(2,377)
Portfolio income			
Dividends		59	65
Income from loans and receivables		110	108
Fees receivable/(payable)	4	(2)	(2)
Gross portfolio return	1	843	(2,206)
Fees receivable from external funds	1	59	75
Carried interest			
Carried interest receivable from external funds	5	30	(3)
Carried interest and performance fees payable	5	(88)	56
Operating expenses		(221)	(250)
Net portfolio return		623	(2,328)
Interest receivable	10	12	34
Interest payable	10	(124)	(120)
Movement in the fair value of derivatives	11	9	(38)
Exchange movements		(359)	505
Other finance income		(2)	3
Profit/(loss) before tax		159	(1,944)
Income taxes	12	(5)	(4)
Profit/(loss) for the year		154	(1,948)
Other comprehensive income			
Exchange differences on translation of foreign operations		324	(190)
Revaluation of own-use property		–	(4)
Actuarial loss	9	(71)	(8)
Other comprehensive income for the year		253	(202)
Total comprehensive income for the year ("Total return")		407	(2,150)
Analysed in reserves as:			
Revenue		97	99
Capital		(14)	(2,059)
Translation reserve		324	(190)
		407	(2,150)
Earnings per share			
Basic (pence)	28	17.2	(318.7)[1]
Diluted (pence)	28	17.1	(318.7)[1]

1 Restated to reflect the impact of the bonus elements of the rights issue and the acquisition of 3i QPEP.

The rates and amounts of dividends paid and proposed are shown in note 29.

Statement of changes in equity

for the year to 31 March

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Total equity at the start of the year		1,862	4,057	2,278	3,930
Profit/(loss) for the year	26	154	(1,948)	111	(1,602)
Exchange differences on translation of foreign operations	26	324	(190)	–	–
Revaluation of own-use property	26	–	(4)	–	(3)
Actuarial loss	26	(71)	(8)	–	–
Total comprehensive income for the year		407	(2,150)	111	(1,605)
Equity settled call option	26	–	5	–	5
Share-based payments	26	9	3	–	3
Own shares	26	(9)	2	–	–
Ordinary dividends	29	(9)	(64)	(9)	(64)
Issues of ordinary shares	26	808	9	808	9
Total equity at the end of the year		3,068	1,862	3,188	2,278

Balance sheet

as at 31 March

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Assets					
Non-current assets					
Investments					
Quoted equity investments	13	312	611	312	551
Unquoted equity investments	13	1,818	1,970	423	715
Loans and receivables	13	1,387	1,469	313	303
Investment portfolio		3,517	4,050	1,048	1,569
Carried interest receivable		75	44	75	44
Interests in Group entities	14	–	–	2,347	2,641
Property, plant and equipment	15	17	22	4	4
Total non-current assets		3,609	4,116	3,474	4,258
Current assets					
Other current assets	16	74	70	227	176
Derivative financial instruments	18	–	10	–	10
Deposits		728	59	713	26
Cash and cash equivalents		1,524	675	1,427	545
Total current assets		2,326	814	2,367	757
Total assets		5,935	4,930	5,841	5,015
Liabilities					
Non-current liabilities					
Carried interest payable		(61)	(51)	–	–
Loans and borrowings	19	(1,964)	(1,793)	(1,721)	(1,522)
Convertible bonds	20	(363)	(384)	(363)	(384)
B shares	21	(6)	(12)	(6)	(12)
Subordinated liabilities	22	–	(7)	–	–
Retirement benefit deficit	9	(28)	(18)	–	–
Deferred income taxes	12	(2)	–	–	–
Provisions	24	(10)	(18)	–	–
Total non-current liabilities		(2,434)	(2,283)	(2,090)	(1,918)
Current liabilities					
Trade and other payables	23	(176)	(255)	(386)	(358)
Carried interest payable		(70)	(61)	–	–
Loans and borrowings	19	(125)	(349)	(125)	(349)
Derivative financial instruments	18	(52)	(112)	(52)	(112)
Current income taxes		(3)	(3)	–	–
Provisions	24	(7)	(5)	–	–
Total current liabilities		(433)	(785)	(563)	(819)
Total liabilities		(2,867)	(3,068)	(2,653)	(2,737)
Net assets		3,068	1,862	3,188	2,278
Equity					
Issued capital	25	717	284	717	284
Share premium	26	779	405	779	405
Capital redemption reserve	26	43	42	43	42
Share-based payment reserve	26	24	20	20	20
Translation reserve	26	145	(179)	–	–
Capital reserve	26	959	968	1,328	1,256
Revenue reserve	26	482	394	296	266
Other reserves	26	5	5	5	5
Own shares	27	(86)	(77)	–	–
Total equity		3,068	1,862	3,188	2,278

Baroness Hogg Chairman
12 May 2010

Cash flow statement

for the year to 31 March

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flow from operating activities					
Purchase of investments		(190)	(827)	(354)	(777)
Proceeds from investments		1,315	1,308	1,417	1,072
Interest received		16	23	11	14
Dividends received		59	65	36	46
Portfolio fees paid		(2)	–	–	–
Fees received from external funds		56	63	–	–
Carried interest received		3	43	3	43
Carried interest paid		(57)	(103)	–	–
Operating expenses		(251)	(316)	(184)	(144)
Income taxes paid		(3)	(5)	(1)	–
Net cash flow from operating activities		946	251	928	254
Cash flow from financing activities					
Net proceeds from liquidation of 3i QPEP	28	110	–	110	–
Proceeds from nine for seven rights issue	28	732	–	732	–
Fees paid for the nine for seven rights issue		(33)	–	(33)	–
Proceeds from issues of share capital		18	9	18	9
(Purchase)/disposal of own shares		(9)	2	–	–
Repurchase of B shares		(6)	(9)	(6)	(9)
Dividend paid		(9)	(64)	(9)	(64)
Interest received		12	34	11	28
Interest paid		(124)	(80)	(121)	(79)
Premium on call options acquired		–	(78)	–	(78)
Premium on call options sold		–	29	–	29
Proceeds from long-term borrowings		351	686	351	686
Repayment of long-term borrowings		(205)	(585)	(152)	(566)
Repurchase of long-term borrowings		(77)	–	(77)	–
Net cash flow from short-term borrowings		(144)	(46)	(144)	(46)
Net cash flow from derivatives		(34)	(249)	(34)	(249)
Net cash flow from deposits		(669)	(15)	(687)	(1)
Net cash flow from financing activities		(87)	(366)	(41)	(340)
Cash flow from investing activities					
Purchase of property, plant and equipment		(1)	(4)	–	–
Sale of property, plant and equipment		–	3	–	–
Net cash flow from investing activities		(1)	(1)	–	–
Change in cash and cash equivalents		858	(116)	887	(86)
Cash and cash equivalents at the start of the year		675	752	545	611
Effect of exchange rate fluctuations		(9)	39	(5)	20
Cash and cash equivalents at the end of the year		1,524	675	1,427	545

Significant accounting policies

3i Group plc (the "Company") is a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements for the year to 31 March 2010 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented.

The accounting policies of the Company are the same as for the Group except where separately disclosed.

The financial statements were authorised for issue by the Directors on 12 May 2010.

A Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 2006.

New standards and interpretations not applied

The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

		Effective for period beginning on or after
IAS 27	Amendment – Consolidation and Separate Financial Statements	1 July 2009
IAS 39	Eligible Hedged Items	1 July 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

B Basis of preparation

The financial statements are presented in sterling, the functional currency of the Company, rounded to the nearest million pounds (£m) except where otherwise indicated.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies relating to the investment portfolio (Section E), note 13 and note 17.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The statement of comprehensive income of the Company has been omitted from these financial statements in accordance with section 408 of the Companies Act 2006.

The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

C Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Group has no interests in associates through which it carries on its business.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value. This treatment is permitted by IAS 31 Interests in Joint Ventures, which requires venturers' interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and are accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change.

D Exchange differences

(i) Foreign currency transactions

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

(ii) Financial statements of non-sterling operations

The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation are recognised in other comprehensive income and accumulated within a separate component of equity, the Translation reserve, and are released upon disposal of the non-sterling operation.

In respect of non-sterling operations, cumulative translation differences on the consolidation of non-sterling operations are being accumulated from the date of transition to IFRS, 1 April 2004, and not from the original acquisition date.

E Investment portfolio

(i) Recognition and measurement

Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Group manages its investments with a view to profiting from the receipt of dividends and changes in fair value of equity investments.

Quoted investments are designated at fair value through profit and loss and subsequently carried in the balance sheet at fair value. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted equity investments are designated at fair value through profit and loss and are subsequently carried in the balance sheet at fair value. Fair value is measured using the International Private Equity and Venture Capital valuation guidelines, details of which are in the section called Portfolio valuation – an explanation.

Other investments including loan investments, bonds, fixed income shares and variable funding notes are included as loans and receivables. Loans, bonds and fixed income shares are carried in the balance sheet at amortised cost less impairment. For more detail see the section called Portfolio valuation – an explanation. Variable funding notes are used to invest in debt instruments and are carried in the balance sheet at the value derived from the bid prices of the underlying debt instruments taking into account the Group's obligations under the funding contract. The fair value of loans and receivables is not anticipated to be substantially different to the holding value.

All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying 3i Group's valuation policies.

(ii) Income

Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs but excluding exchange movements. Investment income is analysed into the following components:

(a) Realised profits over value on the disposal of investments are the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.

(b) Unrealised profits on the revaluation of investments are the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of the movement.

(c) Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value.
- Dividends from equity investments are recognised in the statement of comprehensive income when the shareholders' rights to receive payment have been established.
- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

F Fees receivable from external funds

(i) Fund management fees

The Group manages private equity funds, which primarily co-invest alongside the Group. Fees earned from the ongoing management of these funds are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(ii) Advisory fees

The Group acts as investment adviser to private equity funds. Fees earned from the provision of investment advisory services are recognised on an accruals basis in accordance with the substance of the relevant investment advisory agreement.

(iii) Performance fees

The Group earns a performance fee from funds to which it provides investment advisory services where specified performance targets are achieved. Performance fees are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(iv) Support services fees

The Group provides support services to external funds, including accounting, treasury management, corporate secretariat and investor relations. Fees earned from the provision of these support services are recognised on an accruals basis in accordance with the relevant support services agreement.

G Carried interest

(i) Carried interest receivable

The Group earns a share of profits ("carried interest receivable") from funds which it manages on behalf of third parties. These profits are earned once the funds meet certain performance conditions.

Carried interest receivable is only accrued on those managed funds in which the fund's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the fund were realised at fair value. Fair value is determined using the Group's valuation methodology and is measured at the balance sheet date. An accrual is made equal to the Group's share of profits in excess of the performance conditions, taking into account the cash already returned to fund investors and the fair value of assets remaining in the fund.

(ii) Carried interest payable

The Group offers investment executives the opportunity to participate in the returns from successful investments. "Carried interest payable" is the term used for amounts payable to executives on investment-related transactions.

A variety of asset pooling arrangements are in place so that executives may have an interest in one or more carried interest scheme. Carried interest payable is only accrued on those schemes in which the scheme's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the scheme were realised at fair value. An accrual is made equal to the executive's share of profits in excess of the performance conditions in place in the carried interest scheme.

H Property, plant and equipment

(i) Land and buildings

Land and buildings are carried in the balance sheet at fair value less depreciation and impairment. Fair value is determined at each balance sheet date from valuations undertaken by professional valuers using market-based evidence. Any revaluation surplus is recognised in other comprehensive income and credited to the Capital reserve except to the extent that it reverses a previous valuation deficit on the same asset recognised in profit or loss in which case the surplus is recognised in profit or loss to the extent of the previous deficit.

Any revaluation deficit that offsets a previously recognised surplus in the same asset is directly offset against the surplus in the Capital reserve. Any excess valuation deficit over and above that previously recognised in surplus is recognised in the statement of comprehensive income.

Depreciation on revalued buildings is charged in the statement of comprehensive income over their estimated useful life, generally over 50 years.

(ii) Vehicles and office equipment

Vehicles and office equipment are depreciated by equal annual instalments over their estimated useful lives as follows: office equipment five years; computer equipment three years; computer software three years; motor vehicles four years.

