13 May 2004

3i delivers a strong overall performance

- Total return of £531 million
- Significant increase in investment activity in the second half
- Realised profits of £228m

Preliminary results for year ended 31 March 2004

Total return	£531m
Return on opening shareholders' funds	18.1%
Revenue profit before tax	£139m
Realisation proceeds	£923m
Realisation profits on disposal of investments	£228m
Unrealised profits on revaluation of investments	£336m
Investment (including co-investment funds)	£979m
Diluted net asset value per share (post final dividend)	553p
Full year dividend (including recommended final dividend of 8.9p per share)	14.0p

Highlights

- A total return of £531 million representing 18.1% of opening shareholders' funds.
- Investment in the year of £979 million (including co-investment funds), following a significant increase in the second half.
- Realisation proceeds on the sale of assets of £923 million generated realised capital profits of £228 million. Equity realisations were made at an uplift of 58% over opening values.
- Significant reduction in provisions and down rounds to £143 million and £70 million respectively. This compares with £379 million and £361 million for the same period last year.
- Revenue profit before tax of £139 million.
- Full year dividend of 14.0p up 3.7%.

Baroness Hogg, Chairman of 3i Group plc, said: "3i has achieved a strong overall performance. We have a highly focused business, clear competitive advantage, a strong balance sheet and good momentum on the new investment front."

3i's Chief Executive, Brian Larcombe, commenting on the outlook, said: "The general macroeconomic drivers look more favourable, the business model is delivering in each of our three key areas of activity: buy-outs, growth capital and venture capital and the business has the people, the network and the capital strength to grow significant value for our shareholders."

- ends -

For further information regarding the announcement of 3i's full year results to 31 March 2004 please see www.3iGroup.com

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Notes to editors

3i is a world leader in private equity and venture capital. We focus on buy-outs, growth capital and venture capital and invest across Europe, in the United States and in Asia Pacific.

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

3i's buy-out business concentrates on the mid and smaller buy-out markets in Europe and Asia Pacific. In the year to 31 March 2004 3i invested £492m.

Our growth capital business invests in high growth companies expanding organically or through acquisition. In the year to 31 March 2004, 3i invested £313m.

3i's venture capital business invested £174m in the year to 31 March 2004 in early stage technology companies.

Chairman's statement

At the time of our interim results announcement in November 2003, I noted that we had seen an encouraging performance in the first six months of the financial year, driven by better results from our buy-out, growth capital and venture capital businesses. I also said that as business confidence improved there would be some excellent opportunities for 3i to invest. This has indeed proved to be the case.

The results for the year to 31 March 2004 demonstrate the improvement in each of our areas of activity. The total return for the year of £531 million represented 18.1% on opening shareholders' funds, a strong overall performance.

3i's share price performed well in the year to 31 March 2004. Total shareholder return of 54.4% compared with 31.0% for the FTSE All-Share total return index over the same period.

The Board is recommending a final dividend of 8.9p, making a total dividend of 14.0p, an increase of 3.7% from 13.5p last year.

The benefits of our product focus are now becoming clear. Geographically, 3i's returns in the UK, continental Europe and Asia Pacific were strong. Investment picked up well in the second half. Total new investment, including co-investment funds, was £979 million during the year as a whole. Realisations proceeds totalled £923 million and equity assets were sold at a 58% premium to their value at the start of the year.

In March 2004, 3i announced Brian Larcombe's intention to retire at the forthcoming Annual General Meeting in July.

Brian became our Chief Executive in 1997 and has been with the Company for almost 30 years. He joined the Board in 1992 and as Finance Director played a key role in the flotation of 3i in 1994. Under his leadership, the business has been transformed into a dynamic, integrated international business. The Board and I would like to thank him for this and pay tribute to his contribution to our industry as a whole.

The process for identifying Brian's successor is under way and we will be making an announcement by the Annual General Meeting.

Our staff have achieved a great deal over the year and the good performance of the Group is the result of not only some fine individual efforts but excellent teamwork. 3i's ability to put together the best team for the job from around the world is giving the business an edge and flexibility that few competitors can match.

For any company, corporate responsibility should be an important issue. I hope that you will see from this report that 3i takes its responsibilities seriously, not only as a company but also as an investor.

An essential element of the governance of 3i is the work carried out by the committees of the Board. I would like to thank John Forrest, who is stepping down from the Board at the AGM, for all he has done for 3i in seven years as a non-executive Director, and particularly for his work in chairing the Remuneration Committee.

After three tough years for the Group, we now have a highly-focused business, clear competitive advantage, a strong balance sheet, good momentum on the new investment front and a healthy result for the year to 31 March 2004.

Our latest Enterprise Barometer survey indicates greater business confidence in our market place and augurs well for the year ahead.

Baroness Hogg
Chairman
12 May 2004

Chief Executive's statement

Results
I am pleased to report good results for the year with a total return of £531 million.

This significant improvement follows a three year period of substantial change for 3i, during which we refocused the investment business, restructured and slimmed down the organisation, and strengthened our investment processes. These changes, together with our continued international growth, are now delivering much-improved portfolio health, good uplifts in the value of the portfolio and strong realisation profits.

3i continues to lead the European market in our three chosen segments of mid-market buy-outs, growth capital and early stage technology ("venture capital").

As the year progressed, we increased the momentum of investment activity, which resulted in almost £1 billion being invested during the year, including co-investment funds.

For the year, our buy-out and growth capital businesses generated returns of 22.4% and 26.8% respectively. Our venture business delivered a substantial improvement, with a return of (6.0)%, though its return was broadly break-even before the impact of currency translation losses.

Our overall return of 18.1% can compare with performance data, produced by Thomson Venture Economics, which shows an overall return for European private equity and venture capital funds of (1.4)% for calendar year 2003. Although the data is not strictly comparable, it does suggest that 3i is performing well within the top quartile of the industry.

3i's return compares with returns of 25.7% and 31.0% on the FTSE 100 and FTSE All-Share total return indices respectively. It is normal that our returns lag an upturn in quoted markets. This is because the valuations of 3i's unquoted investments are generally based on historical earnings and our venture capital assets are not marked up in line with a rise in quoted markets.

Market conditions
Market conditions and business confidence have improved steadily since the beginning of the financial year. The improvement in capital markets and mergers and acquisition activity encouraged a rise in investment activity as companies began to return to growth agendas. The new issues market remains quiet across Europe, with only a small number of significantly-sized IPOs being achieved.

Strategy and competitive advantage
3i's development in recent years has been built on the four key elements of our strategy: developing the business internationally, building a balanced investment business, using the network as a key competitive advantage and investing in growth companies.

Today, 3i is active in Europe, Asia Pacific and the US, with 42% of our assets now outside the UK. Of our investment in the year, 51% was in continental Europe and a further 10% in the US and Asia Pacific.

Buy-outs account for 53% of assets, growth capital 35% and venture capital 12%.

3i's network of relationships around the world continues to deliver significant competitive advantage and is integral to all that we do. Market access, the ability to convert opportunities into good investments, add value to our portfolio companies and realise value, all depend upon it.

