

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

Subject to the restrictions set out below, if you sell or have sold or otherwise transferred all of your Ordinary Shares (other than ex-rights) in certificated form before 28 May 2009 (the "**Ex-Rights Date**") please send this document, together with any Provisional Allotment Letter, duly renounced, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that those such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the other Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part 4 of this document and in the Provisional Allotment Letter.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares through CREST or otherwise, into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, the documents should not be distributed, forwarded to or transmitted in or into the United States or any of the other Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 7 of Part 4 of this document. No action has been taken by 3i, J.P. Morgan Cazenove or the Underwriters that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.



3i Group plc

(incorporated in England and Wales with registered number 1142830)

**Proposed 9 for 7 Rights Issue of 542,060,391 New Ordinary Shares
at 135 pence per share**

J.P. Morgan Cazenove

Joint Sponsor,
Joint Bookrunner,
Joint Global Co-ordinator and
Lead Financial Adviser to the Rights Issue

Merrill Lynch International

Joint Sponsor,
Joint Bookrunner and
Joint Global Co-ordinator

Rothschild

Financial Adviser to the Company

Citi,

RBS Hoare Govett
Joint Lead Managers

**Lloyds TSB Corporate Markets,
Société Générale Corporate & Investment Banking**
Co-Lead Managers

This document comprises a prospectus prepared in accordance with the Prospectus Rules of the UK Listing Authority made under Section 73A of FSMA and has been approved by the Financial Services Authority (the "**FSA**") in accordance with Section 85 of FSMA. The Company has requested that the FSA provides a certificate of approval and a copy of this document to the Financial Regulator in Ireland. A copy of this document will be filed with the FSA in accordance with paragraph 3.2.1 of the Prospectus Rules. This document, together with the documents being incorporated by reference (as set out in Part 9 of this document), will be made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules by the same being made available at www.3igroup.com. This document can also be obtained from the Company by written request to the Company's Receiving Agent, Equiniti Limited, of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephone through the Shareholder Helpline, the details of which are set out on page 23 of this Prospectus.

The Existing Ordinary Shares are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares (nil paid) will commence at 8:00 a.m. (London time) on 28 May 2009.

The whole of this document should be read. Your attention is drawn to the section entitled "Chairman's Letter" which is set out in Part 1 of this document.

Please refer to the section of this document entitled "Risk Factors" for a description of important factors, risks and uncertainties that may affect 3i's business, the Rights Issue and the New Ordinary Shares and which should be taken into account when considering whether to take up rights under the Rights Issue.

Notice of a General Meeting of the Company to be held at the offices of J.P. Morgan Cazenove at 20 Moorgate, London EC2R 6DA at 9.30 a.m. on 27 May 2009, together with a Proxy Form for use at the General Meeting are enclosed with the Circular which is being sent separately to Shareholders today.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("US Securities Act"), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, to (or for the account or benefit of) any US person as defined in Regulation S of the Securities Act ("US Persons"), OR within the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States or Canada.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights any Provisional Allotment Letters or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "US Investment Company Act"), and investors will not be entitled to the benefits of that Act. US Persons who are Shareholders will only be able to participate in the Rights Issue if they are both (i) qualified purchasers, as defined in section 2(a)(51) of the US Investment Company Act ("Qualified Purchasers") and (ii) Qualified Institutional Buyers (as defined below).

US Persons who may be eligible to participate in the Rights Issue may be required to bear the financial risk of an investment in the New Ordinary Shares for an indefinite period. Further, no purchase, sale or transfer of New Ordinary Shares may be made unless such purchase, sale or transfer will not result in the Company being required to register as an investment company under the US Investment Company Act or potentially being in violation of such Act or the rules and regulations promulgated thereunder. New Ordinary Shares acquired by any US Person as provided for in Paragraph 7 of Part 4 are not transferable except in compliance with the restrictions described in such paragraph.

In addition, prospective investors should note that the New Ordinary Shares may not be acquired by investors using assets of (i) any employee benefit plan subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Internal Revenue Code of 1986, as amended (the "US Tax Code"), (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non US plan or other investor whose purchase or holding of New Ordinary Shares would be subject to any state, local, non-US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA. For further details see "Certain ERISA Considerations" in paragraph 7.2 of Part 4 of this document.

Each of J.P. Morgan Cazenove, J.P. Morgan Securities, Merrill Lynch, Rothschild, Citi, RBS Hoare Govett, Lloyds TSB Corporate Markets and Société Générale Corporate & Investment Banking is authorised and regulated in the United Kingdom by the FSA, and is acting for 3i and no one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue and will not be responsible to anyone other than 3i for providing the protections afforded to their respective clients or for providing advice in relation to the Rights Issue or any matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove, J.P. Morgan Securities, Merrill Lynch, Rothschild, Citi, RBS Hoare Govett, Lloyds TSB Corporate Markets and Société Générale Corporate & Investment Banking by FSMA or under other laws, none of J.P. Morgan Cazenove, J.P. Morgan Securities, Merrill Lynch, Rothschild, Citi, RBS Hoare Govett, Lloyds TSB Corporate Markets nor Société Générale Corporate & Investment Banking accepts any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with 3i, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the Rights Issue. Subject to applicable law, each of J.P. Morgan Cazenove, J.P. Morgan Securities, Merrill Lynch, Rothschild, Citi, RBS Hoare Govett, Lloyds TSB Corporate Markets and Société Générale Corporate & Investment Banking accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

Subject to the passing of the Rights Issue Resolutions, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) will be sent a Provisional Allotment Letter on 27 May 2009, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 28 May 2009. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission.

The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their commitments under the Underwriting Agreement. Except as required by applicable law or regulation, neither of the Underwriters proposes to make any public disclosure in relation to such transactions.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of the Nil Paid Rights is expected to be 11:00 a.m. on 11 June 2009. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part 4 of this document and, for Qualifying Non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 5 of Part 4 of this document entitled "Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST".

J.P. Morgan Cazenove, J.P. Morgan Securities and Merrill Lynch may arrange for the offer of New Ordinary Shares not taken up in the Rights Issue only (a) within the United States to (and for the account or benefit of) any US Person in reliance on Rule 144A under the US Securities Act, and only to persons who are both qualified institutional buyers, as defined in Rule 144A of the US Securities Act ("Qualified Institutional Buyers"), and Qualified Purchasers (b) outside the United States to (or for the account or benefit of) non-US Persons in reliance on Regulation S under the US Securities Act or (c) in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The New Ordinary Shares, the Nil Paid Rights, and the Fully Paid Rights offered outside the United States are being offered only to (or for the account or benefit of) non-US Persons in reliance on Regulation S under the US Securities Act. For additional transfer restrictions, see paragraph 7 of Part 4 and paragraph 16.2 of Part 8 of this document.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

All Restricted Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter to (or for the account of) any US Person, or if and when received, or other document to a jurisdiction outside the United Kingdom should read paragraph 7 of Part 4 of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by 3i, J.P. Morgan Cazenove or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of 3i since the date of this document or that the information in this document is correct as at any time after its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

The contents of the websites of the Group or any website directly or indirectly linked to those websites do not form part of this document and investors should not rely on them.

Capitalised terms have the meanings ascribed to them in the sections of this document entitled "Glossary" and "Definitions".

8 May 2009

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Summary

The following summary information should be read as an introduction to the full text of this document. Any investment decision relating to the Rights Issue should be based on the consideration of this document as a whole including the information incorporated by reference. Where a claim relating to the information contained in this document is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this document or documents incorporated by reference into this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

Introduction

On 8 May 2009, it was announced that 3i Group plc is proposing to raise £699.3 million (net of expenses) by way of a Rights Issue. Under the Rights Issue, the Board is proposing to issue 542,060,391 New Ordinary Shares at 135p per New Ordinary Share on the basis of 9 New Ordinary Shares for every 7 Ordinary Shares. The pro forma Diluted NAV per Ordinary Share, after taking account of the Rights Issue and the 3i QPEP transaction, is 277p as at 31 March 2009.

1. Background to and reasons for the Rights Issue

During the five years to 31 March 2008 3i generated an average annual total return on opening equity of 20.4%, returned £2.6 billion to Shareholders and grew assets under management from £7 billion to just under £10 billion. However, 3i faced much more challenging conditions in the year to 31 March 2009.

During that year it became progressively more difficult to realise investments at uplifts to carrying values, although 3i achieved an average uplift of 5% on opening carrying values over the year.

The Board concluded that, notwithstanding the absence of material debt maturities before September 2010, a more conservative financial structure for 3i is appropriate, and that net debt and Gearing both needed to be significantly lower. Since January 2009, 3i has accelerated the steps it has been taking to reduce its net debt including:

- the successful acquisition of the assets of 3i Quoted Private Equity plc ("3i QPEP"), which produced £110 million of net cash proceeds;
- placing a proportion of 3i's shareholding in 3i Infrastructure plc, which generated £61 million of net cash proceeds;
- selling other quoted assets, raising a total of £111 million in the year to 31 March 2009;
- continuing to divest 3i's non-core SMi and Venture Capital investments, delivering total realisations of £236 million during the year ended 31 March 2009, £96 million of which was in the fourth quarter of the financial year; and
- continuing to make realisations while taking a highly selective approach to investment.

3i generated net cash of £411 million from investment activity during the second half of the financial year 2008-9. The Board sees the proposed Rights Issue as a complement to, and not a substitute for, a self-disciplined approach to cash generation. The pro forma net debt as at 31 March 2009, after taking account of the Rights Issue and the 3i QPEP transaction, will be £1,103 million.

Looking forward, the Board considers that lower market prices offer 3i the potential, as markets recover, to make new investments that may yield attractive returns. In addition, there should also be the potential for 3i to achieve greater value from realisations of its existing investments.

2. Benefits of the Rights Issue and use of proceeds

The Board believes that the proposed Rights Issue, which is underwritten, will enable it to build on the actions it has taken, and will continue to take, to reduce 3i's net debt and strengthen its balance sheet; to continue to pace the realisation of its existing portfolio investments in order to gain the benefit of their full potential; and to take advantage of new investment opportunities.

3. Principal terms of the Rights Issue

Under the Rights Issue, the Directors propose to offer 9 New Ordinary Shares to all Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders) at 135p each for every 7 Ordinary Shares that each Qualifying Shareholder holds at the Record Time.

The Rights Issue Price of 135p per New Ordinary Share represents a discount of 60.2% to the Closing Price of 339p on 7 May 2009 (being the last business day prior to the date of this document), and a discount of 51.3% to the pro forma Diluted Net Asset Value per Ordinary Share of 277p at 31 March 2009, after taking into account the Rights Issue and the acquisition of the assets of 3i QPEP. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* with

the existing Ordinary Shares, including the right to receive dividends or distributions made, paid or declared after the date of their issue.

The Rights Issue has been underwritten by J.P. Morgan Securities, Merrill Lynch, Citi, RBS Hoare Govett, Lloyds TSB Corporate Markets and Société Générale Corporate & Investment Banking. The Underwriting Agreement is not subject to any right of termination after Admission (including in respect of statutory withdrawal rights).

The Rights Issue is conditional on the Rights Issue Resolutions being passed at the General Meeting, Admission becoming effective by not later than 8:00 a.m. on 28 May 2009 and the Underwriting Agreement otherwise becoming unconditional and not having been terminated before Admission.