(iii) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The interest element of the rental obligations is charged in the statement of comprehensive income over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

I Treasury assets and liabilities

Short-term treasury assets and short and long-term treasury liabilities are used in order to manage cash flows and overall costs of borrowing. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

(ii) Deposits

Deposits in the balance sheet comprise longer term deposits with an original maturity of greater than three months.

(iii) Bank loans, loan notes and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(iv) Convertible bonds

The convertible bonds are cash settled and are regarded as compound instruments consisting of a liability and a derivative instrument (see policy below for derivatives). Subsequent to initial recognition the conversion option is measured as a derivative financial instrument with the market value of the instrument at period end used as its fair value. The remainder of the proceeds are allocated to the liability component and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

(v) Derivative financial instruments

Derivative financial instruments have historically been used to manage the risk associated with foreign currency fluctuations of the investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of foreign exchange contracts, currency swaps and interest rate swaps. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts for contracts with similar maturity profiles. The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. All changes in the fair value of financial instruments are taken to the statement of comprehensive income.

Derivatives over own shares are classified as equity when they will be settled by the exchange of a fixed amount of shares for a fixed amount of cash.

(vi) Subordinated liabilities

The Group has some limited recourse funding, which individually finances investment assets, at various fixed rates of interest and whose maturity is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the individual Group entity to which the funds have been advanced and becomes non-repayable as the assets fail. These liabilities are held in the balance sheet at the amount expected to be repayable based on the underlying assets. Changes in the amounts repayable as a result of changes in the underlying assets are treated as other income in the statement of comprehensive income. Interest payable on subordinated liabilities is charged as it accrues by reference to the principal outstanding and the effective interest rate applicable.

J Employee benefits

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged to the statement of comprehensive income as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out at each balance sheet date. Current service costs are recognised in the statement of comprehensive income. Actuarial gains or losses are recognised in full as they arise in other comprehensive income.

A retirement benefit deficit is recognised in the balance sheet to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets.

A retirement benefit surplus is recognised in the balance sheet where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus.

(ii) Share-based payments

In accordance with the transitional provisions of IFRS 1, the requirements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005. The costs of share-based payments made by the Company in respect of subsidiaries' employees are treated as additional investments in those subsidiaries.

The Group enters into arrangements that are equity-settled share-based payments with certain employees. These are measured at fair value at the date of grant, which is then recognised in the statement of comprehensive income on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period. The movement in cumulative charges since the previous balance sheet is recognised in the statement of comprehensive income, with a corresponding entry in equity.

K Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in the level of impairment is recognised directly in the statement of comprehensive income. An impairment loss is reversed at subsequent balance sheet dates to the extent that the asset's carrying amount does not exceed its carrying value had no impairment been recognised.

L Other liabilities

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date.

M Share capital

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

N Provisions

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

O Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

1 Segmental analysis

Year to 31 March 2010	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return[1]							
Realised profits/(losses) over value on the disposal of investments	223	(14)	–	–	15	(6)	218
Unrealised profits/(losses) on the revaluation of investments	249	145	84	–	8	(28)	458
Portfolio income							
Dividends	–	36	15	–	8	–	59
Income from loans and receivables	78	29	1	–	2	–	110
Fees receivable/(payable)	–	(2)	–	–	–	–	(2)
	550	194	100	–	33	(34)	843
Fees receivable from external funds	39	–	20	–	–	–	59
Net (investment)/divestment							
Realisations	467	578	46	–	69	225	1,385
Investment	(243)	(121)	(2)	–	(1)	(19)	(386)
	224	457	44	–	68	206	999
Balance sheet							
Value of investment portfolio at the end of the year	1,614	1,331	407	–	107	58	3,517

Year to 31 March 2009	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return[1]							
Realised profits/(losses) over value on the disposal of investments	255	(66)	(20)	–	4	(110)	63
Unrealised (losses)/profits on the revaluation of investments	(995)	(1,029)	(62)	26	(68)	(312)	(2,440)
Portfolio income							
Dividends	1	25	26	–	9	4	65
Income from loans and receivables	64	33	6	–	2	3	108
Fees receivable/(payable)	(3)	2	–	–	–	(1)	(2)
	(678)	(1,035)	(50)	26	(53)	(416)	(2,206)
Fees receivable from external funds	45	1	26	3	–	–	75
Net (investment)/divestment							
Realisations	494	461	117	–	27	209	1,308
Investment	(519)	(343)	(50)	(3)	–	(53)	(968)
	(25)	118	67	(3)	27	156	340
Balance sheet							
Value of investment portfolio at the end of the year	1,467	1,574	371	171	153	314	4,050

1 The segmental profit or loss reported in accordance with IFRS 8 Operating Segments, is defined as gross portfolio return.

The Group organises its activity by business line and these are defined as the Group's reportable segments under IFRS 8, Operating Segments. The business lines are determined with reference to market focus, geographic focus and investment funding model as defined on page 7.

The assets within the Quoted Private Equity business line were transferred to the Growth Capital business line in the year to 31 March 2010 as part of the solvent liquidation of 3i Quoted Private Equity plc. Details of this transaction can be found in note 28.

1 Segmental analysis (continued)

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

Year to 31 March 2009	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	51	185	(60)	(113)	–	63
Unrealised losses on the revaluation of investments	(660)	(1,195)	(238)	(331)	(16)	(2,440)
Portfolio income	115	38	13	5	–	171
	(494)	(972)	(285)	(439)	(16)	(2,206)
Fees receivable from external funds	47	19	9	–	–	75
Net (investment)/divestment						
Realisations	280	795	127	106	–	1,308
Investment	(316)	(539)	(46)	(63)	(4)	(968)
	(36)	256	81	43	(4)	340
Balance sheet						
Value of investment portfolio at the end of the year	1,719	1,618	491	209	13	4,050

2 Realised profits over value on the disposal of investments

	2010 Unquoted equity £m	2010 Quoted equity £m	2010 Loans and receivables £m	2010 Total £m	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m
Realisations	701	389	295	1,385	1,023	172	113	1,308
Valuation of disposed investments	(527)	(279)	(283)	(1,089)	(896)	(214)	(117)	(1,227)
Investments written off	(32)	–	(46)	(78)	(14)	–	(4)	(18)
	142	110	(34)	218	113	(42)	(8)	63

Loans and receivables include net proceeds of £64 million (2009: £nil) and realised profits of £55 million (2009: £nil) from variable funding notes relating to the Debt Warehouse.

3 Unrealised profits/(losses) on the revaluation of investments

	2010 Unquoted equity £m	2010 Quoted equity £m	2010 Loans and receivables £m	2010 Total £m	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m
Movement in the fair value of equity	321	77	–	398	(1,323)	(126)	–	(1,449)
Provisions, loan impairments and other movements[1]	(24)	–	84	60	(110)	–	(881)	(991)
	297	77	84	458	(1,433)	(126)	(881)	(2,440)

1 Included within loan impairments is a £45 million value increase for variable funding notes relating to the Debt Warehouse (2009: £112 million value reduction).

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 Fees receivable/(payable)

	2010 £m	2009 £m
Fees receivable	5	13
Deal-related costs	(7)	(15)
	(2)	(2)

Fees receivable include fees arising from the ongoing management of the portfolio together with fees arising from making investments. Deal-related costs represent fees incurred in the process of acquiring an investment.

5 Carried interest

	2010 £m	2009 £m
Carried interest receivable from external funds	30	(3)
Carried interest and performance fees payable	(88)	56
	(58)	53

Carried interest receivable represents the Group's share of profits from external funds. Each fund is reviewed at the balance sheet date and income is accrued based on fund profits in excess of the performance conditions within the fund, taking into account cash already returned to fund investors and the fair value of assets remaining in the fund.

Carried interest payable represents the amount payable to executives from the Group's carried interest schemes. As with carried interest receivable, each scheme is separately reviewed at the balance sheet date, and an accrual made equal to the executives' share of profits once the performance conditions in the scheme have been met.

In the year to March 2009 the performance in some schemes resulted in a reversal of the accrual previously recognised resulting in a £56 million credit.

6 Operating expenses

Operating expenses include the following amounts:

	2010 £m	2009 £m
Depreciation of property, plant and equipment	5	7
Audit fees	2	2
Staff costs (note 7)	137	110
Restructuring and redundancy costs	13	45

Services provided by the Group's auditors

During the year the Group obtained the following services from the Group's auditors, Ernst & Young LLP:

	2010 £m	2009 £m
Audit services		
Statutory audit – Company	0.7	0.6
– UK subsidiaries	0.7	0.5
– Overseas subsidiaries	0.3	0.4
Audit-related regulatory reporting	0.2	0.1
	1.9	1.6
Non-audit services		
Other assurance services	0.7	–
Investment due diligence	0.1	0.3
Tax services (compliance and advisory services)	0.5	0.2
	3.2	2.1

Non-audit services

These services are services that could be provided by a number of firms, including rights issue advisory work and general consultancy work. Work is allocated to the auditors only if it does not impact the independence of the audit team.

In addition to the above, Ernst & Young LLP has received fees from investee companies. It is estimated that Ernst & Young LLP receive less than 20% of the total investment-related fees paid to the four largest accounting firms.

Ernst & Young LLP also acts as auditor to the 3i Group Pension Plan. The appointment of the auditors to this Plan and the fees paid in respect of the audit are agreed by the trustees who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit services to the pension scheme during the year were less than £0.1 million (2009: less than £0.1 million).

7 Staff costs

	2010 £m	2009 £m
Wages and salaries	110	73
Social security costs	14	11
Share-based payment costs (note 8)	3	12
Pension costs	10	14
	137	110

The average number of employees during the year was 530 (2009: 702).

Wages and salaries shown above include salaries paid in the year, bonuses and portfolio incentive schemes relating to the year. In the year to 31 March 2009 a minimal bonus was accrued, reflecting the performance of the Group. These costs are included in operating expenses.

8 Share-based payments

The Group has a number of share schemes that allow employees to acquire shares in the Company.

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

	2010 £m	2009 £m
Share options[1]	–	1
Performance shares[1]	–	2
Share incentive plan	1	1
Deferred bonus shares[2]	2	8
	3	12

1 Credited to equity.
2 Deferred bonus shares in 2009 have since been transferred through equity.

The features of the Group's share schemes are set out below. For legal or regulatory reasons certain participants may be granted "phantom awards" under these schemes, which are intended to replicate the financial effects of a share award without entitling the participant to acquire shares.

Share options

(i) The 3i Group Discretionary Share Plan Options granted after 31 March 2001 were granted under the Discretionary Share Plan and are normally exercisable between the third and tenth anniversaries of the date of grant to the extent a performance target has been met over a performance period of three years from the date of grant. For options granted between 1 April 2001 and 31 March 2003 and for options granted to three Directors in June 2003, if the minimum threshold for vesting is not achieved in the first three years from grant, the performance period is extended to four and then five years from the date of grant. For options granted between 1 April 2003 and 31 March 2004 the performance period is extended only to four years from the date of grant. For options granted after 31 March 2004, there is no opportunity for the performance condition to be re-tested after the three-year performance period.

Options granted between 1 April 2001 and 31 March 2003 were subject to a performance condition that options would vest if the annual compound growth ("ACG") in net asset value per share with dividends re-invested was RPI plus 5%. If this target was achieved then 50% of the options would vest. If the ACG was in excess of RPI plus 10% then the maximum number of shares would vest. Options would vest pro rata if the ACG was between these two amounts. For options granted between 31 March 2003 and 1 April 2004 the target ACG was RPI plus 3% with maximum vesting at RPI plus 6%, except for options granted to three Directors in June 2003 where the target ACG was RPI plus 5% with maximum vesting at RPI plus 10%. For options granted after 1 April 2005 the target ACG was RPI plus 3% with maximum vesting at RPI plus 8%.