Our strategy of investing in companies with significant potential to grow is increasingly appropriate in a low inflation and more internationally competitive environment.

Strategy implementation

We have continued to drive improvement throughout the business, particularly investment focus, in ensuring the best from the network and in further efficiency programmes.

The combination of increased productivity and a smaller number of companies in the portfolio enabled a reduction in headcount of 13% from 858 to 750 during the year.

A further change during the year was that our teams in Bristol, Glasgow and Leeds are now focused on portfolio management. We are also in the process of moving our teams in Padua and Nantes back to Milan and Paris respectively.

Across our three activities, 3i's scale has allowed us to develop a multi-specialist approach which can deliver the best resource to new business opportunities and from the management of key relationships with major companies and professional advisers.

A good illustration of this is our ability, within industry sectors, to bring together the chief executives of our portfolio companies and directors of the leading international businesses. This provides origination opportunities and creates value for our portfolio companies.

The establishment of specialist teams is especially clear in our venture business. This is now focused on nine of our offices, located in the main technology hubs within Europe, the US and Asia Pacific and coordinated by sector leadership teams in healthcare, software, communications and ESAT (electronics, semiconductors and advanced technologies).

Outlook

3i has withstood some of the most volatile market conditions that I have seen in my 30 years in the industry and has come through strongly. It is a leader in its industry and one of the few genuinely international businesses with competitive scale. The general macroeconomic drivers look more favourable, the business model is delivering in each of our three key areas of activity: buy-outs, growth capital and venture capital and the business has the people, the network and the capital strength to grow significant value for our shareholders.

I would like to thank the Board, the staff and our shareholders for the tremendous support I have enjoyed in leading 3i. I would also pay tribute to the entrepreneurs who build the businesses that our industry supports and acknowledge it is largely their visions that provide our opportunity.

Brian Larcombe
Chief Executive
12 May 2004

Operating and financial review

This review includes a description of 3i's business and strategy and comments on 3i's performance during the year in the context of the economic and market environment and other influences. The review also discusses 3i's financial position, including changes to its capital structure, and comments on the main risks inherent in 3i's business and the framework used to manage them.

3i's business and strategy

3i's business

3i's business focus continues to be to invest in buy-outs, growth capital and venture capital. Geographically, most of our investment is in businesses based in western Europe, although 3i does have growing investment operations in the US and in the Asia Pacific region. In the US, 3i currently invests in businesses engaged in technology sectors; while elsewhere 3i invests across a broader range of industry sectors and in each of the investment activities identified above.

Buy-outs

3i invests in European mid-market buy-out transactions with a value between €25 million and €800 million. The vendors of the businesses being sold are typically large corporates disposing of non-core activities or private groups with succession issues.

3i targets the mid-market because that is where we believe we can create the most value. There is also less competition for transactions in this market than for larger deals and price is less likely to be the sole or key criterion in "winning the deal" – we believe that, in the mid-market, the relationships we build through our local presence are just as important. Additionally, the nature and size of businesses in this market are such that we are more able to add value through strategic, operational and management input; and, in this market, the underlying businesses will generally have greater growth potential than larger ones and be of such a size as to make them more attractive acquisition targets for a greater number of strategic purchasers.

3i is also active in the smaller buy-out market (below €25 million), both in western Europe and in the Asia Pacific region. This is a more fragmented segment of the market and one in which 3i's local network provides good access to the private vendors, management teams and local advisers involved.

Growth capital

3i makes growth capital investments of between £5 million and £50 million, across a broad range of sectors, business sizes and funding needs. These investments typically involve 3i acquiring minority stakes in established businesses. We therefore seek to ensure a high level of influence and an attractive yield in these situations. 3i's growth capital business is primarily focused on 3i's European and Asia Pacific markets and has historically had a less competitive environment than buy-outs.

Success in this market is determined by the ability to build long-term relationships with local businesses and local intermediaries, as well as demonstrating the capability of helping these businesses to grow. This fits well with 3i's strategy of local presence, sector specialisation, sharing knowledge and offering local businesses access to 3i's international network of relationships.

Venture capital
3i's venture capital business is targeted at four key sub-sectors – healthcare, communications, software and electronics, semiconductors and advanced technologies ("ESAT"). The main geographic focus is western Europe and the US, though 3i does also invest in the Asia Pacific region.

Investment in venture capital takes the form of participation in a series of "funding rounds" and we therefore separate out "first investments" (those in businesses where 3i is not already invested) and "further investments". 3i aims to invest between £1 million and £10 million in each new opportunity and, depending on circumstances and market conditions, we would generally expect 3i's venture capital investment to be split broadly 50:50 between first investments and further investments in any year.

3i's strategy
The key elements of 3i's strategy are as follows:

- to develop the business internationally;
- to build a balanced investment business;
- to use the network as our key competitive advantage; and
- to invest in companies where there is potential to grow profits significantly.

Globally, private equity and venture capital investment is concentrated in the US and Europe, with the Asia Pacific region showing strong growth. We currently have a strong European presence and aim to grow our activities in the US and Asia.

3i targets investment across a broad range of industrial sectors and also invests at all stages of the corporate lifecycle, from start-ups to buy-outs. We continue to target businesses where we believe we can help to grow profits significantly.

Integral to our strategy is the ability to use 3i's network to generate returns that are greater than those of our competitors. As business becomes increasingly international and complex, we believe that the network provides 3i with real competitive advantage through each phase of the investment lifecycle – origination of the investment opportunity, developing and validating the business case, structuring and making the investment, implementing the operational plan for the business, and exit.

The main elements of what we refer to as "our network" are as follows:

- local presence – this enables 3i to build strong relationships with entrepreneurs, corporates, universities, research organisations and intermediaries, and is particularly important in the deal origination phase of the investment lifecycle;

- sector specialisation – underpinning 3i's ability to build meaningful business relationships, sector specialisation is critical in the phases of developing and validating the investment case and subsequently implementing the growth strategy. Our sector teams are drawn from 3i's Industry Group, which comprises around 20 experienced senior industry specialists, and 3i's investment and portfolio management executives;

- "product" specialisation – each of buy-outs, growth capital and venture capital has teams of specialist investment executives skilled in project management and financial structuring specific to the product. 3i's scale and structure also allow us to utilise specialist skills in a number of other areas, including portfolio management, restructuring and turnarounds, and exits and IPOs of companies from 3i's portfolio;

- sharing knowledge and contacts – the importance of knowledge and strong relationships in each phase of the investment lifecycle is difficult to overstate in the private equity and venture capital investment business and, for 3i, the benefits of sharing these across the organisation represent a substantial source of competitive advantage. We believe we have in place the systems, processes and structures and, as importantly, the corporate culture to help 3i maximise the potential benefits;

- relationships with corporates – another benefit of 3i's scale and organisation is that we have meaningful relationships with a large number of corporates in each of the geographies in which we operate. These relationships are particularly useful at the origination, investigation and exit phases of an investment. Furthermore, 3i's ability to make effective business introductions across a range of geographies is increasingly a critical factor in our ability to "win deals" and provides 3i with a distinctive source of value creation; and

- strengthening boards and management teams – the "People Programmes" 3i runs for chairmen, chief executives, chief financial officers and independent directors provide an excellent resource for building and strengthening boards and operational management; and are also a strong source of both investment opportunities and due diligence capability.