It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence at 8:00 a.m. on 28 May 2009.

The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11:00 a.m. on 11 June 2009.

4. 3i Group

3i is an international mid-market private equity and infrastructure investor which makes, manages and/or advises on investments in Europe, Asia and North America. Investments are made with capital from the Group's own balance sheet and/or from funds which it manages or advises for others. Total assets under management at 31 March 2009 were £8,019 million, including £3,969 million advised or managed on behalf of third parties.

3i's vision is to be the private equity firm of choice: operating on an international scale, producing consistent market-beating returns, acknowledged for its active partnership style, and winning through its substantial resources. The Group's strategy is to:

- invest in assets that 3i believes will deliver high-returns;
- grow the Group's assets and those it manages on behalf of third parties;
- extend the Group's international reach;
- use the Group's balance sheet and resources to develop existing and new business lines; and
- continue to build the Group's strong culture of operating as one company across business lines, geographies and sectors.

In the current economic climate 3i's approach has been to conserve capital, increase the focus on core activities, drive efficiency gains and prepare the business to take advantage of the investment opportunities which the Board believes will emerge as markets recover.

The Group has three main business lines: Buyouts, Growth Capital and Infrastructure operating across a number of different markets and geographies. The principal business sectors in which Buyouts and Growth Capital invest are business services, consumer, financial services, general industrial, healthcare, media, oil, gas and power and technology. Infrastructure invests in infrastructure sectors such as transport, utilities and social infrastructure.

The Group also manages or advises investment funds (primarily in Buyouts and Infrastructure) in which external investors participate. The Group receives fees and, subject to certain performance targets being met, a share of profits from these funds.

The value of 3i's investment portfolio at 31 March 2009 was £4,050 million.

5. Selected financial information

	31 March 2009	31 March 2008	31 March 2007
Gross portfolio return	£(2,206)m	£1,041m	£1,406m
Net portfolio return	£(2,328)m	£735m	£1,127m
Total recognised income and expense ("total return")	£(2,150)m	£792m	£881m
Investment portfolio	£4,050m	£6,016m	£4,362m
Total equity	£1,862m	£4,057m	£4,249m
Diluted Net Asset Value per Ordinary Share	£4.96	£10.77	£9.32

6. Additional key financial information

	31 March 2009	31 March 2008	31 March 2007
Business activity			
Investment	£968m	£2,160m	£1,576m
Realisation proceeds	£1,308m	£1,742m	£2,438m
Net divestment (investment)	£340m	£(418)m	£862m
Returns			
Gross portfolio return on opening portfolio value	(36.7)%	23.9%	34.0%
Total return on opening equity	(53.0)%	18.6%	26.8%
Assets under management (as at year end)			
Own balance sheet	£4,050m	£6,016m	£4,362m
Third party funds	£3,969m	£3,776m	£2,772m
Total assets under management	£8,019m	£9,792m	£7,134m
Balance Sheet (as at year end)			
Gearing Ratio	103%	40%	0%
Net debt	£1,912m	£1,638m	£(1)m

7. Investment objective and policy

The Group's investment objective is to achieve growth in the value of its net assets (before returns to Shareholders).

3i's investment policy is to provide its Shareholders with quoted access to private equity returns. Its main focus is on making quoted and unquoted equity and/or debt investments in businesses and funds across Europe, Asia and North America. 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.

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. 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 equity with a view to maximising returns to shareholders, whilst maintaining a strong capital base. 3i's Gearing depends upon a number of factors which the Board takes into account when, as required, it sets a precise maximum level of Gearing. The Board has set this at 150% and has set no minimum level of Gearing. 3i is committed to achieving balance sheet efficiency.

8. Summary of risk factors

Risks relating to 3i's business

- The unprecedented turmoil in the global capital markets, the financial services industry and the global economy as a whole has had, and may continue to have, a material adverse effect on 3i.
- 3i may not be able to secure borrowings on commercially acceptable terms or at all. Failure to do so may adversely affect 3i. A default by 3i under the terms of its credit facilities may have a material adverse effect on 3i.
- The use of leverage by 3i or 3i's portfolio companies exposes 3i to substantial risks. 3i and some of 3i's portfolio companies are exposed to fluctuations in interest rates.
- An inability to raise investment funds from third parties could limit 3i's capacity to make new investments, increase its exposure to individual deals and decrease 3i's income from fees and return from Carried Interest.
- The valuation of 3i's portfolio can be subject to subjectivity and may cause volatility in 3i's returns, 3i's NAV and the price of Ordinary Shares. The value at which 3i holds investments in its accounts may never be realised, which could result in significant negative returns.
- 3i's returns and NAV fluctuate and the timing of realisations is unpredictable, which may make it difficult to achieve steady returns growth and may cause volatility in the price of Ordinary Shares.
- 3i operates in intensely competitive markets and various factors could have an adverse effect on 3i's competitive position.
- Due diligence in connection with 3i's investments may not reveal all relevant facts about an investment.
- 3i's portfolio performance depends upon a range of factors, and investments may not perform in line with expectations.
- 3i has investments in portfolio companies that it does not control, and decisions may be made by others which are unfavourable to 3i's interests.
- 3i's investments may be concentrated in certain regions and sectors, which could exacerbate the negative performance of 3i's portfolio if those concentrated investments perform poorly.
- Some of 3i's investments are in emerging markets.
- 3i continually looks for opportunities to expand areas of investment within its investment policy. These new areas of investment may be more risky and/or 3i may have less expertise.
- If 3i cannot retain and motivate its senior investment professionals and other key employees and recruit, retain and motivate new investment professionals and key employees, 3i could be adversely affected.
- 3i has exposure to fluctuations in exchange rates which could adversely affect 3i's returns and financial condition.
- If 3i loses its status as an "investment trust" under section 842 of the Income and Corporation Taxes Act 1988, it will be subject to UK corporation tax on realised gains on the sale of 3i's investments.
- Changes in tax laws or policies in the UK or elsewhere, could adversely affect 3i.
- Changes to or breaches of applicable laws or regulations could damage 3i's reputation and affect 3i's compliance costs, business or returns.
- 3i is subject to litigation risks that could result in significant liabilities and harm to its reputation, which could materially adversely affect 3i.
- 3i's failure to manage conflicts of interest could damage 3i's reputation and adversely affect 3i.
- 3i may be required to make further contributions to its pension schemes.
- Operational risks may disrupt 3i's businesses, result in losses or damage 3i's reputation.

Additional risks relating to the Rights Issue

- The price of the Ordinary Shares may be volatile and may decrease.
- An active trading market in the Nil Paid Rights may not develop.
- Admission of the New Ordinary Shares may not occur when expected.
- 3i may not be able to maintain the current level of its dividend, or pay any dividend in the future.
- Shareholders who do not acquire New Ordinary Shares in the Rights Issue will be diluted.
- If the conditions to the Rights Issue are not satisfied, it will not proceed.

- A prospective investor's ability to invest in or transfer the New Ordinary Shares may be limited by certain ERISA, US Tax Code and other considerations.
- 3i is not, and does not intend to become, regulated in the US as an investment company under the US Investment Company Act and related rules.
- 3i believes that it has been a passive foreign investment company ("PFIC") for US federal income tax purposes in the past and expects that it is likely to be a PFIC for the current taxable year and in the future.
- Transfer restrictions for Shareholders in the US or for US Persons may make it difficult to resell New Ordinary Shares or may have an adverse impact on the market price of New Ordinary Shares.

Risk Factors

The Rights Issue and an investment in the Company are subject to a number of risks. Accordingly, investors and prospective investors should carefully consider the risks and uncertainties described below, together with all other information contained in this document and the information incorporated by reference into it, when deciding whether or not to take up rights in the Rights Issue or purchase New Ordinary Shares.

The risks and uncertainties described below represent those known to the Directors as at the date of this document which the Directors consider to be material. However, these risks and uncertainties are not the only ones facing the Group; additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, could also impair the business of the Group. If any or a combination of these risks actually occurs, the business, returns, Net Asset Value and financial condition of the Group could be adversely affected. In such case, the market price of the New Ordinary Shares could decline and you may lose all or part of your investment.

Risks relating to 3i's business

The unprecedented turmoil in the global capital markets, the financial services industry and the global economy as a whole has had, and may continue to have, a material adverse effect on 3i's business

The current difficult economic and market conditions have had, and may continue to have, a material adverse effect on 3i's business in a number of ways, including those described further below. The Company considers it likely that these difficult economic and market conditions will continue in the short to medium term and, while they continue, it may be that 3i's returns from investments (as well as valuations) will continue to decline. In addition, there can be no assurances that economic and market conditions will not worsen, further adversely affecting 3i's investments, valuations, access to financing and overall performance.

Reduction in value and performance of portfolio companies

The value and performance of 3i's portfolio are influenced by the prevailing market and economic conditions in the regions in which the Company invests including interest rates, availability of credit, inflation, economic uncertainty, business confidence, levels of employment, currency movements and changes in commodity and energy prices. These factors may affect the level and volatility of securities prices and the liquidity and value of 3i's investments. The Company may not be able to, or may choose not to, manage its exposure to these market conditions. The current economic downturn has affected, and may continue to affect, the value and performance of 3i's investment portfolio. For example, 3i's Net Asset Value as at 31 March 2008 was £4,057 million compared to £1,862 million as at 31 March 2009, with the decline to a significant extent attributable to reductions in valuation multiples as a result of the deterioration in global equity markets.

During periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or regions), 3i's portfolio companies may experience adverse operating performances, decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. This could result in reduced dividends or interest income from the portfolio and 3i's valuation of its investments in those companies may be reduced, which, in turn, will reduce 3i's Net Asset Value. In addition, 3i may face reduced opportunities to sell and realise value from those investments, or 3i may sell them at values that are less than it projected or even for less than the values at which 3i holds the investments at the time of sale.

In addition, 3i's portfolio companies may have difficulty meeting their debt service obligations or refinancing their indebtedness or may breach financial or operating covenants in their credit agreements. To the extent that current financial markets make it difficult or impossible to refinance debt that is maturing in the near term, this may result in a portfolio company being in default of its obligations under various agreements or being unable to repay such debt at maturity. Any portfolio company in such circumstances may be forced to sell assets, undergo a refinancing, restructuring or recapitalisation or go into a form of administration or other insolvency process. This could result in a material diminution or even a complete loss in value of 3i's investment in such portfolio company or companies. As at 31 March 2009, 45 of 3i's portfolio companies were valued at zero on the basis that, in 3i's view, there was a greater than 50% chance of these companies failing within the next 12 months. If any of these events occurred with respect to a significant proportion of 3i's investment portfolio by value, it could have a significant negative impact on 3i's returns and cash flow, as well as to 3i's investment track record and wider market reputation.

Adverse effect on 3i's ability to acquire new investments or to sell existing investments

3i's business is dependent upon the general health of the debt and equity capital markets. The lack of liquidity in the debt financing markets and the current turbulent conditions in the markets in which 3i invests have resulted in reduced investment opportunities. Market conditions for initial public offerings, the level of mergers and acquisitions activity, the number of active trade or other private equity buyers and the availability of well-priced debt finance all have an impact, not only on 3i's ability to invest, but also on 3i's ability to exit from its portfolio companies within the desired timeframe.