(ii) The 3i Group 1994 Executive Share Option Plan Options granted before 31 March 2001 were granted under this Plan and are normally exercisable between the third and tenth anniversaries of the date of grant provided that a performance condition has been met over a rolling three-year period. This requires that the adjusted net asset value per share (with dividends re-invested) at the end of the three-year period is equal to or in excess of the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

Details of share options outstanding during the year are as follows:

	2010 Number of share options	2010 Weighted average exercise price (pence)	2009 Number of share options[1]	2009 Weighted average exercise price (pence)[1]
Outstanding at the start of the year	21,077,816	472	20,197,287	486
Granted	3,390,270	277	5,020,705	414
Exercised	–	–	(1,980,794)	412
Lapsed	(6,689,584)	468	(2,159,382)	534
Outstanding at the end of year	17,778,502	436	21,077,816	472
Exercisable at the end of year	7,434,393	445	11,906,040	444

Included within the total number of share options are options over 2 million (2009[1]: 3 million) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002.

1 Both the number of options and their respective share prices have been restated to reflect the 12 June 2009 rights issue using the adjustment factor of 0.6227.

8 Share-based payments (continued)

The range of exercise prices for options outstanding at the year end was:

Year ended 31 March Year of grant	2010 Weighted average exercise price (pence)	2010 Number	2009 Weighted average exercise price (pence)[1]	2009 Number[1]
2000	–	–	518	657,068
2001	845	791,154	844	1,104,367
2002	557	4,978	557	14,935
2003	417	1,123,898	403	1,599,279
2004	355	1,341,421	356	1,547,557
2005	373	2,080,419	371	3,312,650
2006	434	2,036,659	430	3,670,184
2007	603	55,864	523	2,162,688
2008	725	2,013,373	725	2,023,552
2009	413	4,965,014	413	4,985,536
2010	277	3,365,722	–	–
	436	17,778,502	472	21,077,816

1 Both the number of options and their respective exercise prices have been restated to reflect the 12 June 2009 rights issue using the adjustment factor of 0.6227.

Options are exercisable at a price based on the market value of the Company's shares on the date of grant.

No options were exercised during the year. The weighted average share price at the date of exercise in 2009 was 872p. The options outstanding at the end of the year have a weighted average contractual life of 6.45 years (2009[1]: 6.33 years). The cost of share options is spread over the vesting period of three to five years. The weighted average fair value of options granted during the year was 124p (2009[1] : 241p). These fair values were calculated using the Black-Scholes option pricing model.

The inputs to this model were as follows:

	2010	2009[1]
Weighted average share price (pence)	268	636
Average expected volatility (%)	52	47
Expected life (years)	8.5	8.5
Average risk-free rate (%)	3.9	4.6
Average expected dividend yield (%)	2.4	3.6

1 The fair value of options and the assumptions for 2009 have not been adjusted for the rights issue.

The expected life of the option is based on the best estimate of the Directors following a review of the profile of the award holders. Expected volatility was determined using an average of the implied volatility on grant and historic share price volatility of the preceding 8.5 years.

8 Share-based payments (continued)

Performance Share awards

Performance Share awards made under the 3i Group Discretionary Share Plan during the year were conditional awards of shares to executives which will be transferred to the participant by the 3i Group Employee Trust on vesting. Awards are subject to a performance condition determining whether and to what extent the award will vest. There are two types of awards: conditional Performance Share awards and conditional Super-performance Share awards.

The performance condition for Performance Share awards is based on the outperformance of the theoretical growth in value of a shareholding in the Company (with dividends reinvested) for the three year performance period from grant (averaged over a 60 day period) compared to the growth in value of the FTSE 100 Index (with dividends reinvested) adjusted for mergers, demergers and delistings over that period. At an outperformance level below 0% per annum no part of the award will vest. At an outperformance level of 0% per annum, 35% of the award will vest and above 8% per annum the full award will vest. At outperformance levels between 0% and 8%, the award will vest on a pro rata basis.

Performance Share awards made before 1 April 2007 were restricted awards which vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group consisting of the FTSE 100 Index constituents at the grant date (adjusted for mergers, demergers and delistings during the performance period). A company's percentage rank is its rank in the comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest pro rata.

Super-performance Share awards were conditional awards of shares which are subject to a particularly challenging performance condition. The performance condition requires annual percentage compound growth in the net asset value per share (with dividends re-invested) over the three-year period of RPI plus 10 percentage points per annum to achieve minimum vesting of 25% of the award; RPI plus 13.5 percentage points per annum to achieve 50% vesting; and RPI plus 17 percentage points per annum to achieve maximum vesting.

The performance condition is measured over a three-year period. If the condition is satisfied, the awards remain subject to a further two-year holding period before they vest.

Super-performance Share awards made before 1 April 2007 were restricted awards which were transferred to the participants by the 3i Group Employee Trust on terms that the shares would be forfeited to the extent the performance condition was not satisfied and in certain other circumstances.

Share Incentive Plan

Eligible UK employees may participate in an Inland Revenue approved Share Incentive Plan intended to encourage employees to invest in the Company's shares. Accordingly it is not subject to a performance condition. During the year participants could invest up to £125 per month from their pre-tax salaries in the Company's shares (referred to as partnership shares). For each share so acquired the Company grants two free additional shares (referred to as matching shares) which are normally subject to forfeiture if the employee ceases to be employed (other than by reason of retirement) within three years of grant. Dividends are re-invested on behalf of participants in further shares (referred to as dividend shares).

Employee Share Investment Plan

As part of the rights issue, eligible employees could subscribe to between £5,000 and £1.5 million of ordinary shares. Employees would then be granted one matching share for every two ordinary shares purchased, which are normally subject to forfeiture if the employee ceases to be employed (other than by reason of retirement) within three years of grant. The matching shares are also subject to the condition that fully diluted NAV per share grows by 35% or more between 31 March 2009 and 31 March 2012.

Deferred Bonus Share Plan

Certain employees receive an element of their bonus as shares. These shares are held in trust for two years by the trustee of the 3i Group Employee Trust in a nominee capacity. The fair value of the deferred shares is the share price at date of the award.

Employee Trust

The Group has established the 3i Group Employee Trust which holds shares in 3i Group plc to meet its obligations under certain share schemes. The share schemes which use this trust are the 3i Group Discretionary Share Plan and the Deferred Bonus Share Plan.

9 Retirement benefit deficit

Retirement benefit plans

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The employees of the Group's subsidiaries in France are members of a state-managed retirement benefit plan operated by the country's government. The French subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognised in profit or loss is £3 million (2009: £5 million), which represents the contributions payable to these plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit scheme

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK. The plan has not been offered to new employees joining 3i since 1 April 2006. The plan will close to the future accrual of benefits by members with effect 5 April 2011, although the final salary link will be maintained on existing accruals. Members of the plan have been invited to join the Group's defined contribution plan with effect from 5 April 2011. The plan is a funded scheme, the assets of which are independent of the Company's finances and are administered by the trustees.

The last full actuarial valuation as at 30 June 2007 was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2010.

9 Retirement benefit deficit (continued)

The principal assumptions made by the actuaries and used for the purpose of the year end valuation were as follows:

	2010	2009
Discount rate	5.5%	6.7%
Expected rate of salary increases	6.1%	5.7%
Expected rate of pension increases	3.8%	3.6%
Price inflation	3.6%	3.2%
Expected return on the Plan assets	6.2%	6.2%

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2010 are based on 80% PNA medium cohort (2009: 80%) with 1.5% pa minimum annual improvement "PA00 medium cohort table" (2009: 1.5% PA00 medium cohort table). The life expectancy of a male member reaching age 60 in 2030 (2009: 2029) is projected to be 34.0 (2009: 33.8) years compared to 30.5 (2009: 30.3) years for someone reaching 60 in 2010.

The amount recognised in the balance sheet in respect of the Group's defined benefit plan is as follows:

	2010 £m	2009 £m
Present value of funded obligations	615	437
Fair value of the Plan assets	(587)	(419)
Retirement benefit deficit	28	18

Included within the present value of funded obligations is £22 million in relation to the asset restriction. Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan are as follows:

	2010 £m	2009 £m
Included in operating costs		
Current service cost	5	8
Included in finance costs (note 10)		
Expected return on the Plan assets	(28)	(30)
Interest on obligation	29	31
Included in other comprehensive income		
Actuarial loss	49	8
Asset restriction	22	–
Total actuarial loss and asset restriction	71	8
Total	77	17

The asset restriction relates to tax that would be deducted at source in respect of the surplus that arises from the present value of supplementary contributions to the Plan agreed by the Plan trustees in excess of the Plan liabilities at 31 March 2010.

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

	2010 £m	2009 £m
Opening defined benefit obligation	437	515
Current service cost	5	8
Interest cost	29	31
Actuarial loss/(gain)	145	(102)
Asset restriction	22	–
Contributions	1	1
Benefits paid	(24)	(16)
Closing defined benefit obligation	615	437

9 Retirement benefit deficit (continued)

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

	2010 £m	2009 £m
Opening fair value of the Plan assets	419	477
Expected returns	28	30
Actuarial gain/(loss)	96	(110)
Contributions	68	38
Benefits paid	(24)	(16)
Closing fair value of the Plan assets	587	419

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

The fair value of the Plan assets at the balance sheet date is as follows:

	2010 £m	2009 £m
Equities	326	216
Gilts	262	204
Other	(1)	(1)
	587	419

The actual return on the Plan assets for the year was a gain of £124 million (2009: loss of £79 million).

The Plan assets do not include any of the Group's own equity instruments nor any property in use by the Group. The expected rate of returns of individual categories of the Plan assets is determined by reference to individual indices.

The history of the Plan is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligation	615	437	515	480	472
Fair value of the Plan assets	(587)	(419)	(477)	(479)	(455)
Deficit	28	18	38	1	17
Experience adjustments on the Plan liabilities	2%	2%	1%	(2)%	–
Experience adjustments on the Plan assets	16%	(26)%	(6)%	–	11%

The cumulative actuarial losses recognised in equity are £123 million (2009: losses £52 million).

The Group expects to make regular contributions of approximately £9 million to the Plan in the year to 31 March 2011. The triennial actuarial funding valuation completed in September 2008 resulted in an actuarial deficit of £86 million. The Group has agreed to fund this over five years making contributions of £20 million per annum. In addition in April 2009 the Group agreed to provide additional contributions of £25 million per annum to the Plan until 31 March 2011.

Other retirement schemes

Employees in Germany and Spain are entitled to a pension based on their length of service. 3i Deutschland GmbH and 3i Europe Spanish branch contributes to individual investment policies for its employees and has agreed to indemnify any shortfall on an employee's investment policy should it arise. The total value of these investment policies intended to cover pension liabilities is £10 million (2009: £11 million) and the future liability calculated by German and Spanish actuaries is £14 million (2009: £15 million). The Group carries both the asset and liability in its consolidated financial statements and has recognised a cumulative actuarial loss of £3 million (2009: £5 million loss). The Group recognised £1 million (2009: £1 million) in the statement of comprehensive income in respect of these schemes.

10 Net interest payable

	2010 £m	2009 £m
Interest receivable		
Interest on bank deposits	12	34
	12	34
Interest payable		
Interest on loans and borrowings	(85)	(84)
Interest on convertible bonds	(16)	(17)
Amortisation of convertible bonds	(21)	(20)
Subordinated borrowings[1]	(1)	2
Net finance expense on pension plan	(1)	(1)
	(124)	(120)
Net interest payable	(112)	(86)

1 Includes fair value movement on the underlying loan.

11 Movement in the fair value of derivatives

	2010 £m	2009 £m
Forward foreign exchange contracts and currency swaps	–	4
Interest-rate swaps	7	(46)
Derivative element of convertible bonds	3	58
Call options	(1)	(54)
	9	(38)

Further information on interest-rate swaps is provided in note 18 and on 3i's convertible bonds in note 20.