Organisation and office network

There have been no changes since March 2003 in the leadership of our three investment businesses. Jonathan Russell continues to lead the pan European mid-market buy-out business; Chris Rowlands leads the growth capital and smaller buy-out business; and Rod Perry leads the venture capital business.

Within each of these activities, a panel of our most experienced investors ensures rigorous application of our investment processes and provides guidance to help ensure we maximise value across each phase of the investment lifecycle. These panels also seek to ensure, on a case-by-case basis, that we assemble "the best team for the job" from the regional, sector and product specialists.

The investment and divestment approval functions for larger transactions are carried out by two Investment Committees, addressing technology and non-technology investments respectively. The membership of these Investment Committees is drawn from 3i's Executive Committee.

3i's Smi (small and medium-sized investments) initiative, which was established in 2001 and which reports to Chris Rowlands, continues to be successful in generating returns from some of the older and lower-growth investments and, importantly, in enabling non-Smi investment professionals to focus on identifying investment opportunities and managing larger investments. At 31 March 2004, £698 million of value (16% of 3i's total portfolio) and 849 investments (45% by number of 3i's total portfolio) were managed by the Smi team.

There were no changes to the office network during the year, though we have just announced that 3i's offices in Padua and Nantes will close in the summer of 2004. 3i will then have a total of 29 offices (25 across Europe and two each in the US and the Asia Pacific region). We continue to recognise the need to deploy resources through critical mass teams based in locations of greatest opportunity. To this end, 3i's

Glasgow, Bristol and Leeds offices were, in February, directed to focus on portfolio management, with the executives responsible for new investment in these offices being redeployed. We do not anticipate any substantial changes to the current network of offices.

During the year, headcount was reduced from 858 to 750, reflecting a continued application of the cost reduction measures and changes in investment processes and resource alignment initiated over recent years.

Operating review

Macroeconomic and market conditions

The macroeconomic environment in the regions where 3i has operations improved substantially during the financial year under review. Looking at the period as a whole, perhaps the key defining features of the economic environment were as follows: gradually improving consumer and business confidence from the lows experienced during the extended build-up to hostilities in Iraq, though ongoing geo-political uncertainty appears to be a fact of life; the significant strengthening during the period of sterling and the euro compared with the US dollar and a number of Asian currencies, which has impacted the competitive position of a number of our portfolio businesses; improving economic growth outlook for the US and, to a lesser degree, for Europe, though across most of Europe levels of government spending remain high; and the strength of the Chinese economy and the implications of this for western economies and businesses.

Stock market conditions and mergers and acquisitions ("M&A") activity levels also showed improvement through the financial year. Most stock market indices rose substantially, reflecting improving confidence in underlying economic growth and the prospects for corporate earnings. The increased business confidence, improving stock market conditions and continuing low interest rates are all enabling and encouraging businesses to recommence their disposal and acquisition strategies, though the number of completed M&A transactions remains subdued, both in Europe and globally.

The private equity and venture capital markets are also showing increased activity after a slow first half of 2003. Market statistics for 2003 show that total private equity and venture capital investment in Europe fell by 16.5% compared with 2002, with "high technology" investment down 25%, "growth" investment down by 29.4% and buy-out investment down by 9.5%. The second quarter experienced the lowest levels of investment (as expected, given the prevailing uncertainty and consequent deferment of business decisions), with strong increases in the third and fourth quarters.

Elsewhere, the "high technology" segment of the market in North America showed a 5% increase in total investment over 2002; and investment levels in Asia Pacific rose very substantially in 2003 to a new "all-time high".

Conditions for realisations were difficult for most of 2003, with relatively few active trade buyers and continuing low levels of IPOs by historical standards. Market statistics for Europe show a 25% fall in the number of divestments in 2003 compared with 2002. However, we are seeing encouraging levels of renewed interest by trade buyers for strategic assets and the IPO markets are showing signs of re-opening, at least for strongly performing and profitable businesses.

There were also a number of features specific to the markets of each of our three investment businesses. Activity in the pan European mid-market for buy-outs was driven largely by strategic reorganisation and restructuring initiatives within conglomerates under continuing pressure to sell off non-core assets and manage their balance sheets. In addition, secondary buy-outs (where a private equity investor buys a business from another private equity investor) were a significant feature during the period, accounting for 31.3% of investment (by transaction value) in 2003. This is a reflection of the amount of buy-out funds raised and seeking investment opportunities and also, on the sell side, of the pressure on some funds to sell investments and return cash to investors.

Within the European growth capital market, investment in 2003 was down sharply on 2002, largely as a result of growth and acquisition plans being deferred in an environment of business uncertainty during the first half of the year. Since then, these strategies have increasingly been recommenced and we believe that the use of private equity to facilitate cross-border expansion within the European market is a key driver of investment opportunity.

The venture capital markets are seeing increased levels of IT spending by businesses as well as improved conditions for realisations as the appetite of corporates for buying venture-backed businesses improves and stock markets re-open to some extent to technology companies. Reduced levels of competition following the fallout from the "technology bubble" are also a feature of the marketplace in Europe, though competition for particularly good opportunities is still significant.

Total return

3i achieved a total return of £531 million for the financial year, which equates to 18.1% on opening shareholders' funds. While this compares with returns on the FTSE 100 and FTSE All-Share total return indices of 25.7% and 31.0% respectively, it is normal that 3i's returns lag an upturn in quoted markets. This is because our valuations of unquoted investments are generally based on historical earnings and our venture capital investments are not marked up in line with a rise in quoted markets.

The main drivers of the total return were a good level of profitable realisations and strong growth in the value of the portfolio. The latter was due to two main factors: the use of higher earnings multiples, as a result of rising stock markets; and a good level of "first-time uplifts" on a number of recent investments in the mid-market buy-out portfolio as they moved from being valued at cost to being valued on the earnings basis. The total return also reflects an unrealised loss on foreign currency translation of £64 million, arising on 3i's euro- and US dollar-denominated portfolios net of currency borrowings, as sterling appreciated over the year relative to the euro (up 3%) and the US dollar (up 16%).

Improved results in each of 3i's business areas underpinned the overall return. The mid-market buy-out return of 22.6% (on opening shareholders' funds attributed to this activity) was largely driven by growth in the value of the portfolio, with strong first-time uplifts on a number of recent investments and a minimal level of provisions. Returns in the smaller buy-out and growth capital businesses, of 22.1% and 26.8% respectively, were driven by strong realisations, while the portfolios increased in value mainly as a result of using higher earnings multiples. Both businesses continued to generate a good income yield. The venture capital business produced a total return of (6.0)%, though its return was broadly break-even before the impact of foreign currency translation losses. There were a small number of funding rounds at higher company valuations, allowing us to increase the carrying value of these investments, but we have not sought to reflect in the valuations of unquoted venture capital investments the significant rise in quoted technology indices over the year.