As 3i's investments are predominantly unsecured investments in unquoted companies, which are relatively illiquid, those characteristics may limit 3i's ability to sell investments at short notice or to receive the desired price.

In addition, where it is possible to make new investments, challenging conditions for debt finance make it more difficult for 3i to obtain funding for additional investments. The Group relies upon a combination of its own financial resources and third party funds to make investments. Therefore, restrictions on access to, or availability of, funding, or a deterioration in the pricing of debt or equity, could affect 3i's ability to raise funds and make investments, or 3i may choose to make available additional funds from 3i's own financial resources, thus increasing 3i's exposure to particular deals and reducing the Group's income from fees and return from Carried Interest. Over the last 12 months the markets for debt financing have contracted significantly, particularly in the area of acquisition finance for buyout transactions.

Moreover, lack of readily available financing makes it more difficult for potential buyers to raise sufficient capital to purchase 3i's investments, thereby reducing 3i's opportunities to exit and realise value from its investments. Because the Company in part generates returns on the sale of an investment, this lack of financing has had a negative effect on 3i's returns and cash flow in the year to 31 March 2009. Should the difficult economic and market conditions persist in the short and medium term investment realisations are likely to continue to be adversely affected.

There can be no assurance that 3i will be able to secure borrowings on commercially acceptable terms or at all. Failure to secure borrowings on commercially acceptable terms may adversely affect 3i's business. A default by 3i under the terms of its credit facilities may have a material adverse effect on 3i's business

3i's ability to borrow funds or access debt capital markets is dependent on a number of factors, including credit market conditions and 3i's credit rating. 3i's credit rating could be affected by a deterioration in the market environment in which 3i operates, a fall in the value of its portfolio, a slowdown in exits or increased Gearing or net debt levels. 3i's credit rating has been, and may continue to be, affected by these factors. For example, following the release by the Company of its Interim Management Statement on 28 January 2009, Moody's reduced 3i's long-term credit rating to Baa1 (negative) and Standard and Poor's, in February 2009, reduced 3i's long-term credit rating to BBB+ (negative). These ratings compare with A+ (Standard and Poor's) and A1 (Moody's) at 31 March 2008.

3i's lower credit rating together with difficult credit market conditions may make it difficult and, in some cases, impossible, for 3i to refinance its credit facilities as and when they mature or to obtain debt financing for new investment which 3i may need to do over the longer term. Details of the Company's borrowings and their related maturities are set out in paragraph 4 of Part 3 of this document. In addition the cost and terms of any replacement new facilities would be less favourable and may include financial covenants. A default by 3i under its credit facilities may have a material adverse effect upon 3i's business.

The risk to 3i's business increases with higher leverage

3i's Gearing Ratio is dependent primarily on a combination of the level of liquid funds, the value of the portfolio and the Group's debt levels. Consequently, 3i's Gearing Ratio may increase or decrease as a result of changes in any of these components. As at 31 March 2009, 3i's Gearing was 103%, compared with 40% as at 31 March 2008 and 0% as at 31 March 2007. In general, a higher Gearing Ratio creates greater volatility by accentuating the percentage fall in Diluted Net Asset Value per Ordinary Share when the value of investments falls. In addition, a larger amount of debt requires 3i to devote a larger amount of cash flow to satisfying its debt service obligations and could limit 3i's ability to adjust to changing market conditions, engage in strategic transactions, make investments or obtain additional financing.

The use of leverage by 3i's portfolio companies increases the risks in relation to those companies

Many of 3i's portfolio companies, in particular those within the Buyouts business line, rely on leverage to finance their business operations and increase the rates of return on their equity. The absence of available sources of debt financing for extended periods of time could therefore materially and adversely affect 3i's portfolio companies. Investments in highly leveraged entities are inherently more sensitive to declines in revenue, increases in expenses and interest rates and adverse economic, market and industry developments. As a result, the risk of loss associated with a highly leveraged entity is generally greater than for an entity with less leverage.

In addition, leveraged companies may have limited financial resources and may become unable to meet their obligations under their debt facilities, or to refinance debt facilities as and when they mature. This may result in a requirement for significant additional capital investment or operational or management support to improve operations. Whilst 3i aims to work with any portfolio company experiencing such difficulties and is currently working with certain of its portfolio companies which are experiencing such difficulties as a result of the economic downturn, 3i may determine not to make a further investment if it believes there is no prospect of protecting or enhancing the value of its investment in the relevant portfolio company. In addition, portfolio companies in difficulties typically absorb a disproportionate amount of 3i's management time. Lenders may also take actions which are adverse to 3i's interests as an equity investor. Such companies' valuations may also deteriorate more rapidly as any decline in earnings of a highly leveraged company will

have a greater impact on an earnings-based valuation. In addition, the ability of such companies to pay dividends and other distributions are likely to be adversely affected. Where such companies are held through investment funds which are managed or advised by 3i, this is likely, in turn, to adversely affect the management and advisory fees and any performance fees and Carried Interest received by 3i from such funds.

3i may be unable to raise investment funds from third parties which could limit 3i's capacity to make new investments, increase its exposure to individual deals and decrease 3i's income from management and advisory fees, performance fees and Carried Interest

3i's ability to raise investment funds from third parties depends on a number of factors, including appetite of investors, general availability of funds in the market, investment track records and competitor fundraising activity. Certain factors, such as the performance of stock markets or the asset allocation rules or regulations to which such third parties are subject, could inhibit or restrict the ability of certain third parties to provide 3i with investment funds to manage or invest in the asset classes in which 3i invests. For example, during 2008 a large number of third parties that invest in both public and private equity portfolios experienced a drop in the value of their public equity portfolios, but, due to the lag in private equity valuations, a less significant drop in the value of their private equity portfolios. Additionally they experienced a slowdown in realisations from their private equity portfolios. Consequently, many of these investors are now left with disproportionately large private equity portfolios relative to their overall portfolio and are thus restricted from making new commitments to private equity. To the extent that economic conditions remain negative and these issues persist, 3i's ability to raise new investment funds from third parties may be adversely affected, which could limit its capacity to make new investments. Certain third party investors may also fail to meet a call on capital in one or more of the funds managed by 3i Investments. Consequently, where 3i wishes to invest in a transaction where previously a fund would have invested, 3i's risk of loss in relation to that particular portfolio company is increased. In addition, if 3i is unable to increase its assets under management, the level of 3i's return from management and advisory fees, performance fees and Carried Interest may be reduced. Such a reduction could adversely impact 3i's capacity to pay dividends.

The methods used to value 3i's portfolio can be subject to significant subjectivity and may cause volatility in 3i's returns, 3i's NAV and the price of 3i's Ordinary Shares. In addition, the value at which 3i holds investments in its accounts may never be realised, which could result in significant negative returns

A substantial proportion of the assets held in 3i's portfolio are represented by investments in unquoted companies and there are often no readily ascertainable market prices for these relatively illiquid assets. As at 31 March 2009 85% of the value of 3i's portfolio was represented by investments in unquoted companies. 3i determines the value of its portfolio twice-yearly based on the fair value of the investments in accordance with IFRS using applicable International Private Equity and Venture Capital ("IPEVC") valuation guidelines. As a result of 3i's valuation methodology, the values of 3i's underlying investments can be affected by the share prices and values of publicly traded securities of companies operating in the same, or a similar, sector to that of a relevant portfolio company. Accordingly, the valuation of 3i's portfolio will change as a result of movements in the share prices of the public companies that 3i treats as comparable to its underlying investments. Such changes may give rise to volatility in 3i's Net Asset Value and the price of the Ordinary Shares. This volatility will increase in an unsettled economic or fiscal environment such as that experienced in recent periods and with respect to leveraged assets for which a reduction in earnings may have a significantly greater impact on valuation.

The determination of fair value using these methodologies takes into consideration a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and equity investments into the portfolio company after 3i acquired the investment. These valuation methodologies involve a significant degree of management judgment.

For further details regarding 3i's valuation methodology, please see paragraph 5 of Part 2 of this document.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, 3i's valuations of its portfolio companies, as reflected in 3i's Net Asset Value, do not necessarily reflect the prices that would actually be obtained by 3i when the investments are sold. If an investment were to be realised at a value which is significantly lower than the value at which such investment has been reflected in prior Net Asset Value calculations, this would adversely affect the Group's results. Changes in values attributed to investments from period to period may result in volatility in 3i's Net Asset Value and in the returns that 3i reports from period to period.

3i's returns and Net Asset Value fluctuate, particularly as 3i cannot predict the timing of realisations, which may make it difficult for 3i to achieve steady growth in returns and may cause volatility in the price of Ordinary Shares

3i's investments are predominately investments in unquoted companies, which are relatively illiquid. As a result, 3i experiences significant variations and fluctuations in returns from period to period as the majority of its cash returns are generated from realisations. 3i is reliant on the health of the financial markets for the sale of its investments, which may make it difficult to realise investments within a short time frame or to receive the desired price for any investment. In addition, the Company's ability to realise an investment may be subject to contractual restrictions such as shareholder lock-up arrangements (in relation to investments which have been listed on a stock market), deferred consideration or escrows for warranty claims.

Since the timing and receipt of realisations are unpredictable and largely event driven, 3i experiences significant variations in cash returns during the year and from year to year. It takes a substantial period of time to identify attractive investment opportunities, raise and commit the funds needed to make an investment and then realise the cash value (or other proceeds) of an investment through a sale, public offering, or other exit. Even if an investment proves profitable, it may be several years before any profits can be realised in cash (or other proceeds). 3i cannot predict when, or if, any realisation of investments will occur, and the current challenging conditions in the debt financing markets and public equity markets have made it more difficult for either potential buyers to finance purchases or for companies to launch initial public offerings. A further deterioration in market or macroeconomic conditions could adversely impact the valuation of portfolio assets and the ability to exit those investments profitably within the desired timeframe.

If 3i sells an investment in a particular period, it may have a significant impact on 3i's returns for that particular period which may not be replicated in subsequent periods. In addition, 3i's portfolio is valued half-yearly for accounting purposes, resulting in adjustments to NAV. Profits or losses on 3i's income statement may be attributable to movements in the value of 3i's investments, even where it receives no cash distributions. This could increase the volatility of 3i's returns. If any of 3i's investments are given a lower value, the reduction will flow through to 3i's income statement as a loss, even in circumstances where 3i has a long investment horizon and no present intention of selling the investment. These fluctuations in 3i's returns and 3i's NAV could lead to significant volatility in the price of the Ordinary Shares.

The markets in which 3i operates are intensely competitive and a number of factors could have an adverse effect on 3i's competitive position

3i operates in a competitive market. Potential competitors for limited partner ("LP") investor funding in 3i's funds include other private equity fund managers. Potential competitors for investment opportunities include other private equity investors, strategic industry acquirers and other financial investors investing directly or through affiliates.

3i believes that competition for LP investor funding is based on a range of factors including investment performance, business reputation, level of fees and expenses, quality of services provided, duration of relationships with investors, actual or perceived financial condition, and the relative attractiveness of the types of investments that have been or are to be made. A number of factors may increase 3i's competitive risks in relation to LP investor funding:

- LPs may reduce their investments with 3i or not make additional investments based upon current market conditions, their available capital, their perception of 3i's track record or the health of 3i's business;
- some of 3i's investments or existing funds may not perform as well as competitor funds or other investment products available to LPs;
- some LPs may prefer to invest with an investment manager that is not publicly traded; and
- other market participants will, from time to time, seek to recruit 3i's investment professionals and other employees.