12 Income taxes

	2010 £m	2009 £m
Current taxes		
Current year	(3)	(6)
Deferred taxes		
Deferred income taxes	(2)	2
Total income taxes in the statement of comprehensive income	(5)	(4)

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% (2009: 28%), and the differences are explained below:

	2010 £m	2009 £m
Profit before tax	159	(1,944)
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2009: 28%)	(45)	544
Effects of:		
Permanent differences	5	3
Short-term timing differences	3	4
Non-taxable dividend income	13	5
Foreign tax	(3)	(6)
Foreign tax credits available for double tax relief	–	3
Realised profits, changes in fair value and impairment losses not taxable	22	(557)
Total income taxes in the statement of comprehensive income	(5)	(4)

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

	2010 Group balance sheet £m	2009 Group balance sheet £m
Opening deferred income tax liability		
Tax losses	9	5
Income in accounts taxable in the future	(9)	(7)
	–	(2)
Recognised through statement of comprehensive income		
Tax losses utilised	8	4
Income in accounts taxable in the future	(10)	(2)
	(2)	2
Closing deferred income tax liability		
Tax losses	17	9
Income in accounts taxable in the future	(19)	(9)
	(2)	–

At 31 March 2010 the Group had tax losses carried forward of £775 million (2009: £751 million). It is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 28% (2009: 28%).

13 Investment portfolio

	Group 2010 Equity investments £m	Group 2010 Loans and receivables £m	Group 2010 Total £m
Opening book value	2,581	1,469	4,050
Additions	61	325	386
Disposals, repayments and write-offs	(838)	(329)	(1,167)
Revaluation	398	–	398
Provisions and loan impairments	(24)	84	60
Other movements	(48)	(162)	(210)
Closing book value	2,130	1,387	3,517
Quoted	312	–	312
Unquoted	1,818	1,387	3,205
Closing book value	2,130	1,387	3,517

	Group 2009 Equity investments £m	Group 2009 Loans and receivables £m	Group 2009 Total £m
Opening book value	4,098	1,918	6,016
Additions	489	479	968
Disposals, repayments and write-offs	(1,124)	(121)	(1,245)
Revaluation	(1,449)	–	(1,449)
Provisions and loan impairments	(110)	(881)	(991)
Other movements	677	74	751
Closing book value	2,581	1,469	4,050
Quoted	611	–	611
Unquoted	1,970	1,469	3,439
Closing book value	2,581	1,469	4,050

The holding period of 3i's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Additions to loans and receivables includes £183 million (2009: £4 million) interest received by way of loan notes. A corresponding amount has been included in income from loans and receivables.

Other movements include foreign exchange and conversions from one instrument into another, and the impact of the solvent liquidation of 3i QPEP.

Included within the statement of comprehensive income are foreign exchange losses of £359 million (2009: £505 million gain). This includes exchange movements on non-monetary items (eg equity investment portfolio) and on monetary items (eg non-sterling loans and borrowings). Of this, foreign exchange losses on monetary items not measured at fair value total £105 million (2009: £231million).

Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)	
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments, variable funding note

Unquoted equity instruments are measured in accordance with the International Private Equity Valuation guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation.

The variable funding note relating to the Debt Warehouse is included within the loans and receivables balance and at 31 March 2010 had a carrying value of £75 million (2009: £nil). In accordance with the fair value hierarchy the variable funding note is classified as Level 3. Within the year, the variable funding note had investment of £42 million, revaluation of £45 million and foreign exchange movements of £3 million. The variable funding note also had interest income and fees of £10 million in the year.

13 Investment portfolio (continued)

The Group's investment portfolio for equity instruments and the variable funding note is classified by the fair value hierarchy as follows:

	Group 2010 Level 1 £m	Group 2010 Level 2 £m	Group 2010 Level 3 £m	Group 2010 Total £m
Quoted equity	312	–	–	312
Unquoted equity	–	–	1,818	1,818
Variable funding note	–	–	75	75
Total	312	–	1,893	2,205

There were no transfers between Level 1, Level 2 nor Level 3 during the year.

This disclosure only relates to the investment portfolio. The fair value hierarchy also applies to derivative financial instruments, see note 18 for further details.

Level 3 fair value reconciliation

	Group 2010 £m
Opening book value	1,970
Additions	102
Disposals, repayments, write-offs	(568)
Revaluation	342
Other movements	47
Closing book value	1,893

Unquoted equity investments valued using Level 3 inputs also had the following impact on the statement of comprehensive income; realised profits over value on disposal of investment of £163 million, dividend income of £43 million and foreign exchange losses of £64 million.

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Portfolio valuation – an explanation section. A reasonably possible alternative assumption would be to apply a standard marketability discount of 5% for all assets rather than the specific approach adopted. This would have a positive impact on the portfolio of £94 million or 5% of total unquoted equity value.

14 Interests in Group entities

	Company 2010 Equity investments £m	Company 2010 Loans and receivables £m	Company 2010 Total £m
Opening book value	127	2,514	2,641
Additions	38	445	483
Share of profits	–	(225)	(225)
Disposals and repayments	(33)	(722)	(755)
Impairment	(44)	306	262
Exchange movements	–	(59)	(59)
Closing book value	88	2,259	2,347

Details of significant Group entities are given in note 35.

	Company 2009 Equity investments £m	Company 2009 Loans and receivables £m	Company 2009 Total £m
Opening book value	231	2,909	3,140
Additions	35	547	582
Share of profits	–	494	494
Disposals and repayments	(89)	(611)	(700)
Impairment	(50)	(1,268)	(1,318)
Exchange movements	–	443	443
Closing book value	127	2,514	2,641

15 Property, plant and equipment

Land and buildings	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Opening cost or valuation	5	9	4	8
Additions at cost	–	–	–	–
Disposals	–	–	–	–
Revaluation	(1)	(4)	–	(4)
Closing cost or valuation	4	5	4	4
Net book amount	4	5	4	4

Depreciation charged in the year on buildings was £nil (2009: £nil).

Plant and equipment	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Opening cost or valuation	50	49	–	–
Additions at cost	1	4	–	–
Disposals	(14)	(3)	–	–
Closing cost or valuation	37	50	–	–
Opening accumulated depreciation	33	28	–	–
Charge for the year	5	7	–	–
Disposals	(14)	(2)	–	–
Closing accumulated depreciation	24	33	–	–
Net book amount	13	17	–	–

Assets held under finance leases (all vehicles) have the following net book amount:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cost	–	1	–	–
Aggregate depreciation	–	–	–	–
Net book amount	–	1	–	–

Finance lease rentals are payable as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Within one year	–	1	–	–
Between one and five years	–	–	–	–

The Group's freehold properties and long leasehold properties are revalued at each balance sheet date by professional valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by CBRE and Howell Brooks, independent Chartered Surveyors.

16 Other current assets

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Prepayments	12	12	2	6
Other debtors	62	58	19	10
Amounts due from subsidiaries	–	–	206	160
	74	70	227	176

17 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk section. References in this note to the Risk section refer only to the contents of that section and not to other information referred to from the Risk section. This note provides further detail on financial risk management, cross-referring to the Risk section where applicable, and includes quantitative data on specific financial risks.

The Group is a highly selective investor and each investment is subject to a risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework set out in the Risk section.

Capital structure

The capital structure of the Group consists of net debt, including cash held on deposit, and shareholders' equity. The type and maturity of the Group's borrowings are analysed further in note 19 and the Group's equity is analysed into its various components in note 26. Capital is managed so as to optimise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business.

	Group 2010 £m	Group 2009 £m
Cash, deposits and derivative financial assets	2,252	744
Borrowings and derivative financial liabilities	(2,510)	(2,656)
Net debt	(258)	(1,912)
Total equity	3,068	1,862
Gearing (net debt/total equity)	8%	103%

Capital is managed on a consolidated basis and the gearing key performance measure is only applicable to the Group, not the Company.

Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company subject to maintaining each subsidiary with sufficient reserves to meet local statutory obligations. No significant constraints have been identified in the past and the Group has been able to distribute profits in a tax-efficient manner. The Company operates so as to qualify as a UK Investment Trust for tax purposes which necessitates its investment in subsidiaries remaining below 15% of the Company's investment portfolio.

The Group's regulated capital requirement is reviewed regularly by the Board of 3i Investments plc, an investment firm that is regulated by the FSA. The last submission to the FSA demonstrated a significant consolidated capital surplus in excess of the FSA's prudential rules. The Group's capital requirement is updated annually following approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP) report by the Board of 3i Investments plc. The Group complies with the Individual Capital Guidance as agreed with the FSA and remains at a significant regulatory capital surplus. The Group's Pillar 3 disclosure document can be found on www.3igroup.com.

17 Financial risk management (continued)

Financial risks

Concentration risk

The Group's exposure to and mitigation of concentration risk is explained within the "investment" and "treasury and funding" sections in the Risk section. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in note 1, segmental analysis.

Credit risk

The Group is subject to credit risk on its loans, receivables, cash and deposits. The Group's cash and deposits are held with a variety of counterparties with circa 45% of the Group's surplus cash held on demand in AAA Liquidity funds. The balance is held on short-term deposit with 3i's relationship banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due it is believed that the risk of default is small and that capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the Group's investment. Where the portfolio company has failed or is expected to fail in the next 12 months, the Group's policy is to record a provision for the full amount of the loan. Loan impairments are made when the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment. In these cases an appropriate loan impairment is recorded to reflect the valuation shortfall. Further information on how credit risk is managed is given in the Risk section. In accordance with IFRS 7, the amounts shown as past due represent the total credit exposure, not the amount actually past due.

	Group 2010 not past due £m	Group 2010 up to 12 months past due £m	Group 2010 more than 12 months past due £m	Group 2010 Total £m	Company 2010 not past due £m	Company 2010 up to 12 months past due £m	Company 2010 more than 12 months past due £m	Company 2010 Total £m
Loans and receivables before provisions and impairments	1,541	146	52	1,739	319	57	25	401
Provisions on investments that have failed or are expected to fail in the next 12 months	(20)	(7)	(2)	(29)	(12)	(6)	(2)	(20)
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment	(246)	(64)	(13)	(323)	(55)	(3)	(10)	(68)
Total	1,275	75	37	1,387	252	48	13	313

	Group 2009 not past due £m	Group 2009 up to 12 months past due £m	Group 2009 more than 12 months past due £m	Group 2009 Total £m	Company 2009 not past due £m	Company 2009 up to 12 months past due £m	Company 2009 more than 12 months past due £m	Company 2009 Total £m
Loans and receivables before provisions and impairments	1,749	415	82	2,246	401	99	55	555
Provisions on investments that have failed or are expected to fail in the next 12 months	(37)	(3)	(6)	(46)	(13)	(3)	(6)	(22)
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment	(421)	(280)	(30)	(731)	(158)	(48)	(24)	(230)
Total	1,291	132	46	1,469	230	48	25	303

Movements on loan impairments and provisions are shown below.

	Group Provisions £m	Group Impairments £m	Group Total £m	Company Provisions £m	Company Impairments £m	Company Total £m
Balance as at 31 March 2008	(85)	(71)	(156)	(44)	(66)	(110)
Other movements	85	175	260	33	77	110
Charged to income statement in year	(46)	(835)	(881)	(11)	(241)	(252)
Balance as at 31 March 2009	(46)	(731)	(777)	(22)	(230)	(252)
Other movements	17	324	341	2	114	116
Credited to income statement in year[1]	–	84	84	–	48	48
Balance as at 31 March 2010	(29)	(323)	(352)	(20)	(68)	(88)

1 Included within impairments for the Group and Company is a £45 million value increase for variable funding notes relating to the Debt Warehouse (2009: £112 million decrease).

17 Financial risk management (continued)

Liquidity risk

Further information on how liquidity risk is managed is provided in the Risk section. The table below analyses the maturity of the Group's gross contractual liabilities.

Financial liabilities

As at 31 March 2010	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	91	88	193	1,436	1,808	91	88	193	1,436	1,808
Variable loan notes	17	19	732	–	768	17	19	732	–	768
Convertible bond 2011 £430 million 3.625%	11	396	–	–	407	11	396	–	–	407
Committed multi-currency facility	7	7	307	–	321	3	3	61	–	67
Euro commercial paper	92	–	–	–	92	92	–	–	–	92
Interest rate swaps	19	10	8	7	44	19	10	8	7	44
Equity element of convertible bond	–	–	–	–	–	–	–	–	–	–
Carried interest payable within one year	70	–	–	–	70	–	–	–	–	–
Total	307	520	1,240	1,443	3,510	233	516	994	1,443	3,186

In the year to 31 March 2010, the Group closed out its remaining currency swaps and forward foreign exchange contracts. An analysis of gross amounts receivable and payable under currency swaps and forward foreign currency contracts as at 31 March 2009 can be found in the 3i Group plc report and accounts 2009.