Geographically, 3i's returns in the UK, continental Europe and Asia Pacific were strong. The return in the UK of 22.2% was driven mainly by a high level of profitable realisations and healthy value growth in the portfolio. Whilst the buy-out and growth capital businesses were the main contributors to the UK's return, the venture capital business also achieved a positive return.

In continental Europe, 3i's return of 14.5% (17.5% before the impact of unrealised foreign currency translation losses of £29 million) was largely due to the high level of first-time uplifts.

In Asia Pacific, the sale of our investment in Vantec Corporation, the logistics business acquired from Nissan in 2001, was the main contributor to our 34.3% return.

The US business made a loss of (7.4)% before taking account of the £17 million translation difference arising on the dollar-denominated portfolio (net of dollar borrowings).

Investment
3i invested a total of £784 million (£979 million including investment on behalf of co-investment funds), which is a 9.5% increase over the prior year.

During the first half of the year, 3i invested £211 million, with the balance of £573 million being invested in the second half. The substantial increase in the second half was largely due to 3i's ability to complete new investment opportunities that had built up in the new investment pipeline up to 30 September – in contrast to the low pipeline coming in to the financial year, reflecting the deferral of many strategic decisions by businesses and investors in an environment of business uncertainty during the extended build-up to the hostilities in Iraq.

Buy-out transactions represented 42% of total investment, growth capital 37% and venture capital 21%. Of the amount invested in venture capital, 55% was further investment into existing portfolio companies.

Continental European investment represented 51% of investment, up from 42% in the prior year, and is a reflection of our ability, through the network, to source and complete larger deals across Europe. The UK represented 39% (down from 44%), with the US and Asia Pacific investing 8% and 2% respectively.

Realisations
Despite a relatively poor environment for realisations, 3i generated good realisation proceeds of £923 million (2003: £976 million) and strong realised profits of £228 million (2003: £190 million). Realised profits are stated net of write-offs, which amounted to £50 million (2003: £79 million).

The aggregate uplift over 31 March 2003 valuations on equity realisations was 58% and, including sales and redemptions of loans and fixed income shares, 18% of the opening portfolio was realised.

The growth capital and smaller buy-out businesses were particularly active in generating realisations, mainly through a focus on selling investments that have been in the portfolio for several years.

Sales of quoted equity benefited from the general rise in equity markets, with £40 million of profits generated over 31 March 2003 valuations (an uplift of 51%). Four investee companies achieved IPOs during the year, with the most high profile probably being that achieved by Cambridge Silicon Radio ("CSR") in February. The successful IPO of CSR, a leading manufacturer of single-chip Bluetooth wireless devices, at a market capitalisation of £240 million was seen as a key test of the stock market's appetite in Europe.

Unrealised value movement
The unrealised value movement on the revaluation of investments was a positive £336 million, representing a significant improvement on the £1,159 million value reduction in the prior year.

The weighted average earnings multiple applied to investments valued on an earnings basis rose from 8.1 to 12.0 over the period. The impact of increased earnings multiples on investments valued on an earnings basis at the start and end of the year generated value growth of £287 million (2003: £244 million value reduction).

There was a fall of 4% over the year in the aggregate attributable earnings of investments valued on an earnings basis at the start and end of the year, giving rise to a value reduction of £37 million (2003: £48 million value increase). Two larger investments whose profits fell significantly during 2003 were the main components of this value reduction, but the fall in earnings is also due to the use of historical audited accounts (therefore not reflecting the more recent upturn in the economic environment) in valuing most of this component of the portfolio.

It should be noted that the value movement relating to first-time uplifts includes £71 million which is due to earnings growth and that the "other movements on unquoted investments" item includes £7 million in respect of companies that recovered from making losses to being profitable. The net value movement due to earnings growth is therefore a £41 million increase.

First-time uplifts totalled £238 million (2003: £31 million). This is a reflection of the quality of investments made in recent years and the results beginning to come through as value growth strategies in investee businesses are implemented.

Provisions for investments in businesses which may fail totalled £143 million (2003: £379 million) and valuation reductions relating to the application of our downround methodology and restructuring provisions fell significantly to £70 million (2003: £361 million). The latter figure is stated net of valuation increases of £65 million, arising as a result of investee companies raising funds from new investors at increased values.

The quoted investments held at the end of the year increased in value by an aggregate £60 million over the year.

Carried interest and investment performance plans
Market practice in the private equity and venture capital industry is to offer investment staff the opportunity to participate in returns from successful investments. Amounts payable on the successful realisation of investments in the year to 31 March 2004 totalled £8 million. A further £32 million has been accrued in respect of amounts potentially payable if assets are ultimately realised at the values they were held at in the accounts at 31 March 2004.

Income and costs
Total operating income before interest payable was £267 million (2003: £308 million). The decrease when compared with the prior year reflects a lower level of special interest and dividend receipts during the year and the realisation of a small number of higher yielding investments. Fee income is marginally lower than in the prior year, although there was a substantial increase in the second half of the year, with arrangement and negotiation fees contributing strongly.

Net interest payable decreased, reflecting the reduction in net borrowings and also the lower average rate of interest on long-term borrowings following the €550 million convertible bond issue in August 2003.

Management expenses of £163 million (2003: £163 million) include fundraising costs of £6 million incurred in connection with the Eurofund IV fundraising and a higher level of staff bonuses than in the prior year.

The portfolio
At 31 March 2004, the portfolio comprised 1,878 investments, a reduction from 2,162 a year earlier and a reflection of the strategy of seeking exits from investments where we believe the value growth potential is not sufficiently attractive. We would expect this number to continue to decrease over the medium term.

At the year end, 53% of the portfolio is represented by buy-outs, 35% by growth capital investments and 12% by venture capital investments. Geographically, 58% is in the UK, 35% in continental Europe, 5% in the US and 2% in Asia Pacific.

3i's portfolio, in contrast to many others in the private equity and venture capital industry, has relatively low exposure to individual company risk, with the top 10 investments representing 13% by value at the year end and the top 50 investments 35%.

Fund management activities
Fund management activities comprise the management of both private equity funds and quoted funds.

The private equity funds are primarily co-invested alongside 3i's own capital when financing buy-outs, enabling an investment to be made without 3i holding a majority interest. During the year, 3i earned fee income of £31 million (2003: £34 million) from the management of private equity funds. In addition, 3i receives carried interest in respect of third-party funds under management. During the year, 3i received £1.7 million in respect of realised investments and accrued an additional £1.7 million in respect of unrealised investments. At 31 March 2004, the invested portfolio managed on behalf of private equity fund investors was valued at £1,324 million (2003: £1,158 million), excluding undrawn commitments.