3i believes that competition for investment opportunities is based on a range of factors including sector experience, pricing, terms and structure of a proposed investment, the personal connections and reputation of investment professionals, certainty of execution and the ability to fund further investments where necessary. A number of factors may increase 3i's competitive risks in relation to investment opportunities:

- some of 3i's competitors have greater capital, a lower cost of capital or better access to debt finance than 3i does, which may create competitive disadvantages for 3i with respect to investment opportunities;
- some of 3i's competitors may have greater technical, marketing and other resources than 3i does;
- prevailing interest rates and other factors may make debt finance more attractive than an equity investment by 3i;
- other market participants will, from time to time, seek to recruit 3i's investment professionals and other employees; and
- 3i's competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment.

3i may lose investment opportunities in the future if it does not match investment prices, structures and terms offered by 3i's competitors, or 3i's investment professionals do not have the sector knowledge or professional reputation of 3i's competitors. Alternatively, 3i may experience decreased investment returns and increased risk of loss if it does match or improve on the terms offered by its competitors. In addition, if the current unsettled conditions in the credit markets were to continue, the attractiveness of 3i's investments could decrease. The competitive pressure could adversely affect 3i's ability to make successful investments and/or raise investment funds, either of which would adversely impact 3i's returns and financial condition.

The due diligence undertaken in connection with 3i's investments may not reveal all of the facts that may be relevant in connection with an investment

Before 3i makes any investment, it conducts due diligence that it considers reasonable or appropriate based on the facts and circumstances applicable to each investment. When considering due diligence, 3i evaluates a number of important business, management, financial, tax, accounting, legal, corporate responsibility and environmental issues in determining whether or not to proceed with an investment. External consultants, legal advisers, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence, 3i will ultimately be required to rely on the resources available to it, including the information provided by the proposed portfolio company or its current owner and, in some cases, third party investigations. Accordingly, there can be no assurance that the due diligence process will reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity, and there can be no assurance that the due diligence process will ensure the success of an investment. Furthermore, if a potential portfolio company is quoted, due diligence may be limited to information in the public domain as access may not be granted to the company's records. Any warranties or indemnity cover provided by the selling shareholders, management or the potential portfolio company may be limited or unavailable for a number of reasons including market practice or because the potential portfolio company is publicly quoted. As a result, there is the risk that, following the completion of a transaction or the making of an investment, liabilities or other unforeseen matters of an adverse nature may come to light which had not been revealed, or had only been partially revealed, by the due diligence and which may or may not be subject to a warranty or indemnity. Were this to happen in relation to any of the investments made by 3i, it could have an adverse effect on the investment in question, as well as 3i's returns, NAV and ability to realise any cash from its investment.

The performance of 3i's portfolio is dependent upon a range of factors and investments may not perform in line with expectations

The performance of 3i's portfolio is dependent upon a range of factors. These include but are not limited to (i) the quality of the initial investment decision; (ii) the business strategy of the portfolio company and the ability of each portfolio company to execute successfully its business strategy; (iii) the provision of adequate information on portfolio company performance which is accurate and timely; (iv) actual outcomes against the key assumptions underlying the portfolio company's financial projections; (v) the opportunities for the realisation of 3i's investments within the desired timeframe; and (vi) economic and market conditions. One or more of these factors could have a negative impact on the performance and valuation of a portfolio company and adversely affect 3i's actual returns (including fees from underlying funds), cash flow, NAV and financial condition.

3i has investments in portfolio companies that it does not control, exposing it to the risk of decisions made by others with which 3i may not agree or which may be unfavourable to 3i's interests

3i's Growth Capital business line typically takes minority equity interests in companies. In addition, 3i holds investments that include debt instruments and equity securities of companies that it does not control. Further, in relation to the Buyouts business line, whilst 3i and its managed funds together generally take a majority position in a portfolio company when investing, 3i's representatives do not usually constitute a majority of the board of a portfolio company. Although in the case of most investments 3i creates an agreed management plan and seeks investor protections and board representation as a condition of investment, those investments will nevertheless be subject to the risk that the portfolio company's board makes business, financial or management decisions with which 3i does not agree or that the majority stakeholders or the management of the company take risks or otherwise act in a manner that does not serve 3i's interests. If any of the foregoing were to occur, the value of 3i's investments could decrease and 3i's NAV, returns and cash flow could be adversely affected as a result.

3i's investments may be concentrated in certain regions and in certain business sectors or in a small number of large investments, which could exacerbate the negative performance of 3i's portfolio to the extent that those concentrated investments perform poorly

3i invests across a range of geographies and business sectors. Over-exposure to a particular sector or geography could increase the impact of adverse changes in macroeconomic or market conditions. As at 31 March 2009, 42% and 40% of

3i's portfolio by value was invested in the United Kingdom and continental Europe, respectively. In addition, 19% of the value of 3i's portfolio was invested in general industrial businesses, 18% in business services and 13% in healthcare businesses as at 31 March 2009. An analysis of 3i's portfolio, by geography and sector, is set out in paragraph 4 of Part 2.

In addition, as the average size of 3i's investments has increased over recent years, 3i's exposure to the performance of a small number of large investments has correspondingly increased, albeit such investments may be in different sectors or geographies. During the three years to 31 March 2009, the average amount invested by 3i in a new portfolio company was £33 million.

As a result of these concentrations, during periods of difficult market conditions or slowdowns in certain markets, regions or sectors, 3i could experience significant declines in returns or increased volatility in valuations. If 3i is exposed to these situations, its returns could be adversely affected and the price of Ordinary Shares could be adversely affected due to the perceived impact of the concentrations.

Some of 3i's investments are in emerging markets and it is therefore exposed to emerging markets risks

As part of its investment strategy, 3i invests in new and emerging markets, including China and India. Many new and emerging markets are developing both economically and politically and some have relatively unstable governments or economies based on only a few commodities or industries. Many emerging market countries do not have firmly established product markets and companies in such countries may lack depth of management or be vulnerable to political or economic developments such as nationalisation of key industries. Investments in companies and other entities in new and emerging markets may involve a higher degree of risk. These risks include:

- greater risk of expropriation, confiscatory taxation, nationalisation, social and political instability and economic instability;
- price volatility and lack of liquidity;
- the absence of developed legal structures, including those governing private or foreign investment and private property;
- significant regulatory and fiscal restrictions, and the potential for changes to those rules during the life of an investment;
- the potential for higher rates of inflation or hyper-inflation;
- interest rate, currency and credit risk;
- lower levels of democratic accountability;
- differences in accounting standards and auditing practices; and
- different corporate governance frameworks.

Unexpected changes in new or emerging markets could have a negative impact on the value of 3i's existing investments or on the planned levels of investment or investment returns. In addition, investor risk aversion to emerging markets can have a significant adverse effect on the value and/or liquidity of investments made in, or exposed to, such markets and can accentuate any downward movement in the actual or anticipated value of such investments.

Part of 3i's strategy is to look for opportunities to expand its areas of investment within its investment policy; these new areas of investment may be more risky and/or 3i may have a lower level of expertise in such areas

Part of 3i's strategy is to look for opportunities to expand its areas of investment (for example by geography, sector or investment instrument) within its investment policy. For example, in October 2007, 3i started investing in debt instruments issued in connection with leveraged buyouts by other private equity funds. New areas of investment may be inherently more risky than the areas in which 3i currently invests and/or 3i may have a lower level of expertise in such areas which could result in 3i not investing as effectively as it might in the new areas of business. As a result, 3i may incur costs and/or make low or negative returns from its investments in that area, which would have a negative impact on 3i's returns and NAV.

If 3i cannot retain and motivate its senior investment professionals and other key employees and recruit, retain and motivate new investment professionals and key employees, 3i's business, results and financial condition could be adversely affected

3i's continued success is highly dependent upon the efforts of 3i's investment professionals and other employees. 3i's future success and growth depends to a substantial degree on 3i's ability to retain and motivate key employees and to recruit, retain and motivate new talented personnel. However, 3i may not be successful in its efforts to recruit, retain and motivate the required employees as the market for qualified investment professionals is very competitive.

3i's investment professionals possess substantial experience and expertise in investing and are responsible for locating and executing 3i's investments. Therefore, if 3i's investment professionals join competitors or form competing firms, 3i could lose significant investment opportunities. As a result, the loss of even a small number of 3i's investment professionals could jeopardise 3i's performance, which could have a material adverse effect on 3i's returns.

3i attempts to reward its investment professionals in line with market practice. Failure to put in place an appropriate and attractive reward system may result in the loss of some of 3i's investment professionals. On the other hand, successful efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect 3i's returns. In addition, 3i may deem it necessary to maintain reward levels to retain key employees even during periods when it generates lower returns than in previous periods.

3i is exposed to fluctuations in exchange rates which could adversely affect 3i's returns and financial condition

3i reports in Sterling and pays dividends from Sterling profits. The underlying assets in 3i's portfolio are denominated in a number of currencies other than Sterling, including US dollars, euros, Indian rupee and Swedish kroner. Therefore, changes in the rates of exchange of these currencies may have an adverse effect on the value of 3i's investments.

3i seeks to reduce structural currency exposures by matching investment assets denominated in foreign currency with borrowings in the same currency. In addition, the Group has used derivative financial instruments as part of its foreign exchange risk management, but closed out substantially all of its positions in October/November 2008. As at 31 March 2009, approximately 50% of 3i's investments (by value) which are denominated in currencies other than Sterling are hedged through the use of matching borrowings and the balance of those investments are subject to currency fluctuations. In the short term, as at 31 March 2009, 3i is therefore only partially hedged through the use of matching borrowings and will continue to assess its foreign exchange hedging position as market conditions develop. 3i may in time again use derivatives and other instruments as part of its hedging strategy, depending on the Group's requirements and market conditions at the time. To the extent that such structural currency exposures are unhedged, such unhedged exposure could adversely affect 3i's returns, Net Asset Value and financial condition. Further information on 3i's currency hedging is set out in paragraph 4 of Part 3.

3i and some of 3i's portfolio companies are exposed to fluctuations in interest rates

3i has a mixture of fixed and floating rate assets, which are funded with a mixture of equity and borrowings. 3i seeks to minimise interest rate exposure by matching the type, maturity and currency of its borrowings to those of a group of assets with a similar anticipated holding period. In addition, some derivative financial instruments are used to reduce 3i's exposure. A hedge is unlikely to be effective in eliminating all of the risks inherent in any particular position and there can be no guarantee that suitable instruments for hedging will be available at times when 3i wishes to use them. In addition, 3i will be exposed to the credit risk of the counterparty with respect to payments under the derivative instruments. Failure by a counterparty to make payments due under a derivative instrument may reduce 3i's returns. A failure to match borrowings by type or maturity or the failure or inappropriate use of derivative financial instruments for the purpose of hedging could have an adverse impact on 3i's returns and financial condition.

In addition, many of 3i's portfolio companies rely on leverage to finance their business operations and increase the rate of return on their equity. Investments in highly leveraged entities are inherently more sensitive to interest rate movements. Therefore, a significant increase in interest rates could adversely affect the returns and financial condition of 3i's portfolio companies and may even lead some of 3i's portfolio companies to breach financial or operating covenants in their credit agreements or default on their debt.