Financial liabilities

As at 31 March 2009	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	41	76	184	1,161	1,462	41	76	184	1,161	1,462
Variable loan notes	142	21	691	–	854	142	21	691	–	854
Convertible bond 2011 £430 million 3.625%	15	15	438	–	468	15	15	438	–	468
Committed multi-currency facility	7	349	–	–	356	2	73	–	–	75
Euro commercial paper	240	–	–	–	240	240	–	–	–	240
Interest rate swaps	10	14	11	8	43	10	14	11	8	43
Equity element of convertible bond	–	–	2	–	2	–	–	2	–	2
Carried interest payable within one year	61	–	–	–	61	61	–	–	–	61
Total	516	475	1,326	1,169	3,486	511	199	1,326	1,169	3,205

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below.

(i) Interest rate risk

Further information on how interest rate risk is managed is provided in the Risk section. The direct impact of a movement in interest rates is relatively small. An increase of 100 basis points would lead to an approximate exposure of £4 million (2009: £5 million) for the Group and £1 million (2009: £3 million) for the Company. This exposure arises principally from changes in interest payable and receivable on floating rate and short-term instruments and changes in the fair value of interest rate derivatives held at the year end. In addition the Group and Company have indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations.

17 Financial risk management (continued)

(ii) Currency risk

Further information on how currency risk is managed is provided in the Risk section. The Group's net assets in Euro, US dollar, Swedish krona, Indian rupee, Swiss franc and all other currencies combined is shown in the table below. This sensitivity analysis is based on the sensitivity of the Group and Company's net assets to movements in foreign currency exchange rates. The Group manages currency risk on a consolidated basis.

	Group 2010 Sterling £m	Group 2010 Euro £m	Group 2010 US dollar £m	Group 2010 Swedish krona £m	Group 2010 Indian rupee £m	Group 2010 Swiss franc £m	Group 2010 Other £m	Group 2010 Total £m
Net assets	1,836	436	575	(113)	94	(27)	267	3,068
Sensitivity analysis								
Assuming a 5% movement in exchange rates against sterling:								
Impact on exchange movements in the statement of comprehensive income	n/a	68	81	14	–	–	3	166
Impact on the translation of foreign operations in other comprehensive income	n/a	(44)	(52)	(9)	5	1	4	(95)
Total	n/a	24	29	5	5	1	7	71

	Company 2010 Sterling £m	Company 2010 Euro £m	Company 2010 US dollar £m	Company 2010 Swedish krona £m	Company 2010 Indian rupee £m	Company 2010 Swiss franc £m	Company 2010 Other £m	Company 2010 Total £m
Net assets	1,558	606	852	125	–	2	45	3,188
Sensitivity analysis								
Impact on exchange movements in the statement of comprehensive income assuming a 5% movement in exchange rates against sterling	n/a	31	45	7	–	–	2	85
	n/a	31	45	7	–	–	2	85

	Group 2009 Sterling £m	Group 2009 Euro £m	Group 2009 US dollar £m	Group 2009 Swedish krona £m	Group 2009 Indian rupee £m	Group 2009 Swiss franc £m	Group 2009 Other £m	Group 2009 Total £m
Net assets	750	176	707	(75)	97	(8)	215	1,862
Sensitivity analysis								
Assuming a 5% movement in exchange rates against sterling:								
Impact on exchange movements in the statement of comprehensive income	n/a	58	107	(11)	(2)	30	n/a	182
Impact on the translation of foreign operations in other comprehensive income	n/a	(46)	(79)	10	7	(30)	n/a	(138)
Total	n/a	12	28	(1)	5	–	–	44

	Company 2009 Sterling £m	Company 2009 Euro £m	Company 2009 US dollar £m	Company 2009 Swedish krona £m	Company 2009 Indian rupee £m	Company 2009 Swiss franc £m	Company 2009 Other £m	Company 2009 Total £m
Net assets	1,007	390	912	19	–	(147)	97	2,278
Sensitivity analysis								
Impact on exchange movements in the statement of comprehensive income assuming a 5% movement in exchange rates against sterling	n/a	14	40	5	–	(8)	7	58

(iii) Price risk – market fluctuations

Further information about the management of price risk, which arises principally from quoted and unquoted equity investments, is provided in the Risk section. A 5% change in the fair value of those investments would have the following direct impact on the statement of comprehensive income:

	2010 Quoted equity £m	2010 Unquoted equity £m	2010 Total £m	2009 Quoted equity £m	2009 Unquoted equity £m	2009 Total £m
Group	16	91	107	30	96	126
Company	16	21	37	28	33	61

In addition, other price risk arises from carried interest balances and the derivative element of the convertible bonds.

18 Derivative financial instruments

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current assets				
Forward foreign exchange contracts	–	7	–	7
Call options	–	3	–	3
	–	10	–	10
Current liabilities				
Forward foreign exchange contracts	–	(2)	–	(2)
Currency swaps	–	(46)	–	(46)
Interest rate swaps	(52)	(59)	(52)	(59)
Derivative element of convertible bonds	–	(3)	–	(3)
Call options	–	(2)	–	(2)
	(52)	(112)	(52)	(112)

Forward foreign exchange contracts and currency swaps

In the year to 31 March 2010, the Group closed out its remaining currency swaps and forward foreign exchange contracts. The Group is maintaining its policy of only using core currency borrowings to hedge the investment portfolio.

In previous years the contracts entered into by the Group were principally denominated in the currencies of the geographic areas in which the Group operates. The fair value of these contracts was recorded in the balance sheet and was determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts were designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value were taken to the statement of comprehensive income.

At the balance sheet date there were no notional amounts of outstanding forward foreign exchange contracts:

	2010 £m	2009 £m
Currency swaps	–	259
Forward foreign exchange contracts	–	198
	–	457

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its interest-bearing loans and borrowings. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the statement of comprehensive income.

At the balance sheet date, the notional amount of outstanding interest rate swaps is as follows:

	2010 £m	2009 £m
Variable rate to fixed rate	605	634
Variable rate to variable rate	150	150
	755	784

The Group does not trade in derivatives. In general, derivatives held hedge specific exposures and have maturities designed to match the exposures they are hedging. It is the intention to hold both the financial instruments giving rise to the exposure and the derivative hedging them until maturity and therefore no net gain or loss is expected to be realised.

The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the statement of comprehensive income. In accordance with the fair value hierarchy described in note 13, derivative financial instruments are measured using Level 2 inputs.

19 Loans and borrowings

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Loans and borrowings are repayable as follows:				
Within one year	125	349	125	349
In the second year	33	379	33	108
In the third year	726	35	483	35
In the fourth year	268	500	268	500
In the fifth year	50	279	50	279
After five years	887	600	887	600
	2,089	2,142	1,846	1,871

Principal borrowings include:

	Rate	Maturity	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £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	400	375	400
€350 million notes (public issue)	5.625%	2017	312	–	312	–
Other			99	105	99	105
Variable rate						
€500 million notes (public issue)	EURIBOR+0.200%	2012	436	465	436	465
Other			268	389	268	389
			1,690	1,559	1,690	1,559
Committed multi-currency facilities						
£150 million	LIBOR+0.175%	2010	–	143	–	73
£100 million	LIBOR+3.00%	2012	92	–	14	–
£486 million	LIBOR+1.5938%	2012	165	200	–	–
£200 million	LIBOR+3.75%	2014	50	–	50	–
			307	343	64	73
Other						
Euro commercial paper			92	239	92	239
Finance lease obligations			–	1	–	–
			92	240	92	239
Total loans and borrowings			2,089	2,142	1,846	1,871

The £150 million multi-currency facility was re-negotiated to £100 million with the maturity date extended from 2010 to 2012.

The £92 million liability on the £100 million multi-currency facility represents a 1 billion Swedish krona drawing re-translated at the year end exchange rate. The undrawn commitment fee on the £100 million committed bilateral facility is 50% of the margin.

The £486 million multi-currency facility was refinanced in the year by way of a £300 million forward start facility, which extended the repayment maturity from 2010 to 2012. The undrawn commitment fee on the £300 million forward start facility is 50% of the margin. The rate will be LIBOR + 300 basis points.

During the year a new £200 million multi-currency facility was agreed with Lloyds Bank and matures in November 2014. £50 million of this facility was drawn at 31 March 2010. This facility has an undrawn commitment fee of 50% of the margin.

The Group is now 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 1.35 at 31 March 2010 increasing to 1.45 from September 2011, the Asset Cover Ratio at 31 March 2010 is 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 £1,959 million (2009: £1,922 million), determined where applicable with reference to their published market price.

20 Convertible bonds

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Opening balance	384	433	384	433
Amortisation on €550 million convertible	–	4	–	4
Amortisation on £430 million convertible	21	16	21	16
Exchange movements on €550 million convertible	–	(3)	–	(3)
Repayments during the year	–	(434)	–	(434)
New borrowings during the year	–	368	–	368
Repurchase during the year	(42)	–	(42)	–
Closing balance	363	384	363	384

On 29 May 2008 a £430 million three year 3.625% convertible bond was raised. The derivative element of the £430 million convertible bond is cash settled. 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 2010 was £391 million (2009: £341 million), determined by its published market price and classified as Level 1 in the fair value hierarchy.

As at 30 April 2010, the Group announced the intention to cancel £145 million convertible bonds. Further details can be found in note 34, post balance sheet events.

21 B shares

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Opening balance	12	21	12	21
Repurchased and cancelled	(6)	(9)	(6)	(9)
Closing balance	6	12	6	12

On 10 August 2009 the Company repurchased and subsequently cancelled 4,670,975 B shares.

22 Subordinated liabilities

	Group 2010 £m	Group 2009 £m
Subordinated liabilities are repayable as follows:		
After five years	–	7

Subordinated liabilities comprised limited recourse funding from Kreditanstalt für Wiederaufbau ("KfW"), a German federal bank. Repayment of the funding, which individually financed investment assets, was dependent upon the disposal of the associated assets. This funding was subordinated to other creditors of the German subsidiaries to which these funds were advanced and in certain circumstances became non-repayable should assets fail. The associated assets were disposed of during the year to 31 March 2010.

There were no subordinated liabilities for the Company (2009: £nil).

23 Trade and other payables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Other accruals	176	255	29	144
Amounts due to subsidiaries	–	–	357	214
	176	255	386	358

24 Provisions

	Group 2010 Property £m	Group 2010 Redundancy £m	Group 2010 Total £m
Opening balance	10	13	23
Charge for the year	5	4	9
Utilised in the year	(3)	(12)	(15)
Closing balance	12	5	17

	Group 2009 Property £m	Group 2009 Redundancy £m	Group 2009 Total £m
Opening balance	7	7	14
Charge for the year	7	11	18
Utilised in the year	(4)	(5)	(9)
Closing balance	10	13	23

The provision for redundancy relates to staff reductions announced prior to 31 March 2010. Most of the provision is expected to be utilised in the next year.

The Group has a number of leasehold properties whose rent and unavoidable costs exceed the economic benefits expected to be received. These costs arise over the period of the lease, and have been provided for to the extent they are not covered by income from subleases. The leases covered by the provision have a remaining term of up to 15 years.

25 Issued capital

Authorised*	2010 Number	2010 £m	2009 Number	2009 £m
Ordinary shares of 73 19/22p	1,102,899,402	815	555,076,720	410
B shares of 1p	660,000,000	7	660,000,000	7
Unclassified shares of 10p	1,000,000	0.1	1,000,000	0.1

*The concept of authorised share capital was abolished by the Companies Act 2006 with effect from 1 October 2009. The previous authorised share capital remains a limit on the Directors' authority to allot shares until altered by shareholders in general meeting.