During the year, we announced that the final closing of Eurofund IV, the latest fund targeted at pan European mid-market buy-outs, would take place by 30 June 2004. It is expected that third party commitments will amount to at least €800 million over the life of the fund, enabling 3i (together with the fund) to invest up to €3 billion in buy-outs over the next three years.

3i Asset Management manages 3i's portfolio of quoted investments (comprising principally our holdings in investments that have achieved an IPO) as well as the portfolios of the 3i Group Pension Plan and of three quoted specialist investment companies (3i Smaller Quoted Companies Trust plc, 3i Bioscience Investment Trust plc and 3i European Technology Trust plc). At 31 March 2004, total third party quoted funds under management were £600 million. Fees earned from quoted fund management amounted to £4 million (2003: £4 million).

Accounting policies and valuation

New valuation methodology

In August 2003, the British Venture Capital Association ("BVCA") issued new valuation guidelines for private equity and venture capital investments, which resulted in changes being made to 3i's portfolio valuation methodology. The new methodology has been approved by the Board and was applied in carrying out the 31 March 2004 portfolio valuation. The net impact of these changes on the overall valuation of the portfolio was immaterial.

Changes to accounting policies

There have been no changes to accounting policies during the year.

Introduction of international financial reporting standards

In June 2002, the European Union adopted a regulation that requires, from 1 January 2005, European listed companies to prepare their consolidated financial statements in accordance with international accounting standards. 3i's 31 March 2006 financial statements will therefore be prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise not only IFRS but also International Accounting Standards ("IAS").

Financial review

Cash flows

The key cash flows during the year were the aggregate cash outflow of £756 million in respect of investment and cash inflows totalling £913 million in respect of proceeds received on realising investments. Net cash inflow for the year was £45 million (2003: £170 million), reducing net borrowings at the year end to £936 million (2003: £1,013 million). With the significant growth in the value of the portfolio during the year, gearing fell to 28% at 31 March 2004 compared with 35% a year earlier.

Capital structure

3i's capital structure comprises a combination of shareholders' funds, long-term borrowing, short-term borrowing and liquid treasury assets and cash.

The major changes in capital structure during the year, other than the growth in shareholders' funds, were the €550 million convertible bond issue completed in August 2003 and the replacement of the £625 million multi-currency facility in January with a new €595 million revolving credit facility. The convertible bonds are due in 2008 and have a conversion price of 842p (a 45% premium to the "reference price" of 580p) and an annual coupon of 1.375%.

Long-term borrowing at 31 March 2004 is £1,595 million and is repayable as follows: £5 million between one and two years, £944 million between two and five years and £646 million after five years. In addition, at the year end, 3i had committed and undrawn borrowing facilities amounting to £583 million and cash and other liquid assets totalling £819 million. We are confident we have in place adequate funding for foreseeable investment needs.

3i Group plc has credit ratings with Moodys and Standard & Poors of Aa3/stable and A+/stable respectively.

Regulation and risk management

Introduction

3i Group plc and relevant subsidiaries continue to be authorised and regulated by the Financial Services Authority.

3i has a comprehensive framework to manage the risks that are inherent in its business. This framework includes a risk committee whose purpose is to monitor the identification, assessment and management of key risks across the business. The main risks comprise economic risk, treasury and funding risk, investment risk and operational risk.

Economic risk

3i invests mainly in European companies and continues to develop its operations in the US and Asia Pacific. However, the majority of the portfolio (58%) is still in UK companies and there is an element of exposure to the UK economic cycle. To mitigate this, 3i has invested in different sectors of the UK economy with different economic cycles. In addition, an increasing proportion of assets is invested in continental Europe, in the US and in Asia Pacific, which may have different economic cycles.

Treasury and funding risk

The overall funding objective continues to be that each category of investment asset is broadly matched with liabilities and shareholders' funds, with corresponding characteristics in terms of risk and maturity, and that funding needs are met ahead of planned investment. This objective continued to be met during the year ended 31 March 2004.

All assets and liabilities are held for non-trading purposes and, as a result, 3i does not have a trading book. 3i does not trade in derivatives and does not enter into transactions of either a speculative nature or unrelated to 3i's investment activities. Derivatives are used to manage the risks arising from 3i's investment activities.

The main funding risks faced by 3i are interest rate risk and exchange rate risk. The level of these risks is mitigated by the overall funding objective and the Board regularly reviews and approves policies on the approach to each of these risks.

3i's policy for exchange rate risk management is not generally to hedge its overall portfolio in continental Europe or the US. In line with its funding policy, part of those assets are funded by borrowings in local currency and, as a result, a partial hedge exists. 3i's largest exposure is £0.8 billion in respect of net assets denominated in euros in continental Europe. The level of exposure to exchange rate risk is reviewed on a periodic basis.

Day to day management of treasury activities is delegated to executive Directors and the Group Treasurer. Regular reports on 3i's funding position have been considered during the year by the Board. There has been no change during the year or since the year end to the major funding risks faced by 3i, or to 3i's approach to such risks.

Investment risk

This includes investing in companies that may not perform as expected, being over exposed to one sector of the economy and the portfolio valuation being partly based on stock market valuations.

Investment levels are set, allocated and monitored by product area and geography. Within this framework, 3i invests in all sectors of the economy, except those, such as property, where the opportunity to invest in private equity and venture capital backed businesses meeting 3i's investment criteria is limited. Management periodically reviews the portfolio, which is well diversified by industry sector, to ensure that there is no undue exposure to any one sector.

3i's investment criteria focus on management ability and market potential. Investment appraisal and due diligence is undertaken in a rigorous manner by drawing on our international network and experts in individual industry sectors. In general, proposed investments over £5 million are presented to 3i's Investment Committee or Technology Investment Committee, which are committees of senior management including executive Directors.

The valuation of a large proportion of 3i's equity portfolio is based on stock market valuations for the relevant industry sector. Quoted investments are valued using the closing mid-market price at the balance sheet date. 48% of the unquoted portfolio is valued using stock market earnings multiples for the relevant industry sector discounted for non marketability. Accordingly, stock market valuations for individual sectors are an important factor in determining the valuation of 3i's portfolio and the total return.

There are regular reviews of holdings in quoted companies and exposure to individual sectors in order to monitor the level of risk and mitigate exposure where appropriate. In particular, the level of future funding of technology companies is kept under review. However, it is not possible to protect against the risks of a downturn in stock markets generally or in any specific sector.

Accordingly, the valuation of 3i's portfolio and opportunities for realisation depend on stock market conditions and the buoyancy of the wider mergers and acquisitions market.

Operational risk
This includes operational events such as human resources risks, legal and regulatory risks, IT systems problems, business disruption and shortcomings in internal controls.

Line management at all levels is responsible for identifying, assessing, controlling and reporting operational risks. This is supported by a framework of core values, standards and controls, a code of business conduct and delegated authorities.

The ability to recruit, develop and retain capable people is of fundamental importance to achieving 3i's strategic objectives. We operate in a competitive industry and aim to remunerate our staff in line with market practice and to provide superior development opportunities.