If 3i loses its status as an "investment trust" under section 842 of the Income and Corporation Taxes Act 1988, it will be subject to UK corporation tax on realised gains on the sale of 3i's investments, which would have a material adverse effect on 3i's financial condition

HM Revenue & Customs has approved 3i as an investment trust under section 842 of the Income and Corporate Taxes Act 1988 for the accounting period to 31 March 2008. Continuation of this approval in any subsequent accounting period of 3i is dependent on the Company conducting its affairs for that accounting period such that it can meet the relevant conditions set out in section 842. For example, one of the conditions of section 842 requires that a company seeking to qualify as an investment trust does not retain, in respect of any accounting period, an amount greater than 15% of the income it derives from shares and securities. Failure by 3i to satisfy any of the conditions of section 842 for an accounting period (for example by not paying the minimum required dividend which would ensure that it did not retain an amount greater than 15% of the income from shares and securities for that accounting period) could result in its being subject to corporation tax on capital gains, including gains on the sale or other disposal of investments, that were realised in the accounting period in which that failure occurred and could also result in its being subject to corporation tax on certain other capital profits recognised in that accounting period, including capital profits deriving

from loan relationships. This would have a material adverse effect on 3i's returns, on its NAV and on the value of the Ordinary Shares.

3i's directors have in the past managed, and intend to continue to manage, 3i's affairs so that it should satisfy the current conditions for approval by HMRC as an investment trust under section 842. However, there can be no guarantee that 3i will at all future times satisfy the conditions for approval by HMRC as an investment trust under section 842.

Changes in tax laws or in the policy of tax administrations, either in the United Kingdom or in other jurisdictions, could adversely affect 3i's future after-tax returns

A change in relevant UK legislation, in HMRC policy or practice or in the tax treatment of investment trusts could adversely affect 3i's returns or financial condition.

Similar risks may exist in certain other jurisdictions in which 3i operates and in relation to tax structures which have been put in place, some of which are complex and make use of off-shore vehicles. This includes structures designed to ensure that 3i does not create a permanent establishment in some jurisdictions or that certain Group or portfolio companies are tax resident in a particular jurisdiction only, as a necessary part of the overall tax structure.

The creation of a permanent establishment for 3i in some jurisdictions or certain Group or portfolio companies being considered tax resident in more than one particular jurisdiction could result in 3i or those Group or portfolio companies being subject to withholding or other taxes on income received from or gains arising on the sale of investments. Likewise, changes in relevant taxation legislation or applicable tax treaties could affect the expected tax position of 3i or of certain Group or portfolio companies, or could require less favourable tax structures to be put in place.

Changes to the regulatory frameworks under which 3i operates or a breach of applicable regulations could damage 3i's reputation and affect the Company's compliance costs, business, returns or financial condition

3i's business is subject to extensive regulation. In the United Kingdom, certain companies in the Group are regulated by the FSA. 3i's other European operations, and 3i's investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country. Potential regulatory action poses a significant risk to 3i's reputation and could affect its compliance costs, business, returns or financial condition.

The regulatory environment in which the Group operates is increasingly complex and the Group faces a number of regulatory risks. The Group is subject to regulation, including periodic examinations, by governmental and self-regulatory organisations in the jurisdictions in which it operates around the world. Many of these regulators, including UK and non-UK government agencies and self-regulatory organisations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions. The investigations may result in additional costs for the Group, may require the attention of senior management and may result in fines if the Group is deemed to have breached any regulations. Breaches of regulations such as the Listing Rules or the Disclosure and Transparency Rules and in particular any of 3i's continuing obligations as a listed company could give rise to detrimental consequences, including public censure and damage to 3i's reputation. Breaches of laws restricting mergers between companies (such as the EC Merger Regulation and the US Hart-Scott-Rodino Act) could give rise to delays in implementing investment transactions, fines, damage to 3i's reputation and future difficulties in dealing with the regulator concerned. Notwithstanding any of the foregoing, the Directors believe that they have procedures in place which currently enable the Company to comply with its obligations as a company with securities admitted to the Official List (including the Listing Rules and the Disclosure and Transparency Rules).

As a result of recent highly-publicised financial scandals, the ongoing financial turmoil and recent government bailout measures, investors, regulators and politicians have expressed concerns over the integrity of financial markets and the regulatory oversight of these markets. As a result, the regulatory environment in which the Group operates is subject to heightened scrutiny and the financial industry (including the private equity industry) may become more highly regulated. 3i may be adversely affected as a result of any new or revised legislation or regulations imposed by the FSA or other regulatory authorities or self-regulatory organisations that supervise the financial markets. The European Commission has recently released its proposal for a Directive on Alternative Investment Fund Managers (which covers hedge funds and private equity) as well as recommendations on executive remuneration and remuneration in the financial services sector. The first draft Directive contains requirements on authorisations, reporting and disclosure and minimum capital, and could come into force in 2011 if agreement on the proposals is reached by the end of this year. This is part of the Commission's response to the current financial crisis. The implications will need to be evaluated in the context of the Group's operations but there is a risk that they may be adverse to the Group. 3i also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by those authorities and organisations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or

whether any of the proposals will become law. Compliance with any new laws or regulations could make the Group's operations more difficult and expensive and affect the manner in which the Group conducts business.

The Group operates a complex corporate structure and failure to comply with the legal and regulatory requirements to which it is subject could adversely affect 3i's returns and financial position

The Group operates a complex corporate structure that must conform to the legal and regulatory requirements (including legal, tax and investment laws and regulations) of numerous countries. The maintenance and operation of this structure requires appropriate internal controls, processes and procedures to be developed and followed, supported by professional teams with appropriate skills and drawing upon external resources where appropriate. Failure to comply with all the tax, legal and regulatory requirements to which it is subject could adversely affect 3i's returns or financial condition by increasing 3i's costs or taxes or by restricting 3i's ability to undertake certain operations.

3i is subject to litigation risks that could result in significant liabilities and harm to its reputation, which could materially adversely affect 3i's returns and financial condition

The investment decisions that 3i makes and the activities of 3i's investment professionals in relation to portfolio companies may subject them and the Group to the risk of third party litigation arising from investor dissatisfaction with the performance of those investments, the activities of 3i's portfolio companies and a variety of other litigation claims. Furthermore, in certain jurisdictions and areas of law and regulation, the Group may be responsible for breaches of law or regulations by its portfolio companies, particularly where 3i and its managed funds together have a majority holding and may be deemed to control the portfolio company concerned. For example, a portfolio company may breach health and safety legislation, laws prohibiting anti-competitive practices such as cartels or laws relating to foreign corrupt practices and, under the relevant legislation, 3i or its employees may be jointly liable for breaches of law of which it may be unaware, resulting in fines and damage to 3i's reputation. This could affect 3i's returns, its ability to secure LP investment or to find investment opportunities.

As a general matter, the litigation environment tends to become worse in times of extreme market volatility such as that currently being experienced. If any action were brought against 3i and resulted in a finding of substantial legal liability, it could materially adversely affect 3i's business, financial condition or returns.

3i's business depends to a large extent on 3i's business relationships and 3i's reputation for integrity. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favourable or unfavourable to the Group, as well as negative publicity about 3i or its investment activities, whether or not valid, may harm 3i's reputation, which may be more damaging to 3i's business than to other types of businesses.

In addition, with a workforce consisting of many highly paid investment professionals, companies in the Group face the risk of litigation, particularly from former employees, relating to alleged unpaid remuneration or failure to pay Carried Interest, which may individually or in the aggregate be significant in amount. The cost of settling such claims could adversely affect 3i's business, financial condition and returns.

3i's failure to deal appropriately with conflicts of interest could damage 3i's reputation and adversely affect 3i's business

3i has a large portfolio of investments in quoted and unquoted companies and engages in a range of investment, investment management, investment advisory and other activities for itself, funds and other third party investors. Situations may therefore arise in which 3i has a duty or an interest which gives rise to a potential or actual conflict of interest. For example, an investment opportunity may fit within the investment mandate of more than one of 3i's managed funds or business lines, or 3i may find itself in competition with one of its portfolio companies in respect of a business which is for sale.

Notwithstanding 3i's conflict policy, there may be occasions when the resolution of a conflict may not be in the best interests of the Company or Shareholders. Appropriately dealing with conflicts of interest is complex and difficult and 3i's reputation could be damaged if it fails, or appears to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on 3i's reputation, which could materially adversely affect 3i's business.

3i may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations

3i provides retirement benefits for current and former employees through a number of defined benefit and defined contribution pension schemes. In the UK, 3i operates a final salary defined benefit plan for qualifying employees of its subsidiaries. The plan has not been offered to new employees joining the Group since 1 April 2006. The plan is a funded scheme, the assets of which are independent of 3i's finances and are administered by trustees.

3i's funding obligations are dependent upon movements in the value of the plan assets and assumptions regarding key metrics such as price and salary inflation and mortality rates. Changes in the plan's investment strategy may also impact on 3i's funding obligations. The UK plan's most recent triennial valuation as at 30 June 2007 was completed in September 2008 and showed the actuarial pension deficit to be £(86.3) million. 3i agreed at that time to repay the deficit by paying a one-off contribution of £20.4 million by 31 October 2008 and monthly contributions of £1.7 million from 1 July 2008 to 30 June 2012. In addition, the deficit is likely to have increased since the last tri-annual valuation on account of the negative return on the plan assets and the decrease in yields on index-linked gilts which has led to an increase in technical provisions. Recognising this, 3i has agreed with the trustees that it will pay additional contributions of £25.0 million per annum in respect of the financial years to 31 March 2010 and 31 March 2011. These contributions are additional to regular ongoing contributions in respect of employees' pension benefits as they accrue.

The UK plan's next triennial valuation, as at 30 June 2010, is due to be completed no later than 30 September 2011, in conjunction with which contributions to the plan may be revised. It is open to the trustees to call a fresh funding valuation at any time before 30 June 2010. If they do so, and a greater funding deficit is revealed, 3i and/or companies participating in the plan may be required to increase their contributions. In addition, the UK Pensions Regulator has powers the exercise of which could require members of the Group to make additional contributions or put in place other financial support. Any increase in contributions or other forms of financial support could have a materially adverse impact on 3i's cash flows and returns.

Operational risks may disrupt 3i's businesses, result in losses or damage 3i's reputation

3i relies heavily on its financial, accounting and other data processing systems, as well as business processes and procedures covering information security, change management, business continuity and disaster recovery. If any of these systems do not operate properly or are disabled, 3i could suffer financial loss, disruption of businesses or damage to its reputation.

In addition, the Group's system of internal controls is complex and may be revised over time to adapt to changes in its business. The system is designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance that the Group's system of internal controls is effective. If there have been, or are, failures in 3i's internal controls, the Group's previous financial statements may need to be restated or the Group may be unable to report its financial information on a timely basis. There could also be a negative reaction in the financial markets due to a loss of investor confidence in 3i and the reliability of its financial statements. This could adversely affect the price of Ordinary Shares and impair 3i's ability to raise capital.

Furthermore, 3i depends upon its head office in London, where a significant proportion of its personnel are located, for the continued operation of 3i's business. A disaster or a disruption in the infrastructure that supports 3i's businesses, including a disruption involving electronic communications or other services used by the Group or third parties with whom it conducts business, or directly affecting 3i's head office, could have a material adverse impact on 3i's ability to carry on business without interruption. 3i's disaster recovery plans may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse 3i for its losses, if at all.