Issued and fully paid	2010 Number	2010 £m	2009 Number	2009 £m
Ordinary shares of 73 19/22p				
Opening balance	383,970,880	284	382,741,094	283
Issued under employee share plans	6,745,260	5	1,229,786	1
Nine for seven rights issue	542,060,391	400	–	–
Issue for acquisition of assets of 3i Quoted Private Equity plc	37,604,945	28	–	–
Closing balance	970,381,476	717	383,970,880	284

During the year to 31 March 2010, no options to subscribe for ordinary shares were exercised. Issued under employee share plans includes 6,380,198 ordinary shares subscribed by employees under the Employee Share Investment Plan in June 2009.

26 Equity

Year to 31 March 2010 Group	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at the start of the year	284	405	42	20	(179)	968	394	5	(77)	1,862
Profit for the year						57	97			154
Exchange differences on translation of foreign operations					324					324
Actuarial loss						(71)				(71)
Total comprehensive income for the year	–	–	–	–	324	(14)	97	–	–	407
Share based payments				9						9
Own shares									(9)	(9)
Release on forfeiture of share options				(5)		5				–
Ordinary dividends							(9)			(9)
Issue of ordinary shares	433	374	1							808
Total equity at the end of the year	717	779	43	24	145	959	482	5	(86)	3,068

On 12 June 2009, 3i Group plc raised £699 million net of £33 million of expenses by way of a rights issue.

Year to 31 March 2009 Group	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at the start of the year	283	397	42	21	11	3,026	359	–	(82)	4,057
(Loss)/profit for the year						(2,047)	99			(1,948)
Exchange differences on translation of foreign operations					(190)					(190)
Revaluation of own-use property						(4)				(4)
Actuarial loss						(8)				(8)
Total comprehensive income for the year	–	–	–	–	(190)	(2,059)	99	–	–	(2,150)
Equity settled call option								5		5
Share based payments				3						3
Own shares									2	2
Release on exercise/forfeiture of share options				(4)		1			3	–
Ordinary dividends							(64)			(64)
Issue of ordinary shares	1	8								9
Total equity at the end of the year	284	405	42	20	(179)	968	394	5	(77)	1,862

Year to 31 March 2010 Company	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Total equity £m
Total equity at the start of the year	284	405	42	20	1,256	266	5	2,278
Profit for the year					72	39		111
Revaluation of own-use property								–
Total comprehensive income for the year	–	–	–	–	72	39	–	111
Ordinary dividends						(9)		(9)
Issue of ordinary shares	433	374	1					808
Total equity at the end of the year	717	779	43	20	1,328	296	5	3,188

26 Equity (continued)

Year to 31 March 2009

Company	Share Capital £m	Share Premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Total equity £m
Total equity at the start of the year	283	397	42	21	2,877	310	–	3,930
(Loss)/profit for the year					(1,622)	20		(1,602)
Revaluation of own-use property					(3)			(3)
Total comprehensive income for the year	–	–	–	–	(1,625)	20	–	(1,605)
Equity settled call option							5	5
Share based payments				3				3
Release on exercise/forfeiture of share options				(4)	4			–
Ordinary dividends						(64)		(64)
Issue of ordinary shares	1	8						9
Total equity at the end of the year	284	405	42	20	1,256	266	5	2,278

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

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

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

Capital reserve
The capital reserve recognises all profits that are capital in nature or have been allocated to capital. These profits are not distributable by way of dividend.

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

27 Own shares

	2010 £m	2009 £m
Opening cost	77	82
Additions	11	–
Disposals	(2)	(5)
Closing cost	86	77

Own shares consists of shares in 3i Group plc held by the 3i Group Employee Trust. As at 31 March 2010 the Trust held 19,758,485 shares in 3i Group plc (2009: 10,259,767). The market value of these shares at 31 March 2010 was £58 million (2009: £28 million). The Trust is funded by an interest-free loan from 3i Group plc.

28 Per share information

On 28 April 2009, 3i Group plc acquired the assets of 3i Quoted Private Equity plc (3i QPEP) through a solvent liquidation of the company. The Group paid £110 million in cash and issued 37.6 million 3i Group shares to 3i QPEP shareholders in exchange for £220 million of cash and quoted assets with a value of £147 million. The Group paid 50p in cash and 0.1706 of new 3i Group shares for each 3i QPEP share. The earnings per share comparative has been adjusted by a rate of 0.98, being the ratio between the theoretical ex-transaction price and the closing share price prior to the transaction.

Through the rights issue on 12 June 2009, 3i Group plc issued 542 million new ordinary shares at 135p per new ordinary share on the basis of nine new ordinary shares for every seven ordinary shares held. Prior period comparatives for EPS have been adjusted by a factor of 0.6227 to reflect the bonus element inherent in the rights issue. The factor is calculated based on the pre-issue price of 410p, the price on the last day the shares traded cum-rights. The NAV per share comparatives have been restated by adjusting the comparative NAV by the net assets and the number of shares relating to the 3i QPEP transaction, by £90 million and 37.6 million respectively. The adjustment factor of 0.6227 has then been applied to this adjusted NAV per share to derive the restated figure.

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

	March 2010	March 2009[1]
Earnings per share (pence)		
Basic	17.2	(318.7)
Diluted	17.1	(318.7)
Earnings (£m)		
Profit/(Loss) for the year attributable to equity holders of the Company	154	(1,948)

	March 2010	March 2009[1]
Weighted average number of shares in issue		
Ordinary shares	910,689,107	383,495,547
Own shares	(16,310,231)	(10,465,956)
	894,378,876	373,029,591
Impact of rights issue bonus element and 3i QPEP bonus element		238,239,213
Effect of dilutive potential ordinary shares		
Share options[2]	5,026,956	–
Diluted shares	899,405,832	611,268,804

	March 2010	March 2009[1]
Net assets per share (£)		
Basic	3.23	2.96
Diluted	3.21	2.94
Net assets (£m)		
Net assets attributable to equity holders of the Company	3,068	1,862

1 Restated to reflect the impact of the bonus element of the rights issue and the solvent liquidation of 3i QPEP. The net assets used to calculate the NAV per share comparatives include £90 million relating to the 37.6 million shares issued following the 3i QPEP transaction.
2 The potential effect of share options is excluded from the 2009 dilution calculation for the period, as the impact is anti-dilutive.

28 Per share information (continued)

	2010 Number	2009 Number
Number of shares in issue		
Ordinary shares	970,381,476	383,970,880
Own shares	(19,758,485)	(10,259,767)
	950,622,991	373,711,113
Impact of rights issue bonus element and 3i QPEP		286,821,345
	950,622,991	660,532,458
Effect of dilutive potential ordinary shares		
Share options	6,607,673	1,399,354
Impact of rights issue bonus element and 3i QPEP		893,712
Diluted shares	957,230,664	662,825,524

NAV per share reconciliation adjusted for share issues

The nine for seven rights issue completed on 12 June 2009 and the acquisition of the assets of 3i QPEP through the issue of 37.6 million new shares has resulted in the opening NAV per share not being directly comparable with the closing NAV per share. The following table illustrates the impact of these share issues on the opening NAV per share.

Group basic NAV per share	Net assets £m	Number of shares	Basic NAV per share impact £
31 March 2009 reported position	1,862	373,711,113	4.98
Impact of 3i QPEP acquisition	90	37,604,945	(0.23)
	1,952	411,316,058	4.75
Impact of nine for seven rights issue[1,4]	699	536,306,211	(1.94)
31 March 2009 adjusted for share issues	2,651	947,622,269	2.81
Other movements[2]	10	3,000,722	(0.01)
	2,661	950,622,991	2.80
Total comprehensive income in the year	407	950,622,991	0.43
	3,068	950,622,991	3.23

Group diluted NAV per share	Net assets £m	Number of shares	Diluted NAV per share impact £
31 March 2009 reported position	1,862	375,110,467	4.96
Impact of 3i QPEP acquisition	90	37,604,945	(0.23)
	1,952	412,715,412	4.73
Impact of nine for seven rights issue[1,4]	699	536,306,211	(1.94)
31 March 2009 adjusted for share issues	2,651	949,021,623	2.79
Other movements including the increase in dilutive shares in the year[3]	10	8,209,041	(0.01)
	2,661	957,230,664	2.78
Total comprehensive income in the year	407	957,230,664	0.43
	3,068	957,230,664	3.21

1 The number of shares included within the impact of the nine for seven rights issue includes 542,060,391 ordinary shares issued less 5,754,180 ordinary shares issued to the 3i Group Employee Trust as part of the rights issue, which are included in our own shares and deducted from the number of ordinary shares issued when calculating basic and diluted NAV per share.
2 Other movements relate to employee share incentive plans and dividends.
3 Includes (2) above and additional dilutive share options.
4 Net proceeds of the nine for seven rights issue were £732 million gross proceeds, less £33 million of costs.

29 Dividends

	2010 pence per share	2010 £m	2009 pence per share[1]	2009 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	–	–	6.7	41
Interim dividend	1.0	9	3.8	23
	1.0	9	10.5	64
Proposed final dividend	2.0	19	–	–

1 Restated to reflect impact of the bonus element of the rights issue and the solvent liquidation of 3i QPEP.

30 Operating leases

Leases as lessee

Future minimum payments due under non-cancellable operating lease rentals are as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Less than one year	11	14	–	–
Between one and five years	33	37	–	–
More than five years	30	37	–	–
	74	88	–	–

The Group leases a number of its offices under operating leases. None of the leases include contingent rentals.

During the year to 31 March 2010, £13 million (2009: £15 million) was recognised as an expense in the statement of comprehensive income in respect of operating leases. £1 million (2009: £1 million) was recognised as income in the statement of comprehensive income in respect of subleases. The Group has £3 million of future sublease income receivable under non-cancellable subleases.

31 Commitments

	Group 2010 due within one year £m	Group 2010 due 2-5 years £m	Group 2010 due over 5 years £m	Total £m
Equity and loan investments	204	1	–	205

	Group 2009 due within one year £m	Group 2009 due 2-5 years £m	Group 2009 due over 5 years £m	Total £m
Equity and loan investments	331	57	2	390

	Company 2010 due within one year £m	Company 2010 due 2-5 years £m	Company 2010 due over 5 years £m	Total £m
Equity and loan investments	61	–	–	61

	Company 2009 due within one year £m	Company 2009 due 2-5 years £m	Company 2009 due over 5 years £m	Total £m
Equity and loan investments	143	31	2	176

Commitments represent guarantees or commitments made by the Group and Company to portfolio companies.

32 Contingent liabilities

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	5	6	–	1

The Company has guaranteed the payment of principal and interest on amounts drawn down by 3i Holdings plc under the £100 million bilateral facility, £486 million and £200 million revolving credit facilities. At 31 March 2010, 3i Holdings plc had drawn down £78 million (2009: £72 million) under the first facility and £165 million (2009: £200 million) under the second facility.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan in respect of liabilities of 3i plc to the Plan. 3i plc is the sponsor of the 3i Group Pension Plan.

At 31 March 2010, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

33 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio, its advisory arrangements and its key management personnel. In addition the Company has related parties in respect of its subsidiaries.

Limited partnerships

The Group manages a number of 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 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Carried interest receivable	30	(3)	30	(3)
Fees receivable from external funds	47	53	–	–

Balance sheet	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Carried interest receivable	75	44	75	44

The Group partially sold seven seed portfolio investments to the Growth Capital Fund for £96 million in the year.

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 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Realised profit over value on the disposal of investments	58	151	19	2
Unrealised profits/(losses) on the revaluation of investments	327	(1,372)	136	(421)
Portfolio income	126	138	41	45

Balance sheet	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Quoted equity investments	302	496	302	487
Unquoted equity investments	1,267	1,224	329	502
Loans and receivables	1,264	1,219	205	8

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.