A group-wide business continuity strategy is in place. This strategy has been assessed against a detailed business impact analysis and independently benchmarked against best practice.

Conclusion

The year under review saw a strong return on opening shareholders' funds, driven mainly by healthy realisation profits and good value growth from the portfolio. In addition, 3i took advantage of improving conditions to invest just under £1 billion (including co-investment funds) in good businesses with attractive growth prospects.

3i's balance sheet at the year end is strong, with gearing at a relatively low 28%, providing the financial capacity and flexibility to vary investment and realisation activity in line with market conditions.

Consolidated statement of total return
for the year to 31 March 2004

	Revenue 2004 £m	**Capital 2004 £m**	**Total 2004 £m**	Revenue 2003 £m	Capital 2003 £m	Total 2003 £m
Capital profits						
Realised profits on disposal of investments		**228**	**228**		190	190
Unrealised profits/(losses) on revaluation of investments		**336**	**336**		(1,159)	(1,159)
		564	**564**		(969)	(969)
Carried interest and investment performance plans		**(40)**	**(40)**		(12)	(12)
		524	**524**		(981)	(981)
Total operating income before interest payable	**262**	**5**	**267**	298	10	308
Interest payable	**(51)**	**(42)**	**(93)**	(57)	(53)	(110)
	211	**487**	**698**	241	(1,024)	(783)
Administrative expenses	**(72)**	**(91)**	**(163)**	(64)	(89)	(153)
Cost of changes to organisational structure	**-**	**-**	**-**	(5)	(5)	(10)
Return before tax and currency translation adjustment	**139**	**396**	**535**	172	(1,118)	(946)
Tax	**(29)**	**25**	**(4)**	(32)	35	3
Return for the year before currency translation adjustment	**110**	**421**	**531**	140	(1,083)	(943)
Currency translation adjustment	**24**	**(24)**	**-**	6	2	8
Total return	**134**	**397**	**531**	146	(1,081)	(935)
Total return per share						
Basic (pence)	**21.9p**	**64.9p**	**86.8p**	23.9p	(177.1)p	(153.2)p
Diluted (pence)	**21.0p**	**62.2p**	**83.2p**	23.9p	(176.9)p	(153.0)p

Reconciliation of movement in shareholders' funds

	2004 £m	2003 £m
Opening balance	**2,936**	3,945
Revenue return	**134**	146
Capital return	**397**	(1,081)
Total return	**531**	(935)
Dividends	**(84)**	(81)
Proceeds of issues of shares	**12**	7
Movement in the year	**459**	(1,009)
Closing balance	**3,395**	2,936

Consolidated revenue statement
for the year to 31 March 2004

	2004	2003
	£m	£m
Interest receivable		
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments		
Interest receivable on loan investments	**84**	96
Fixed rate dividends	**8**	17
	92	113
Other interest receivable and similar income	**33**	34
	125	147
Interest payable	**(51)**	(57)
Net interest income	**74**	90
Dividend income from equity shares	**94**	106
Share of net (losses) of joint ventures	**(1)**	(1)
Fees receivable	**43**	46
Other operating income	**1**	-
Total operating income	**211**	241
Administrative expenses and depreciation	**(72)**	(64)
Cost of changes to organisational structure	**-**	(5)
Profit on ordinary activities before tax	**139**	172
Tax on profit on ordinary activities	**(29)**	(32)
Profit for the year	**110**	140
Dividends		
Interim (5.1p per share paid, 2003: 4.9p per share paid)	**(31)**	(29)
Final (8.9p per share proposed, 2003: 8.6p per share paid)	**(53)**	(52)
Profit retained for the year	**26**	59
Earnings per share		
Basic (pence)	**18.0p**	22.9p
Diluted (pence)	**17.2p**	22.9p

There is no material difference between the reported revenue and the revenue on an unmodified historical cost basis.

Consolidated balance sheet
as at 31 March 2004

Assets	2004 £m	2004 £m	2003 £m	2003 £m
Treasury bills and other eligible bills		**1**		1
Loans and advances to banks		**534**		527
Debt securities held for treasury purposes		**284**		283
Debt securities and other fixed income securities held as financial fixed asset investments				
Loan investments	**1,312**		1,336	
Fixed income shares	**150**		228	
	1,462		1,564	
Equity shares				
Listed	**225**		187	
Unlisted	**2,639**		2,188	
	2,864		2,375	
		4,326		3,939
Interests in joint ventures				
Share of gross assets	**80**		104	
Share of gross liabilities	**(53)**		(81)	
		27		23
Tangible fixed assets		**40**		45
Own shares		**55**		44
Other assets		**80**		64
Prepayments and accrued income		**65**		73
Total assets		**5,412**		4,999
Liabilities				
Deposits by banks		**215**		423
Debt securities in issue		**1,128**		1,350
Convertible bonds		**367**		-
Other liabilities		**57**		56
Accruals and deferred income		**199**		173
Provisions for liabilities and charges		**6**		10
Subordinated liabilities		**45**		51
		2,017		2,063
Called up share capital		**307**		305
Share premium account		**359**		349
Capital redemption reserve		**1**		1
Capital reserve		**2,337**		1,940
Revenue reserve		**391**		341
Equity shareholders' funds		**3,395**		2,936
Total liabilities		**5,412**		4,999
Memorandum items				
Contingent liabilities				
Guarantees and assets pledged as collateral security		**21**		19
Commitments		**333**		270

Approved by the Board
Baroness Hogg
Brian Larcombe
Directors
12 May 2004

Consolidated cash flow statement
for the year to 31 March 2004

	2004	2003
	£m	£m
Operating activities		
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**66**	75
Other interest received and similar income	**35**	31
Interest paid on borrowings	**(59)**	(58)
Dividends received from equity shares	**93**	102
Fees and other net cash receipts	**41**	46
Operating and administrative costs paid	**(86)**	(68)
Net cash inflow from operating activities	**90**	128
Taxation (paid)/received	**(2)**	4
Capital expenditure and financial investment		
Investment in equity shares, fixed income shares and loans	**(756)**	(673)
Investment in equity shares and loans acquired from joint ventures	**-**	(17)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	**913**	975
Fees intrinsic to acquisition or disposal of investments	**5**	10
Investment interest paid	**(42)**	(53)
Investment administrative expenses	**(91)**	(94)
Investment in joint ventures	**(25)**	(54)
Divestment or repayment of interests in joint ventures	**25**	19
Purchase of tangible fixed assets	**(2)**	(5)
Sale of tangible fixed assets	**1**	1
Net cash flow from capital expenditure and financial investment	**28**	109
Equity dividends paid	**(83)**	(78)
Management of liquid resources	**(15)**	15
Net cash flow before financing	**18**	178
Financing		
Debt due within one year	**(232)**	(104)
Debt due after more than one year	**200**	(32)
Issues of shares	**12**	7
Net cash flow from financing	**(20)**	(129)
(Decrease)/increase in cash	**(2)**	49