Finally, 3i relies on third party service providers for certain aspects of 3i's business, including for certain information systems and technology, for business research and for financial and accounting processes. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of 3i's operations, affect 3i's reputation and hence adversely affect its businesses.

Additional risks relating to the rights issue

The price of the Ordinary Shares may be volatile, may decrease, and Shareholders may not be able to sell the Ordinary Shares at a favourable price after the Rights Issue

The price of the Ordinary Shares may decline below the Rights Issue Price. Should that occur after rights are exercised, Qualifying Shareholders who exercised their rights will suffer an immediate unrealised loss as a result. Moreover, there can be no assurance that, following the exercise of rights, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the Rights Issue Price.

The price of the Ordinary Shares will fluctuate and may not always reflect the underlying asset value or the prospects of the Group. The price of the Ordinary Shares may fall in response to market appraisal of the Group's current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects. A number of factors outside the control of the Group may impact on its performance and the price of the Ordinary Shares. The factors which may affect the Company's share price include (but are not limited to):

- the Group's expected and actual operating performance and the performance of other companies in the markets in which the Group operates;
- 3i's Diluted Net Asset Value per Ordinary Share;
- speculation about the performance of 3i's portfolio companies or the market conditions in which they operate;
- speculation about the Group's business, about mergers or acquisitions involving the Group and/or major divestments by the Group in the press, media or investment community;
- speculation regarding the intentions of the Company's major Shareholders or significant sales of shares by such Shareholders;
- the publication of credit ratings by rating agencies and of research reports by analysts;
- other rights issues in the market; and
- general economic and market conditions.

Although the Company has no current plans for a subsequent offering of Ordinary Shares, it is possible that it may decide to do so in the future. An additional offering or a significant sale of Ordinary Shares by any of the Company's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares.

An active trading market in the Nil Paid Rights may not develop

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of Ordinary Shares, the Nil Paid Rights price may be volatile and is subject to the same risks as noted in the preceding risk factor. The volatility of the price of Ordinary Shares may also magnify the price volatility of the Nil Paid Rights.

The listing and admission to trading of the New Ordinary Shares on the London Stock Exchange may not occur when expected

There is no assurance that the listing and trading on the London Stock Exchange will take place when anticipated. See "Expected Timetable of Principal Events" for further information on the expected dates of these events.

3i may not be able to maintain the current level of its dividend, or pay any dividend in future periods, which would adversely affect the value of Ordinary Shares

Under UK company law, a company may pay cash dividends only to the extent that it has distributable reserves and cash available for this purpose. 3i's ability to pay dividends is affected by the Group's profitability and the extent to which 3i has distributable reserves out of which dividends may be paid. In addition, in order to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988, the Company is prohibited by its Articles of Association from paying dividends or distributions from capital profits and surpluses arising on the realisation of investments save by way of redemption or purchase of any of its shares in accordance with the Companies Act. In the light of these factors, the Company can give no assurance that it will be able to pay a dividend in the future or on the amount of any such dividend, if paid. Conversely, 3i may be required to pay a dividend to maintain investment trust status at a time when 3i would rather retain cash for other corporate purposes, since section 842 also specifies the maximum amount of its revenue profit that an investment trust is able to retain in respect of each accounting period in order to continue to qualify as an investment trust. In light of the Group's financial results for the year to 31 March 2009 and the proposed Rights Issue, the Board has decided not to declare a final dividend for the year to 31 March 2009. For further details regarding the Company's dividend policy, please see paragraph 6 of Part 1 of this document.

Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of 3i

The Rights Issue offer period is expected to begin on 28 May 2009 and expire at 11:00 a.m. (London time) on 11 June 2009. If Qualifying Shareholders do not take up their entitlements under the Rights Issue, their proportionate ownership and voting interests in 3i will be reduced and the percentage that their shares will represent of the total share capital, and the total Net Asset Value, of the Company will be reduced accordingly. Even if a Shareholder elects to sell his unexercised Nil Paid Rights or such Nil Paid Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

If the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed

The Rights Issue is underwritten pursuant to the Underwriting Agreement, the scope and principal terms (including conditions and termination rights) of which are set out in paragraph 19 of Part 8 of this Prospectus. The underwriting of the Rights Issue will become fully effective on 28 May 2009, provided that all of the conditions are satisfied or waived

and none of the termination rights are exercised. The Underwriting Agreement grants the Joint Bookrunners customary rights to terminate the Underwriting Agreement in certain circumstances. If the Joint Bookrunners are entitled to terminate, and do terminate, the Underwriting Agreement before Admission occurs, then the Rights Issue will not proceed.

If the Rights Issue Resolutions are not passed at the General Meeting, the Rights Issue will not proceed.

A prospective investor's ability to invest in the New Ordinary Shares or to transfer any New Ordinary Shares that it holds may be limited by certain ERISA, US Tax Code and other considerations

The Company will use commercially reasonable efforts to restrict the ownership and holding of its New Ordinary Shares so that none of its assets will constitute "plan assets" under the Plan Assets Regulation. 3i intends to impose such restrictions based on deemed representations. However, the Company cannot guarantee that New Ordinary Shares will not be acquired by Plan Investors. If the Company's assets were deemed to be plan assets of an ERISA Plan (as defined in "Certain ERISA Restrictions" in Part 4 of this document), (i) the prudence and other fiduciary responsibility standards of ERISA would apply to assets of the Company and (ii) certain transactions, including transactions that the Company may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under section 406 of ERISA or section 4975 of the US Tax Code and might have to be rescinded. A non-exempt prohibited transaction, in addition to imposing potential liability on fiduciaries of the ERISA Plan, may also result in the imposition of an excise tax on "parties in interest" (as defined in ERISA) or "disqualified persons" (as defined in the US Tax Code), with whom the ERISA Plan engages in the transaction. Governmental plans, certain church plans and non-US plans, while not subject to Title I of ERISA, section 4975 of the US Tax Code, or the Plan Asset Regulations, may nevertheless be subject to other state, local, non-US or other regulations that have similar effect.

Each purchaser and subsequent transferee of the New Ordinary Shares will be deemed to represent and warrant, that no portion of the assets used to acquire or hold its interest in the New Ordinary Shares constitutes or will constitute the assets of any Plan Investor. See "Offering restrictions relating to the United States and US Persons" in Part 4 of this document and "Certain ERISA Restrictions" in Part 4 of this document for a more detailed description of certain ERISA, US Tax Code and other considerations relating to an investment in the New Ordinary Shares. However, such representations and warranties may not be effective in avoiding characterisation of the Company's assets as "plan assets" under the Plan Assets Regulation and, as a result, the Company may suffer the consequences described above.

3i is not, and does not intend to become, registered in the US as an investment company under the US Investment Company Act and related rules

3i has not, does not intend to, and would most likely be unable to, become registered in the United States as an investment company under the US Investment Company Act. The US Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to register, none of these protections or restrictions is or will be applicable to the Company. In addition, to avoid being required to register as an investment company under the US Investment Company Act and to avoid violating that Act, the Company has implemented restrictions on the ownership and transfer of its New Ordinary Shares, which may materially affect certain Shareholders' ability to transfer their New Ordinary Shares, as discussed below.

3i believes that it has been a PFIC for US federal income tax purposes in the past and expects that it is likely to be a PFIC for the current taxable year and in the future

Based on the nature of its business and the amount of cash and other potentially passive assets that the Company has held and expects to hold, 3i believes that it has been a PFIC for US federal income tax purposes in the past and expects that it is likely to be a PFIC for its current taxable year and in the future. In addition, 3i holds equity interests in entities that may be PFICs ("Lower-tier PFICs"). US Investors may be subject to adverse US federal income tax consequences on a disposal of Ordinary Shares, a deemed disposal of equity interests in Lower-tier PFICs or, under certain proposed regulations, a disposal of Nil Paid Rights or Fully Paid Rights and on certain distributions made by 3i or such Lower-tier PFICs. A mark-to-market election with respect to 3i, but not Lower-tier PFICs or Nil Paid Rights or Fully Paid Rights, may be available to US Investors. US Investors should consult their own tax advisers regarding the Company's PFIC status, the tax considerations relevant to an investment in a PFIC and any US federal elections that may be available. A discussion of certain US federal income tax consequences of the Rights Issue and of the purchase, ownership and disposition of Ordinary Shares is set out in paragraph 2 of Part 7 of this document.

Transfer restrictions for Shareholders in the United States or that are US Persons may make it difficult to resell the New Ordinary Shares or may have an adverse impact on the market price of the New Ordinary Shares

The New Ordinary Shares have not been registered in the United States under the US Securities Act or under any other applicable securities laws and are subject to restrictions on transfer contained in such laws. There are additional restrictions on the resale of New Ordinary Shares by Shareholders who are in the United States or who are US Persons and on the resale of New Ordinary Shares by any Shareholders to any person who is located in the United States or is a US Person. These restrictions will make it more difficult to resell the New Ordinary Shares in many instances and this could have an adverse effect on the market value of the New Ordinary Shares. There can be no assurance that US Persons will be able to locate acceptable purchasers or obtain the required certifications to effect a sale. Prospective Shareholders should refer to Part 4 for further information.

Where to find help

If you have questions on the Rights Issue, please telephone the Shareholder Helpline on the numbers set out below. This helpline is available from 8 May 2009, Monday to Friday (8:30 a.m. to 5:30 p.m.) (excluding bank holidays), and will remain open until 3 July 2009.



Shareholder Helpline telephone numbers:

0871 384 2232 (from inside the UK) **or +44 121 415 7187**
(from outside the UK)

Calls cost 8p per minute if calling from a BT Landline within the UK. Other telephone providers' costs may vary and calls from mobiles may be considerably higher.

Please note that the Provisional Allotment Letters and a shareholder guide to completing a Provisional Allotment Letter will not be posted to Qualifying Shareholders until 27 May 2009, subject to the passing of the Rights Issue Resolutions at the General Meeting. Further details of the terms and conditions of the Rights Issue are set out in Part 4 of this document.

Please also note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to 3i's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

Expected Timetable of Principal Events

Each of the times and dates in the table below is indicative only and may be subject to change. The times and dates set out in the expected timetable of principal events below and mentioned throughout this document may be adjusted by 3i in consultation with the Joint Sponsors in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders. References to times in this document are to London time unless otherwise stated. If you have any queries on the procedure for acceptances and payment, you should contact the Shareholder Helpline on 0871 384 2232, or +44 121 415 7187 if calling from outside the UK, between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding bank holidays). Details of call charges are set out on page 23 of this document.