33 Related parties (continued)

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. The following amounts have been included in respect of these advisory relationships:

Statement of comprehensive income	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Unrealised profits/(losses) on the revaluation of investments	72	(47)	72	(47)
Fees receivable from external funds	12	19	12	19
Dividends	15	17	15	17

The Group entered into two separate transactions with 3i Infrastructure plc during the year. Under the first transaction, 3i Osprey LP sold 1.1% of its interest in Anglian Water Group to an unrelated third party. The net proceeds of the sale (£21 million) were distributed to 3i Group in exchange for a reduction of 6.2% in its interest in 3i Osprey LP. Under the second transaction, 3i Group sold 8.8% of its limited partnership interest in 3i Osprey LP to 3i Infrastructure plc. The net consideration for the second transaction was £23 million. As a result of both transactions, 3i Group has been left with a limited partnership interest of 2.3% in 3i Osprey LP.

Balance sheet	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Quoted equity investments	300	395	300	395

Key management personnel

The Group's key management personnel comprises the members of Management Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	Group 2010 £m	Group 2009 £m
Salaries, fees, supplements and benefits in kind	4	6
Bonuses and deferred share bonuses	8	1
Increase in accrued pension	–	–
Carried interest payable	11	(1)
Share-based payments	1	2
Termination benefits	–	3

Balance sheet	Group 2010 £m	Group 2009 £m
Bonuses and deferred share bonuses	7	1
Carried interest payable within one year	8	4
Carried interest payable after one year	7	7

Carried interest paid in the year to key management personnel was £6 million (2009: £14 million).

Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, as investment manager of the Group. 3i Investments plc received a fee of £21 million (2009: £39 million) for this service.

The Company has appointed 3i plc, a wholly-owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £184 million (2009: £143 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 2010 to £nil (2009: £1 million).

Other subsidiaries

The Company borrows funds from certain subsidiaries and pays interest on the outstanding balances. The amounts that are included in the Company's statement of comprehensive income are £nil (2009: £nil).

34 Post balance sheet events

As at 30 April 2010 the Group had purchased a total of £145 million of its convertible bonds on the open market for £148 million. The Group confirmed via RNS announcements on 14, 15 and 30 April 2010 that the bonds would be cancelled, leaving the Group with an outstanding convertible bond liability of £285 million at maturity. This cancellation has since been confirmed and the impact on the statement of comprehensive income is a £1 million gain.

35 Group entities

Significant subsidiaries

Name	Country of incorporation	Issued and fully paid share capital	Principal activity	Registered office
3i Holdings plc	England and Wales	1,000,000 shares of £1	Holding company	16 Palace Street London SW1E 5JD
3i International Holdings	England and Wales	2,715,973 shares of £10	Holding company	
3i plc	England and Wales	110,000,000 shares of £1	Services	
3i Investments plc	England and Wales	10,000,000 ordinary shares of £1	Investment manager	
3i Europe plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Nordic plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Asia Pacific plc	England and Wales	140,000 ordinary shares of £1	Investment adviser	
Gardens Pension Trustees Limited	England and Wales	100 ordinary shares of £1	Pension fund trustee	
3i Corporation	USA	15,000 shares of common stock (no par value)	Investment manager	375 Park Avenue Suite 3001 New York NY 10152, USA
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	Germany	€25,564,594	Investment manager	Bockenheimer Landstrasse 55 60325 Frankfurt am Main, Germany
3i Gestion SA	France	1,762,500 shares of €10	Investment manager	3 rue Paul Cezanne Paris, 75008 France

The list above comprises the principal subsidiary undertakings as at 31 March 2010 all of which were wholly-owned. They are incorporated in Great Britain and registered in England and Wales unless otherwise stated.

Each of the above subsidiary undertakings is included in the consolidated accounts of the Group.

As at 31 March 2010, the entire issued share capital of 3i Holdings plc was held by the Company. The entire issued share capital of all the other principal subsidiary undertakings listed above was held by subsidiary undertakings of the Company, save that four shares in 3i Gestion SA were held by individuals associated with the Group.

The Directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 4 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is such that compliance would result in information of excessive length being given. Full information will be annexed to the Company's next annual return.

Advantage has been taken of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements to deliver to the Register of Companies and publish the accounts of those limited partnerships included in the consolidated accounts of the Group.

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

We have audited the financial statements of 3i Group plc for the year ended 31 March 2010 which comprise the Statement of comprehensive income, the Group and parent company Statement of changes in equity, the Group and parent company Balance sheets, the Group and parent company Cash flow statements and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 72, in relation to going concern; and
- the part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP statutory auditor
London
12 May 2010

Portfolio and other information

Portfolio valuation – an explanation

Policy

Our policy is to value 3i's investment portfolio at fair value and achieve this by valuing individual investments on an appropriate basis using a consistent approach across the portfolio. The Group's valuation policy is owned by the Board and periodically reviewed by the Board's Valuations Committee. The policy ensures that the portfolio valuation complies with all relevant accounting standards and is fully consistent with IFRS and the guidelines issued by the International Private Equity Valuation Board (the "IPEV guidelines").

Fair value is defined as "the price at which an orderly transaction would take place between market participants at the reporting date" (IPEV guidelines, September 2009). Fair value is therefore an estimate, and as such determining fair value requires the use of judgments.

Determining enterprise value

To arrive at the fair value of the Group's investments, we first estimate the entire value of the Company we have invested in – the enterprise value. This enterprise value is determined using one of a selection of methodologies depending on the nature, facts and circumstances of the investment.

Where possible we use methodologies which draw heavily on observable market prices, whether listed equity markets or reported merger and acquisition transactions.

The quoted assets in our portfolio are valued at their closing bid price on the balance sheet date. The majority of the rest of our portfolio, however, is represented by unquoted investments. These are valued, in the vast majority of cases, with reference to market comparables, or to reported transactions. As unquoted investments are less easily sold than quoted investments, the Group adjusts the estimated enterprise value by a marketability or liquidity discount. The marketability or liquidity discount applied has changed in line with the update IPEV guidelines, September 2009. The discount is now applied to the total enterprise value, rather than as previously applied to the total enterprise value after the deduction of senior debt. This had a £37 million impact on the core portfolio in the year. We apply a higher discount rate for investments where there are material restrictions on our ability to sell at a time of our choosing.

The table opposite outlines in more detail the range of valuation methodologies available to us, as well as the inputs and adjustments necessary for each.

Apportioning the enterprise value between 3i, other shareholders and lenders

Once we have estimated the enterprise value using one of the methodologies outlined in the table opposite, the following steps are taken:

1 We subtract the value of any claims, net of free cash balances, that are more senior to the most senior of our investments;

2 The resulting attributable enterprise value is apportioned to the Group's investment, and equal ranking investments by other parties, according to contractual terms and conditions, to arrive at a fair value of the entirety of the investment. The value is then distributed amongst the different loan, equity and other financial instruments in line with IFRS.

3 If the value attributed to a specific loan investment in a company is less than its par or nominal value, a shortfall is implied, which is recognised in our valuation. In exceptional cases we may judge that the shortfall is temporary; to recognise the shortfall in such a scenario would lead to unrepresentative volatility in our accounts and hence we may choose not to recognise the shortfall.

Other factors

In applying this framework, there are additional considerations that are factored into the valuation of some assets:

Impacts from structuring

Structural rights are instruments convertible into equity or cash at specific points in time or linked to specific events. For example, where a majority shareholder chooses to sell and we have a minority interest, we may have the right to a minimum return on our investment.

Debt instruments in particular may have structural rights. In the valuation it is assumed third parties such as lenders or holders of convertible instruments fully exercise any rights they might have, and that the value to the Group may therefore be reduced by such rights held by third parties. The Group's own rights are valued on the basis they are exercisable on the reporting date.

Assets classified as "terminal"

If we believe a business in which we hold an investment has more than a 50% probability of failing in the 12 months following the valuation date, we value the investment on the basis of its expected recoverable amount in the event of failure. This would generally result in the equity and loan components of our investment being valued at nil.

Methodology	Description	Inputs	Adjustments	% of portfolio valued on this basis
Earnings	– Most commonly used valuation methodology – Used for investments which are profitable and for which we can determine a set of listed companies with similar characteristics	Earnings multiples are applied to the earnings of the company to determine the enterprise value. Earnings – Reported earnings adjusted for non-recurring items, such as restructuring expenses, and for significant corporate actions, to arrive at maintainable earnings – Most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA") – Earnings used are latest management accounts for the latest 12 months available, unless data from forecasts or the latest audited accounts provides a more reliable picture of maintainable earnings Earnings multiples – The earnings multiple is derived from comparable listed companies – We select companies in the same industry, where possible with a similar business model and profile in terms of size, products, services and customers, and where possible in the same geographic region – We track the multiple paid at our initial investment against this set of comparable companies, taking into account a relative premium or discount where the underlying risk and earnings growth rate support that relative ranking – We adjust for changes in the relative performance in the set of comparables	– A marketability or liquidity discount is applied to the enterprise value, typically between 5% and 15%, depending on the specific investment	71%
Quoted	– Used for investments in listed companies	– Closing bid price at balance sheet date	– No adjustments or discounts applied	9%
Imminent sale	– Used where an asset is in a sales process, a price has been agreed but the transaction has not yet settled	– Contracted proceeds for the transaction, or best estimate of the expected proceeds	– A discount of typically 10% is applied to reflect the uncertainty over the ultimate outcome	1%
Further round	– Used for early-stage investments, if a third party has made a further investment	– Implied valuation from further investment	– No adjustments or discount applied	1%
Fund	– Used for investments in unlisted funds	– Net asset value reported by the fund manager	– Typically no further discount applied in addition to that applied by the fund manager	4%
Specific industry metrics	– Used for investments in industries which have well defined metrics as bases for valuation – Eg book value for insurance underwriters, or regulated asset bases for utilities	– We create a set of comparable listed companies and derive the implied values of the relevant metric – We track and adjust this metric as in the case of an earnings multiple – Comparable companies are selected using the same criteria as described for the Earnings methodology	– An appropriate discount is applied, depending on the valuation metric used	4%
Discounted cash flow	– Appropriate for businesses with long-term stable cash flows, typically in infrastructure	– Long-term cash flows are discounted at a rate which is tested against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment	– Discount already implicit in the discount rate applied to long-term cash flows – no further discounts applied	1%
Net assets	– Used for businesses that are loss making, or where the probability of liquidation is high	– Assets are valued at the best estimate of the proceeds in a liquidation scenario	– A discount is applied to reflect the uncertainty over the ultimate outcome	1%
Other	– Used where elements of a business are valued on different bases	– Values of separate elements prepared on one of the methodologies listed above	– No further discount is applied	8%

For a small proportion of our smaller investments (less than 3% of the portfolio), the valuation is determined by a more mechanistic approach using information from the latest audited accounts. Equity shares are valued at the higher of an earnings or net assets methodology. Fixed income shares and loan investments are measured using amortised cost and any implied impairment, in line with IFRS.

Consistent with IPEV guidelines, all equity investments are held at fair value using the most appropriate methodology and no investments are held at historical cost.

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.