Notes to the financial statements
for the year to 31 March 2004

1 Reconciliation of revenue profit before tax to net cash flow from operating activities

	2004	2003
	£m	£m
Revenue profit before tax	**139**	172
Depreciation of equipment and vehicles	**5**	7
Tax on investment income included within income from overseas companies	**(1)**	(1)
Interest received by way of loan notes	**(28)**	(41)
Movement in other assets associated with operating activities	**(19)**	(9)
Movement in prepayments and accrued income associated with operating activities	**(1)**	12
Movement in accruals and deferred income associated with operating activities	**(1)**	(15)
Movement in provisions for liabilities and charges	**(5)**	2
Reversal of losses of joint ventures less distribution received	**1**	1
Net cash inflow from operating activities	**90**	128

2 Reconciliation of net cash flows to movement in net debt

	2004	2003
	£m	£m
(Decrease)/increase in cash in the year	**(2)**	49
Cash flow from management of liquid resources	**15**	(15)
Cash flow from debt financing	**33**	143
Cash flow from subordinated liabilities	**(1)**	(7)
Change in net debt from cash flows	**45**	170
Foreign exchange movements	**27**	(46)
Non-cash changes	**5**	50
Movement in net debt in the year	**77**	174
Net debt at start of year	**(1,015)**	(1,189)
Net debt at end of year	**(938)**	(1,015)

3 Analysis of net debt

	1 April 2003	**Cash flow**	**Exchange movement**	**Other non-cash changes**	**31 March 2004**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and deposits repayable on demand	**99**	**(2)**	**(3)**	**-**	**94**
Treasury bills, other loans, advances and treasury debt securities	**712**	**15**	**(2)**	**-**	**725**
Deposits and debt securities repayable within one year	**(401)**	**232**	**14**	**(5)**	**(160)**
Deposits and debt securities repayable after one year	**(1,372)**	**(199)**	**16**	**5**	**(1,550)**
Subordinated liabilities repayable after one year	**(51)**	**(1)**	**2**	**5**	**(45)**
Finance leases	**(2)**	**-**	**-**	**-**	**(2)**
	(1,015)	**45**	**27**	**5**	**(938)**

Notes to the preliminary announcement

Note 1
The preliminary announcement is prepared under the same accounting policies as set out in the statutory accounts for the year ended 31 March 2003. The statutory accounts for the year to 31 March 2004 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2003 have been delivered to the Registrar of Companies. The auditors' reports on the statutory accounts for these years are unqualified and do not contain any statements under Section 237(2) or (3) of the Companies Act 1985. This announcement does not constitute statutory accounts.

Note 2
The final dividend will be payable on 16 July 2004 to holders of shares on the register on 18 June 2004.

Note 3
Copies of the Report and accounts 2004 will be distributed to shareholders on or soon after 28 May 2004.

New investment analysis

Analysis of the equity, fixed income and loan investments made by the Group. This analysis excludes
investments in joint ventures.

Investment by product (£m)	**2004**	2003	2002	2001	2000
Buy-outs	**492**	482	361	687	579
Growth capital	**313**	273	258	362	340
Venture capital	**174**	176	420	923	457
Total	**979**	931	1,039	1,972	1,376

Investment by geography (3i only - excluding co-investment funds) (£m)					
UK	**309**	318	377	786	705
Continental Europe	**401**	304	312	560	306
US	**61**	74	119	134	28
Asia Pacific	**13**	20	26	49	31
Total	**784**	716	834	1,529	1,070

Investment by geography (including co-investment funds) (£m)					
UK	**375**	399	443	1,006	894
Continental Europe	**526**	436	446	770	422
US	**61**	74	119	134	28
Asia Pacific	**17**	22	31	62	32
Total	**979**	931	1,039	1,972	1,376

Continental European investment (£m)					
Benelux	**73**	67	64	63	39
France	**89**	36	84	117	84
Germany/Austria/Switzerland	**186**	149	146	346	130
Italy	**19**	32	13	64	48
Nordic	**106**	69	90	16	-
Spain	**34**	75	45	131	95
Other European[1]	**19**	8	4	33	26
Total	**526**	436	446	770	422

[1] Other European includes investments in countries where 3i did not have an office at 31 March 2004.

Investment by FTSE industrial classification (£m)					
Resources	**11**	12	15	67	17
Industrials	**219**	328	110	256	201
Consumer goods	**306**	194	206	371	167
Services and utilities	**290**	197	352	482	546
Financials	**33**	54	26	55	48
Information technology	**120**	146	330	741	397
Total	**979**	931	1,039	1,972	1,376

Portfolio analysis

The Group's equity, fixed income and loan investments total £4,326 million at 31 March 2004.

Portfolio value by product (£m)	**2004**	2003	2002	2001	2000
Buy-outs	**2,306**	2,001	2,253	2,338	2,622
Growth capital	**1,487**	1,349	1,814	2,099	2,357
Venture capital	**533**	589	1,042	1,368	991
Total	**4,326**	3,939	5,109	5,805	5,970

Portfolio value by geography (including co-investment funds) (£m)					
UK	**3,024**	3,041	4,018	4,792	5,240
Continental Europe	**2,299**	1,773	1,984	2,039	1,514
US	**241**	182	270	246	192
Asia Pacific	**86**	101	101	98	64
Total	**5,650**	5,097	6,373	7,175	7,010

Portfolio value by geography (3i only – excluding co-investment funds) (£m)					
UK	**2,506**	2,494	3,386	4,121	4,668
Continental Europe	**1,511**	1,175	1,373	1,363	1,049
US	**234**	180	264	235	190
Asia Pacific	**75**	90	86	86	63
Total	**4,326**	3,939	5,109	5,805	5,970

Continental European portfolio value (£m)					
Benelux	**181**	101	78	92	59
France	**234**	186	253	254	203
Germany/Austria/Switzerland	**454**	319	385	556	533
Italy	**53**	69	103	142	71
Nordic	**332**	273	304	26	6
Spain	**224**	211	222	234	135
Other European[1]	**33**	16	28	59	42
Total	**1,511**	1,175	1,373	1,363	1,049

[1] Other European includes investments in countries where 3i did not have an office at 31 March 2004.