2009	
Latest time and date for receipt of Proxy Forms for use at the General Meeting	9:30 a.m. on 25 May
Record Time for entitlement under the Rights Issue to Qualifying Shareholders	close of business on 26 May
General Meeting	9:30 a.m. on 27 May
Provisional Allotment Letters despatched (Qualifying Non-CREST Shareholders only ¹)	27 May
Admission	8.00 a.m. on 28 May
Start of Rights Issue offer period	28 May
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	8:00 a.m. on 28 May
Existing Ordinary Shares marked "ex" by the London Stock Exchange	8:00 a.m. on 28 May
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only ¹)	As soon as practicable after 8:00 a.m. on 28 May
Nil Paid Rights and Fully Paid Rights enabled in CREST (Qualifying CREST Shareholders only ¹)	As soon as practicable after 8:00 a.m. on 28 May
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4:30 p.m. on 5 June
Recommended latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3:00 p.m. on 8 June
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3:00 p.m. on 9 June
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11:00 a.m. on 11 June
Results of Rights Issue to be announced	as soon as possible after 8.00 a.m. on 12 June
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	8:00 a.m. on 12 June
New Ordinary Shares credited to CREST stock accounts (Qualifying CREST Shareholders only ¹)	as soon as possible after 8.00 a.m. on 12 June
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	by no later than 19 June

Note:

1. Subject to certain restrictions relating to Restricted Shareholders, details of which are set out in Part 4 of this document.

Rights Issue Statistics

Rights Issue Price per New Ordinary Share	135p
Basis of Rights Issue	9 New Ordinary Shares for every 7 Ordinary Shares
Number of existing Ordinary Shares ¹	421,602,526
Number of New Ordinary Shares to be issued as part of the Rights Issue	542,060,391
Gross proceeds of the Rights Issue	£731.8 million
Estimated proceeds receivable by 3i from the Rights Issue, after deduction of expenses ^{2, 3}	£699.3 million
New Ordinary Shares as a maximum percentage of the Enlarged Share Capital of the Company following the Rights Issue ²	56.3%
Number of Ordinary Shares in issue immediately following the Rights Issue ²	963,662,917

Notes:

1. In issue as at 5 May 2009, being the latest practicable date prior to publication of this document.
2. Unless otherwise stated, for the purposes of the table above and this document, the number of New Ordinary Shares to be issued as part of the Rights Issue is stated on the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under the 3i Share Plans between the date of this document and the Record Time and that there are no fractional entitlements. In addition, unless otherwise stated, the gross and net proceeds of the Rights Issue have been calculated on the basis that 542,060,391 New Ordinary Shares are issued under the Rights Issue. Taking into account the share options which could be exercised between the date of this document and the Record Time, the maximum number of New Ordinary Shares which could be issued under the Rights Issue is 547,822,682, which would result in the gross proceeds of the Rights Issue being £739.6 million.
3. Expenses are expected to be approximately £32.5 million (inclusive of VAT).

Directors, Company Secretary, Registered Office and Advisers

Directors

Baroness Hogg
 Oliver Stocken
 Michael Queen
 Julia Wilson
 Robert Swannell
 Richard Meddings
 Willem Mesdag
 Christine Morin-Postel
 Lord Smith of Kelvin

Chairman
 Deputy Chairman
 Chief Executive
 Finance Director
 Non-executive Director and Senior Independent Director
 Non-executive Director
 Non-executive Director
 Non-executive Director
 Non-executive Director

Company Secretary and General Counsel

Kevin Dunn

Registered office

16 Palace Street, London SW1E 5JD

Advisers and others

Joint Sponsor, Joint Bookrunner, Joint Global Co-ordinator and Lead Financial Adviser to the Rights Issue

J.P. Morgan Cazenove Limited
 20 Moorgate
 London EC2R 6DA

Joint Sponsor, Joint Bookrunner, Joint Global Co-ordinator and Joint Underwriter

Merrill Lynch International
 2 King Edward Street
 London EC1A 1HQ

Joint Underwriter

J.P. Morgan Securities Ltd.
 125 London Wall
 London EC2Y 5AJ

Financial Adviser to the Company

N M Rothschild & Sons Limited
 New Court
 St. Swithin's Lane
 London EC4P 4DU

Joint Lead Managers

Citigroup Global Markets U.K. Equity Limited
 Canada Square
 London E14 5LB

Co-Lead Managers

Lloyds TSB Bank Plc
 Level 2, 25 Gresham Street
 London EC2V 7HN

RBS Hoare Govett Limited

250 Bishopsgate
 London EC2M 4AA

Société Générale SA

29 Boulevard Haussmann
 75009, Paris

Auditors and reporting accountants

Ernst & Young LLP
 1 More London Place
 London SE1 2AF

Registrars and receiving agents

Equiniti Limited
 Aspect House
 Spencer Road
 Lancing
 West Sussex BN99 6DA

Legal advisers to 3i as to English law

Slaughter and May
 One Bunhill Row
 London EC1Y 8YY

Legal advisers to 3i as to US law

Davis Polk & Wardwell
 99 Gresham Street
 London EC2V 7NG

Legal advisers to the Joint Sponsors, Joint Bookrunners, Joint Global Co-ordinators, Joint Lead Managers and Co-Lead Managers as to English and US law

Clifford Chance LLP
 10 Upper Bank Street
 London E14 5JJ

Important Notice

1. Restricted Shareholders

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, New Ordinary Shares, Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights and/or to take up any entitlements to Nil Paid Rights in any jurisdiction in which such an offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation.

The New Ordinary Shares, the Provisional Allotment Letters, the Nil Paid Rights and the Fully Paid Rights have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, to (or for the account or benefit of) any US Person, or within the US except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with state securities laws. The New Ordinary Shares, the Provisional Allotment Letters, the Nil Paid Rights and the Fully Paid Rights have not been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. Offers of the New Ordinary Shares, the Provisional Allotment Letters, the Nil Paid Rights and the Fully Paid Rights are being made outside the United States only to (or for the account or benefit of) non-US Persons in offshore transactions within the meaning of, and in accordance, with Regulation S under the US Securities Act. For a description of the applicable offering restrictions, see paragraph 7 of Part 4 (Terms and Conditions of the Rights Issue) of this document.

3i has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of that Act. US Persons who are Qualifying Shareholders will only be able to participate in the Rights Issue if they are both (i) Qualified Purchasers and (ii) Qualified Institutional Buyers.

In addition, none of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights will qualify for distribution under any of the relevant securities laws of any of the Excluded Territories. Accordingly, the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any of the Excluded Territories. Shareholders who believe that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to Part 4 (Terms and Conditions of the Rights Issue) of this document to determine whether and how they may participate.

2. Note regarding forward-looking statements

This document contains "forward-looking statements" that involve risks and uncertainties. Forward-looking statements can be identified by words such as "believes", "estimates", "anticipates", "expects", "intends", "may", "would", "should", "could", "likely", "will", "plans", "possible", "probable", "predicts" and "potential", as well as the negatives of these terms and other words of similar meaning in connection with a discussion of future returns or financial performance. These may include, among others, statements relating to:

- the intentions, beliefs or current expectations of the Group and/or the Directors concerning the Group's plans or objectives for future operations, investments, realisations, financial performance, returns, Net Asset Value, Gearing, liquidity, prospects and dividend policy;
- the impact of the current economic downturn and volatile capital markets;
- continuing scarcity of debt finance for leveraged buyout transactions;
- the performance and valuations of the Group's investments in its portfolio companies;
- the Group's operations and ability to achieve cost savings;
- the Group's investment strategies;
- anticipated uses of cash; and
- the expected outcome of contingencies, including regulatory changes, litigation and pension liabilities.

The forward-looking statements in this document are made based upon 3i's expectations and beliefs concerning future events impacting the 3i Group and therefore involve a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate, which may prove not to be accurate. The Company cautions that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Therefore undue reliance should not be placed on such forward looking statements. Your attention is drawn to the section of this document entitled "Risk Factors" for a description of important factors, risks and uncertainties that may affect performance.

Any forward-looking statements contained in this document speak only as at the date of this document. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or other applicable law or regulations, 3i expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur and actual results may differ materially from those described in the forward-looking statements.

3. Service of process and enforcement of judgments

3i is a public limited company incorporated under the laws of England and Wales. The majority of the Directors of the Company are citizens or residents of countries other than the United States. All or a substantial portion of the assets of such persons and substantially all of the assets of the Company are located outside the United States. It may not be possible for US holders of New Ordinary Shares to (a) effect service of process upon 3i's directors or officers or (b) enforce in the courts of a foreign jurisdiction judgments of US courts, including judgments against any such persons predicated upon the civil liability of such persons under US federal or state securities laws. There is doubt as to the direct enforceability in England and Wales against any of these persons, in an original action or in an action for the enforcement of judgments of US courts, of civil liabilities predicated solely upon US federal or state securities laws.

4. Presentation of financial information

The Company publishes its financial statements in Sterling. References to "pence" and "p" represent pence in the United Kingdom. Reference to "\$" are to US dollars. The abbreviation "€" represents the euro, the European single currency.

The financial information in this Prospectus has been prepared in accordance with IFRS as adopted by the European Commission for use in the European Union, including IAS and Interpretations, adopted by the IASB. The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Prospectus. In making an investment decision, prospective investors must rely on their own examination of the information regarding the Company, the terms of the Rights Issue and the financial and other information in this Prospectus.

The Company's audited consolidated financial statements for each of the years to 31 March 2007 and 2008 are incorporated by reference into, and the audited consolidated financial statements for the year to 31 March 2009 are set out in, Part 5 of this document. The audits of such financial information were performed in accordance with International Standards on Auditing (UK and Ireland). None of the financial information set out in this Prospectus or incorporated by reference in this Prospectus has been audited in accordance with auditing standards of the Public Company Accounting Oversight Board in the United States. Potential investors should consult their own professional advisers to gain an understanding of the information in Part 5, the implications of differences between the accounting standards noted and, an understanding of the differences between IFRS and US GAAP.

There are certain non-GAAP financial measures included in this Prospectus, including "IRR", "cost efficiency", "money multiple" and "gross portfolio return". The Directors have included these measures as they use them to measure business performance. These measures should not be considered as an alternative to measures based on IFRS, and may not be computed in the same manner as similarly titled measures presented by other companies.

The financial information included in this Prospectus or incorporated by reference in this Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures and the presentation of certain other information not included in this document.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Glossary of key financial terms

The following defined terms, which are explained below, are important to understanding 3i's business and certain measures 3i uses to gauge the success of its business lines.

"Carried Interest"

The Carried Interest is the profits generated in a private equity fund that are received by the carried interest holders based on the performance of the fund as a whole (or on an investment-by-investment basis). Usually investors receive their initial capital back plus a "hurdle" based on the fund's Internal Rate of Return to ensure a minimum level of return before any carried interest is paid. Once the hurdle has been met, most funds allocate cash flows above the hurdle disproportionately for a short period, known as the "catch up" phase, until the carried interest holder has received the agreed proportion of the overall profits in the fund.

"Diluted Net Asset Value per Ordinary Share"

The Net Asset Value attributable to each Ordinary Share on the assumption that rights which the Company has granted and which are dilutive to the Net Asset Value attributable to each Ordinary Share have been fully exercised. Such rights may be in respect of instruments convertible into Ordinary Shares or options or warrants to subscribe for Ordinary Shares.

"Gearing" or "Gearing Ratio"

The Gearing Ratio is the amount, expressed as a percentage, of the Group's consolidated net debt divided by its consolidated total equity.

"Gross portfolio return"

The income and value movement (both realised and unrealised) generated from 3i's investment portfolio.

"Internal Rate of Return" or "IRR"

The Internal Rate of Return is the return earned by 3i through investing in an asset from the date of initial investment up until the particular point in time at which it is calculated. The calculation uses monthly cash flows generated from the asset to work out the annualised effective compound rate of return. For assets that have yet to be realised at the calculation date, and therefore have not generated a final cash inflow from realisation proceeds, the asset value at the date of calculation of the IRR is used in lieu of realisation proceeds to calculate the return.