3i Infrastructure plc

3i-infrastructure.com

Quoted investment company, investing in infrastructure

Geography:	UK
Business line:	Infrastructure
First invested in:	2007
Valuation basis:	Quoted
Proportion of equity shares held:	33.2%
Residual cost:	£270m
Valuation:	£300m

ACR Capital Holdings Pte Limited

asiacapitalre.com

Reinsurance in large risk segments

Geography:	Singapore
Business line:	Growth
First invested in:	2006
Valuation basis:	Industry metric
Proportion of equity shares held:	31.2%
Residual cost:	£105m
Valuation:	£149m

Inspicio Sarl

inspicioplc.com

Global testing and inspection

Geography:	UK
Business line:	Buyout
First invested in:	2008
Valuation basis:	Earnings
Proportion of equity shares held:	38.2%
Residual cost:	£133m
Valuation:	£147m

Enterprise Group Holdings Limited

enterprise.plc.uk

UK utilities and public sector maintenance outsourcing

Geography:	UK
Business line:	Buyout
First invested in:	2007
Valuation basis:	Earnings
Proportion of equity shares held:	32.2%
Residual cost:	£145m
Valuation:	£144m

Quintiles Transnational Corporation

quintiles.com

Clinical research outsourcing solutions

Geography:	US
Business line:	Growth
First invested in:	2008
Valuation basis:	Earnings
Proportion of equity shares held:	4.9%
Residual cost:	£70m
Valuation:	£128m

MWM GmbH

mwm.net

Provider of decentralised power generation systems

Geography:	Germany
Business line:	Buyout
First invested in:	2007
Valuation basis:	Earnings
Proportion of equity shares held:	41.3%
Residual cost:	£69m
Valuation:	£127m

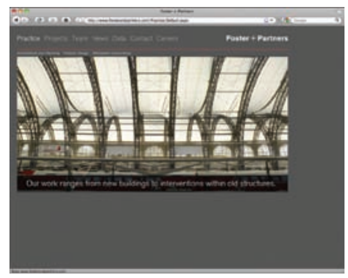
Foster + Partners[1]

fosterandpartners.com

Architectural services

Geography:	UK
Business line:	Growth
First invested in:	2007
Valuation basis:	Earnings
Proportion of equity shares held:	40.0%
Valuation:	£113m

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



Mémora Servicios Funerarias

memora.es

Funeral service provider

Geography:	Spain
Business line:	Buyout
First invested in:	2008
Valuation basis:	Earnings
Proportion of equity shares held:	38.1%
Residual cost:	£99m
Valuation:	£103m

3i India Infrastructure Holdings Limited

Fund investing in Indian infrastructure

Geography:	India
Business line:	Infrastructure
First invested in:	2007
Valuation basis:	Fund
Proportion of equity shares held:	21.2%
Residual cost:	£59m
Valuation:	£99m

There is no website for 3i India Infrastructure Holdings Limited.

Hyva Investments BV

hyva.com

Branded hydraulics for commercial vehicles

Geography:	Netherlands
Business line:	Buyout
First invested in:	2004
Valuation basis:	Earnings
Proportion of equity shares held:	44.2%
Residual cost:	£14m
Valuation:	£98m

Forty other large investments

In addition to the ten largest investments shown on pages 132 and 133, detailed below are forty other large investments which are substantially all of the Group's investments valued over £13 million. This does not include 10 investments that have been excluded for commercial reasons.

Investment	Description of business	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
NORMA Group Holding GmbH normagroup.com	Provider of engineered joining technology	Buyout	Germany	2005	Earnings	31.2%	27	97
Otnortopco AS (Axellia/Alpharma) alpharma.com	Developer and supplier of specialist active pharmaceutical ingredients	Buyout	Norway	2008	Earnings	46.3%	70	89
Sortifandus, S.L. (GES – Global Energy Services) services-ges.com	Wind power service provider	Buyout	Spain	2006	Earnings	42.8%	41	87
Mayborn Group Plc mayborngroup.com	Manufacturer and distributor of baby products	Buyout	UK	2006	Earnings	37.9%	78	85
Navayuga Group necltd.com	Engineering and construction	Growth	India	2006	Earnings	10.0%	23	76
Mold-Masters Luxembourg Holdings S.A.R.L. moldmasters.com	Plastic processing technology provider	Growth	Canada	2007	Earnings	49.3%	85	70
Labco SAS labco.eu	Clinical laboratories	Growth	France	2008	Earnings	12.3%	65	68
Cornwall Topco Limited (Civica) civica.co.uk	Public sector IT and services	Buyout	UK	2008	Earnings	40.6%	73	66
Tato Holdings Limited[1]	Manufacture and sale of speciality chemicals	SMI[2]	UK	1990	Earnings	26.0%	2	52
Scandferries Holding GmbH (Scandlines) scandlines.de	Ferry operator in the Baltic Sea	Buyout	Germany	2007	Other	22.7%	31	46
Azelis Holding S.A. azelis.com	Distributor of speciality chemicals, polymers and related services	Buyout	Luxembourg	2007	Earnings	32.1%	31	41
Joyon Southside[1]	Real estate	Growth	China	2007	DCF	49.9%	26	39
Beijing Digital Telecom Co. Limited dixintong.com	Mobile phone retailer	Growth	China	2006	Earnings	17.4%	11	38
Radius Systems Limited radius-systems.com	Manufacture of thermoplastic pipe systems for gas and water distribution	Buyout	UK	2008	Earnings	31.6%	30	37
KemFine Oy kemfine.com	Manufacturer of fine chemicals	Buyout	Finland	2004	Earnings	35.0%	22	36
Inspecta Holding Oy inspecta.fi	Supplier of testing and inspection services	Buyout	Finland	2007	Earnings	39.2%	46	34
Everis Participaciones S.L. everis.com	IT consulting business	Growth	Spain	2007	Earnings	18.3%	30	33
Asia Strategic Medtech Holdings (Mauritius) Limited (LHI) lhitechnology.com	Medical cable assemblies	Buyout	China	2008	Earnings	37.5%	16	31
Ålö Intressenter AB alo.se	Manufacturer of front end loaders	Growth	Sweden	2002	Earnings	35.2%	37	31
AES Engineering Limited aesseal.co.uk	Manufacturer of mechanical seals and support systems	Growth	UK	1996	Earnings	40.8%	30	29

1 No company website available for this investment.
2 Smaller Minority Investments.

Investment	Description of business	Business line	Geography	First invested in	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
RBG Limited rbgltd.com	Oil and gas service provider	Buyout	UK	1996	Earnings	39.5%	4	28
Periclimenco, SL (Panreac Quimica, S.A.) panreac.com	Manufacturer of chemicals for analysis	Buyout	Spain	2005	Earnings	27.7%	15	27
DC Druck Chemie GmbH druckchemie.com	Business services	Buyout	Germany	2008	Earnings	44.3%	26	26
Franklin Offshore International Pte Limited franklin.com.sg	Manufacture, installation and maintenance of mooring and rigging equipment	Growth	Singapore	2007	Earnings	30.9%	16	26
Hobbs Holding No. 1 Limited hobbs.co.uk	Retailer of women's clothing and footwear	Buyout	UK	2004	Earnings	42.2%	55	26
Kneip Communication SA kneip.com	Outsourced publication of investment fund data	Growth	Luxembourg	2007	Earnings	42.9%	25	26
Soya Concept AS soyaconcept.com	Fashion design company	Growth	Denmark	2007	Earnings	44.1%	13	25
Boomerang TV, S.A. grupoboomerangtv.com	Production of audiovisual contents	Growth	Spain	2008	Earnings	34.1%	23	22
Goromar XXI, S.L. (Esmalglass) esmalglass.com	Manufacture of frites, glazes and colours for tiles	Buyout	Spain	2002	Earnings	21.6%	20	21
Refresco Group B.V. refresco.com	Manufacturer of private label juices, still drinks and carbonated drinks	Growth	Netherlands	2010	Earnings	12.7%	21	21
Consultim Finance SAS cerenicimo.fr	Wholesaler of rental real estate	Growth	France	2007	Earnings	20.0%	12	21
Polyconcept Investments B.V. polyconcept.com	Supplier of promotional products	Growth	Netherlands	2005	Earnings	13.0%	21	21
Hyperion Insurance Group Limited[2] hyperiongrp.com	Specialist insurance intermediary	Growth	UK	2008	Other	19.1%	22	19
Pearl (AP) Group Limited (Agent Provocateur) agentprovocateur.com	Women's lingerie and associated products	Buyout	UK	2007	Other	39.0%	35	18
Indiareit Offshore Fund[1]	Indian real estate fund	Growth	India	2006	Fund	20.0%	21	17
MKM Building Supplies (Holdings) Limited mkmbs.co.uk	Building material supplier	Growth	UK	1998	Earnings	30.3%	13	17
La Sirena lasirena.es	Specialist frozen food retailer	Buyout	Spain	2006	Earnings	47.3%	36	15
Mosaicon S.p.A.[1]	Designer and retailer of affordable luxury branded leather accessories	Buyout	Italy	2008	Earnings	35.8%	52	14
Dirickx Groupe SA dirickx.com	Manufacture and distribution of fences and security equipment	Growth	France	2004	Sale	12.9%	4	13
Shearings Group Limited shearings.com	Tour operator	Buyout	UK	1997	Earnings	36.6%	1	13

1 No company website available for this investment.
2 Reflects the partial sale of Hyperion to the Growth Capital Fund which is subject to regulatory approval.

Information for shareholders

Financial calendar

Ex-dividend date	16 June 2010
Record date	18 June 2010
Annual General Meeting*	7 July 2010
Final dividend to be paid	16 July 2010
Half-year results (available online only)	November 2010
Interim dividend expected to be paid	January 2011

*The 2010 Annual General Meeting will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 7 July 2010 at 11.00am. For further details please see the Notice of Annual General Meeting 2010.

Information on ordinary shares

Shareholder profile Location of investors at 31 March 2010

UK	76.0%
US	9.4%
Continental Europe	9.6%
Other international	5.0%

Share price

Share price at 31 March 2010	291.2p
High during the year (9 September 2009)	310.7p
Low during the year (1 April 2009)	175.5p

Dividends paid in the year to 31 March 2010

2009/2010 Interim dividend, paid 13 January 2010	1p

Balance analysis summary

	Number of holdings Individuals	Number of holdings Corporate bodies	Balance as at 31 March 2010	%
1 – 1,000	17,949	966	8,880,247	0.92
1,001 – 10,000	6,971	1,297	19,245,423	1.98
10,001 – 100,000	193	360	18,086,716	1.86
100,001 – 1,000,000	18	325	120,896,398	12.46
1,000,001 – 10,000,000	1	117	328,952,612	33.90
10,000,001 – highest	0	23	474,320,080	48.88
Total	**25,132**	**3,088**	**970,381,476**	**100.00**

The table above provides details of the number of shareholdings within each of the bands stated in the register of members at 31 March 2010.

Unsolicited telephone calls

In the past, some of our shareholders have received unsolicited telephone calls or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in UK or overseas investments. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the Company. These approaches are operated out of what is more commonly known as a "boiler room". You may also be approached by brokers offering to purchase your shares for an upfront payment in the form of a broker fee, tax payment or de-restriction fee. This is a common secondary scam operated by the boiler rooms.

If you receive any unsolicited investment advice:

– always ensure the firm is on the Financial Services Authority ("FSA" Register) and is allowed to give financial advice before handing over your money. You can check at www.fsa.gov.uk/pages/register;

– double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Check their identity by calling the firm using the contact number listed on the FSA Register. This is important as the FSA has seen instances where an authorised firm's website has been cloned but with a few subtle changes, such as a different phone number or false email address;

– check the FSA's list of known unauthorised overseas firms at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml. However, these firms change their name regularly, so even if a firm is not listed it does not mean they are legitimate. Always check that they are listed on the FSA Register;

– if you have any doubts, call the FSA Consumer Helpline on 0845 606 1234 with details, or complete the Unauthorised Firms Reporting Form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/form.shtml. If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. More detailed information on this or similar activity can be found on the FSA website at www.moneymadeclear.org.uk. You should also report any approach to Operation Archway, an initiative by the City of London Police in conjunction with the FSA, the Serious Fraud Office, the Serious Organised Crime Agency and police forces within the UK, by email to: operationarchway@cityoflondon.pnn.police.uk

Annual and half-yearly reports online

If you would prefer to receive shareholder communications electronically in future, including your annual reports and notices of meetings, please visit our Registrars' website at www.shareview.co.uk/clients/3isignup and follow the instructions there to register. The 2010 half-yearly report will only be available online. Please register to ensure you are notified when it becomes available.

More general information on electronic communications may also be found on our website at www.3igroup.com/e-comms

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Group plc, including requests for further copies of the Report and accounts, please contact:

Group Communications
3i Group plc
16 Palace Street
London SW1E 5JD

Telephone +44 (0)20 7928 3131
Fax +44 (0)20 7928 0058
email ir@3igroup.com

or visit our Investor relations website, www.3igroup.com, for full up-to-date investor relations information, including the latest share price, recent annual and half-yearly reports, results presentations and financial news.

Registrars

For shareholder administration enquiries, including changes of address, please contact:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone 0871 384 2031
Calls to this number are charged at 8p per minute from a BT landline, other telephony provider costs may vary. Lines are open from 8.30am to 5.30pm, Monday to Friday.
(International callers +44 121 415 7183)

3i Group plc

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M68110 May 2010

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