Portfolio value by FTSE industrial classification (£m)					
Resources	**155**	186	268	232	185
Industrials	**1,018**	944	1,117	1,081	1,247
Consumer goods	**1,026**	873	1,080	1,237	1,138
Services and utilities	**1,275**	1,018	1,318	1,538	1,648
Financials	**238**	274	273	256	251
Information technology	**614**	644	1,053	1,461	1,501
Total	**4,326**	3,939	5,109	5,805	5,970

Portfolio value by valuation method (£m)	**2004**	2003	2002	2001	2000
Imminent sale or IPO	**174**	37	51	106	241
Listed	**225**	187	413	818	1,103
Secondary market	**29**	30	89	266	483
Earnings	**1,347**	938	1,210	1,033	1,226
Cost	**509**	607	1,077	1,078	626
Further advance	**149**	155	186	244	143
Net assets	**103**	139	132	147	144
Other (including other technology assets valued below cost)	**328**	282	219	157	119
Loan investments and fixed income shares	**1,462**	1,564	1,732	1,956	1,885
Total	**4,326**	3,939	5,109	5,805	5,970

Buy-out portfolio value by valuation method (£m)					
Imminent sale or IPO	**103**	12	14	30	33
Listed	**103**	67	144	279	573
Secondary market	**1**	7	15	23	21
Earnings	**834**	536	635	551	649
Cost	**78**	149	132	130	100
Net assets	**20**	40	36	32	45
Other	**61**	115	90	43	19
Loan investments and fixed income shares	**1,106**	1,075	1,187	1,250	1,182
Total	**2,306**	2,001	2,253	2,338	2,622

Growth capital portfolio value by valuation method (£m)					
Imminent sale or IPO	**38**	14	28	32	44
Listed	**122**	120	269	539	530
Secondary market	**28**	23	74	243	462
Earnings	**513**	377	544	442	511
Cost	**202**	187	234	134	102
Further advance	**32**	42	26	22	-
Net assets	**82**	98	88	114	98
Other	**169**	69	96	43	72
Loan investments and fixed income shares	**301**	419	455	530	538
Total	**1,487**	1,349	1,814	2,099	2,357

Venture capital portfolio value by valuation method (£m)					
Imminent sale or IPO	**33**	11	9	44	164
Earnings	**-**	25	31	40	66
Cost	**229**	271	711	814	424
Further advance	**117**	113	160	222	143
Net assets	**1**	1	8	1	1
Other technology assets valued below cost	**64**	79	23	15	2
Other	**34**	19	10	56	26
Loan investments and fixed income shares	**55**	70	90	176	165
Total	**533**	589	1,042	1,368	991

Technology portfolio value by stage (£m)	**2004**	2003	2002	2001	2000
Venture capital	**533**	589	1,042	1,368	991
Late stage technology					
Quoted	**136**	103	290	723	1,074
Buy-outs	**305**	294	214	231	312
Growth capital	**317**	250	170	7	2
	758	647	674	961	1,388
Total	**1,291**	1,236	1,716	2,329	2,379

The venture capital portfolio comprises investments in immature businesses which typically require further funding. The late stage portfolio comprises investments in more mature, typically self-funding businesses, including investments made by way of buy-outs and growth capital.

Venture capital portfolio value by sector (£m)					
Healthcare	**169**	195	288	237	181
Communications	**117**	112	185	264	223
Electronics, semiconductors and advanced technologies	**73**	72	139	140	166
Software	**174**	210	430	727	421
Total	**533**	589	1,042	1,368	991

Realisations analysis

Analysis of the Group's realisations proceeds (excluding third party co-investment funds).

Realisations proceeds by product (£m)	**2004**	2003	2002	2001	2000
Buy-outs	**464**	613	308	530	538
Growth capital	**339**	270	370	351	435
Venture capital	**120**	93	261	670	159
Total	**923**	976	939	1,551	1,132

Realisations proceeds by geography (£m)					
UK	**608**	727	794	1,366	986
Continental Europe	**245**	238	133	181	145
US	**10**	2	10	-	-
Asia Pacific	**60**	9	2	4	1
Total	**923**	976	939	1,551	1,132

Realisations proceeds (£m)					
IPO	**7**	37	55	253	48
Sale of quoted investments	**118**	110	370	536	351
Trade and other sales	**532**	493	303	470	423
Loan and fixed income share repayments	**266**	336	211	292	310
Total	**923**	976	939	1,551	1,132

Realisations proceeds by FTSE industrial classification (£m)					
Resources	**14**	60	52	34	6
Industrials	**216**	294	193	211	197
Consumer goods	**167**	192	255	278	176
Services and utilities	**352**	330	288	338	497
Financials	**80**	42	18	33	20
Information technology	**94**	58	133	657	236
Total	**923**	976	939	1,551	1,132

Funds under management

(£m)	**2004**	2003	2002	2001	2000
Third party unquoted co-investment funds	**1,875**	1,587	1,995	2,131	2,261
Quoted investment companies[1]	**600**	452	761	870	818
Total	**2,475**	2,039	2,756	3,001	3,079

[1] Also includes the 3i Group Pension Plan.

Ten largest investments

At 31 March 2004, the Directors' valuation of the ten largest investments was a total of £557 million. These investments cost £284 million.

Investment	First invested in	Cost[1] £m	Proportion of equity shares held	Directors' valuation[1] £m	Income in the year[2] £m	Net assets[3] £m	Earnings[3] £m
SR Technics Holding AG	2002						
Technical solutions provider for commercial aircraft fleets							
Equity shares		6	32.2%	45	-		
Loans		32		32	2		
		38		**77**	**2**	**6**	**(2)**
Fonecta Group Oy	2002						
Directory services							
Equity shares		4	33.5%	67	-		
Loans		-		-	2		
		4		**67**	**2**	**15**	**2**
Betapharm Arzneimittel GmbH[4]	2003						
Supplier of generic prescription drugs							
Equity shares		3	66.2%	3	-		
Loans		61		61	-		
		64		**64**	**-**		
Westminster Health Care Holdings Ltd	2002						
Care homes operator							
Equity shares		1	49.6%	20	2		
Loans		37		37	3		
		38		**57**	**5**	**6**	**4**
Travelex Holdings Ltd[5]	1998						
Foreign currency services							
Equity shares		-	19.6%	57	-		
		-		**57**	**-**	**45**	**15**
De Telefoongids Holding BV	2002						
Directory services							
Equity shares		8	22.1%	40	-		
Loans		15		15	1		
		23		**55**	**1**	**30**	**(3)**
ERM Holdings Ltd[6]	2001						
Environmental consultancy							
Equity shares		-	38.1%	15	-		
Loans		32		32	2		
		32		**47**	**2**	**(4)**	**(2)**
Pets at Home Group Ltd	1995						
Retailer of pets and pet supplies							
Equity shares		2	26.0%	21	-		
Loans		25		25	2		
		27		**46**	**2**	**18**	**18**
Williams Lea Group Ltd	1965						
Outsourced print services							
Equity shares		33	38.1%	45	-		
		33		**45**	**-**	**39**	**4**
Malmberg Investments BV	2001						
Educational publisher							
Equity shares		7	41.8%	24	-		
Loans		18		18	1		
		25		**42**	**1**	**16**	**-**

Notes

1 The investment information is in respect of the Group's holding and excludes any co-investment by 3i managed funds.

2 Income in the year represents dividends received (inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2004.

3 Net assets and earnings figures are taken from the most recent audited accounts of the investee business. The figures shown are the total earnings and net assets of each business. Because of the varying rights attaching to the classes of shares held by the Group, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held. Negative earnings and net assets are shown in brackets.

4 Betapharm Arzneimittel GmbH was incorporated in 2003 and no audited accounts are available, consequently no net assets or earnings are disclosed.

5 The cost of the equity held in Travelex Holdings Ltd is £121,000.

6 The cost of the equity held in ERM Holdings Ltd is £398,000.