"Money multiple"

The money multiple is the ratio of the value generated (in the form of net realisation proceeds, repayments of loans and fixed income shares, dividends, interest, fees and commissions) by an investment or defined group of investments to the total cost of the investment or group of investments.

"NAV" or "Net Asset Value"

The Net Asset Value is the aggregate value of the net assets of the Group (that is, the value of its assets less the amount of its liabilities), calculated in accordance with the Company's normal accounting and reporting policies.

"Net Asset Value per Ordinary Share"

The Net Asset Value per Ordinary Share is the Net Asset Value divided by the number of Ordinary Shares of the Company in issue as adjusted in accordance with generally accepted accounting practice.

"Net debt"

Net debt, in relation to the Group, comprises loans and borrowings (current and non-current), B Shares, Convertible Bonds, subordinated liabilities, derivative financial instruments (included within current assets and current liabilities), deposits, cash and cash equivalents.

"Opening carrying value"

Opening carrying value is 3i's valuation of its investment in a portfolio company as at the preceding 31 March, rolled forward for the start of the next financial year.

"Opening portfolio value"

The opening portfolio value is the total value of a particular investment portfolio as at the preceding balance sheet date, rolled forward for the start of the next financial period. For example, the "opening portfolio value" for 3i's entire portfolio for the financial year to 31 March 2008 will be the "Investment portfolio" figure as set out in the balance sheet as at 31 March 2007.

"Total return"

The amount of the Group's loss/profit for the year less certain reserve movements (pensions, property and currency translation). These reserve movements can be found in 3i's consolidated statement of recognised income and expense,

which in the case of the financial year to 31 March 2009 are set out in the Historical Financial Information in Part 5 of this document.

"Total return on opening equity"

The total return expressed as a percentage of total equity as at the beginning of the relevant financial period.

"Vintage year"

A vintage is a collection of assets in which 3i makes its first investment during a defined period of time. The most common time period measured in the private equity industry is a year. A vintage year at 3i includes all new investments made within a particular financial year, e.g. vintage year 2008 covers new investments made from 1 April 2007 to 31 March 2008.

Part 1. Chairman's Letter



3i Group plc
 Registered Office:
 16 Palace Street
 London
 SW1E 5JD
 Registered No. 1142830
 8 May 2009

Dear Shareholder,

Proposed 9 for 7 Rights Issue at 135p per New Ordinary Share

1. Introduction

As we announced on 8 May 2009, the Board is proposing that 3i raises £699.3 million (net of expenses) by way of a Rights Issue. Under the Rights Issue, the Board is proposing to issue 542,060,391 New Ordinary Shares at 135p per share, on the basis of 9 New Ordinary Shares for every 7 Ordinary Shares held at the Record Time. The *pro forma* Diluted Net Asset Value per Ordinary Share, after taking into account the Rights Issue and the 3i QPEP transaction, is 277p as at 31 March 2009. The Rights Issue is underwritten by J.P. Morgan Securities, Merrill Lynch and the other Underwriters.

The Rights Issue will enable 3i to strengthen its balance sheet. It will also provide flexibility and further capacity for 3i to manage existing assets for value over time and invest in new opportunities as they arise. 3i's current portfolio is diversified across a range of business lines, sectors and geographies and should benefit when economic conditions improve.

2. The background to, and reasons for, the proposed Rights Issue

3i's competitive position

3i's quoted company status offers shareholders access to private equity investments in Europe, Asia and North America. As at 31 March 2009, 3i had a portfolio of 376 investments valued at £4.1 billion of which:

- £1.5 billion was in Buyouts, which makes buyout investments in the mid-market, defined as being companies with an enterprise value of typically less than €1 billion;
- £1.6 billion was in Growth Capital, which makes minority equity investments in growing private businesses; and
- £0.4 billion was in Infrastructure, which invests in global infrastructure businesses.

3i has a number of features which differentiate it within the private equity industry, notably its mid-market positioning and its diversity in terms of geography, sector and type of investment. 3i's investment activity is undertaken by specialist teams in Europe, Asia and North America. Its international reach and resources, sector expertise and network of experienced business leaders, support 3i's active style of investment management and underpin its long track record of achieving successful realisations. This track record is also evidence of 3i's experience of navigating through periods of economic and market dislocation.

3i combines investment on its own balance sheet with a managing or advisory role for quoted and unquoted funds on which it earns management and advisory fees. The principal funds are Eurofund IV, Eurofund V, 3i Infrastructure plc and the 3i India Infrastructure Fund. The Board intends that over time 3i will increase the proportion of its investment activity which is financed by third party monies rather than its own resources. Further details on the funds which 3i manages or advises for others is contained in paragraph 1 of Part 2.

Rationale for the Rights Issue

3i's experience and positioning have been critical in the management of its portfolio. During the five years to 31 March 2008 3i generated an average annual total return on opening equity of 20.4%, returned £2.6 billion to Shareholders and grew assets under management from £7 billion to just under £10 billion.

Following 3i's strong performance in the five years to 31 March 2008, 3i faced much more challenging conditions in the year to 31 March 2009. During the past year 3i saw continuing crises in the world's credit markets, a sharp downturn in demand in the major economies, and falls in equity markets. These factors have all affected the private equity industry, leading to a contraction in activity and a significant impact on valuations. 3i's Diluted Net Asset Value per Ordinary Share fell, principally as a result of these market movements and the impact of gearing, from £10.77 at 31 March 2008 to £4.96 at 31 March 2009.

In line with 3i's practice of regularly reviewing its valuation methodology (of which more details are given in paragraph 5 of Part 2) the Board decided in these exceptional circumstances to hold none of 3i's investment assets at cost as at 31 March 2009, and to reflect the fall in markets in its valuation process which also impacted Net Asset Value. It also became progressively more difficult to realise investments at uplifts to carrying values, although 3i achieved an average uplift of 5% on opening carrying values over the year. Largely as a result of all of these factors, 3i ended the year with net debt of £1,912 million and a ratio of net debt to total equity of 103%, significantly above the level the Board considers optimal in the current economic climate.

At the same time, the Board considers that lower market prices offer 3i the potential, as economies recover, to make new investments that may yield attractive returns. In addition, there should also be the potential for 3i to achieve greater value from realisations of its existing investments.

It is in order both to manage these challenges and to realise these opportunities to best effect that the Board believes the Rights Issue on the terms described is in the interests of 3i and shareholders as a whole.

3i's financial position and actions taken

In this more difficult economic climate the Board concluded that, notwithstanding the absence of material debt maturities before September 2010, a more conservative financial structure for 3i was appropriate, and that net debt and gearing both needed to be significantly lower. Following the appointment of Michael Queen as Chief Executive in January 2009, 3i accelerated the steps it has been taking to reduce its net debt including:

- The successful acquisition of the assets of 3i Quoted Private Equity plc, which produced £110 million of net cash proceeds for 3i in April 2009;
- Placing a proportion of 3i's shareholding in 3i Infrastructure plc, which generated £61 million of cash proceeds in February 2009;
- Selling other quoted assets, raising a total of £111 million in the year to 31 March 2009;
- Continuing to divest 3i's non-core Smaller Minority and Venture Capital investments, delivering total net proceeds of £236 million during the year to March 2009, £96 million of which was in the fourth quarter of the financial year; and
- Continuing to make realisations while taking a highly selective approach to investment.

3i generated net cash of £411 million from investment and realisation activity during the second half of the financial year. Net debt was reduced from £2.1 billion at December 2008 to £1.9 billion at 31 March 2009.

During the year, the Board has also taken the opportunity to review the Group's cost base and has identified cost savings of approximately 15% by 31 March 2011 through re-engineering certain processes, outsourcing and consolidating parts of 3i's office network which are expected to be recognised over the next two years.

The Board sees the proposed Rights Issue as a complement to, and not a substitute for, a self-disciplined approach to cash generation. The pro forma net debt as at 31 March 2009, after taking account of the Rights Issue and the acquisition of the assets of 3i QPEP, will be £1.1 billion and the pro forma ratio of net debt to total equity will be reduced from 103% to 42% as set out in Part 6.

Realisations and investment

During the financial year to 31 March 2009, 3i realised £1.3 billion and, as noted above, the quality of its portfolio enabled it to do so at an average 5% uplift to opening carrying value at 31 March 2008. Good realisation opportunities do still arise, but they are fewer in current markets. 3i will continue to undertake realisations with the objective of achieving best value and at a pace which supports that objective.

Of the £968 million invested by 3i in the year to 31 March 2009, £454 million was invested in existing portfolio companies (which included £127 million in respect of capitalised interest). In the period to 31 December 2010, 3i may

invest up to £150 million (excluding capitalised interest) in providing further support to certain portfolio companies both to develop business opportunities and to ensure that they operate within the terms of their banking facilities.

Financial commitments

3i has agreed to co-invest alongside a number of its funds when it identifies suitable investment opportunities, and 3i's outstanding commitments to these funds comprise up to €1,307 million to Eurofund V and \$148 million to the 3i India Infrastructure Fund. 3i co-invested €402 million and \$34 million respectively alongside these funds in the year to 31 March 2009. 3i's obligations to make new investments or co-invest alongside such funds are conditional on 3i Investments determining that the proposed investment or co-investment meets a number of conditions for suitability, including meeting the relevant fund's return objectives. 3i will, however, wish to take advantage of good opportunities which arise and which satisfy those conditions and objectives.

Detailed information regarding the underlying debt in 3i's portfolio, and on which there is no recourse to 3i, is provided in paragraph 5 of Part 3 of this document. The acquisition debt in the buyout portfolio is typically committed seven to nine year term loans, the majority of which are repayable after 2013, providing covenants are met. For the Growth Capital portfolio, which has lower levels of leverage, over 85% of the debt weighted by 3i valuation is repayable after 2013. Infrastructure investments are made principally through 3i Infrastructure plc, in which 3i holds a 33% shareholding, and the 3i India Infrastructure Fund. 3i Infrastructure had no borrowings at the company level and cash of £387 million as at 31 March 2009 and the 3i India Infrastructure Fund is also ungeared.

Strategy, priorities and opportunities

The history of private equity indicates that attractive returns can be made during the recovery stage of the economic cycle. Moreover, 3i's investment experience in the mid-market, and in particular in the supply of growth capital, demonstrates its ability to make good returns without the use of the very high levels of leverage seen in parts of the private equity industry during recent years.

The Board therefore believes that 3i will be able to continue to identify opportunities for investment even if credit markets remain constrained. Specifically, the opportunities in each of 3i's core business lines are as follows:

- Buyouts: the Board believes that, due to its international reach, resources and network, 3i is well positioned to take advantage of mid-market buyout opportunities as mergers and acquisitions activity starts to recover. This activity is likely to be driven by large corporates, as they focus on core activities, and pent up demand following a period of low activity.
- Growth Capital: 3i believes that the growing private businesses in which it seeks to invest are likely to require additional equity to fund growth as they seek to minimise their funding risk and the availability of debt finance continues to remain scarce. Given recent volatility in capital markets, the Board believes that these businesses will see raising long-term investment capital from 3i as an attractive source of funding.
- Infrastructure: Demand for infrastructure investment continues to grow in 3i's core markets of Europe, India and North America, where 3i is well positioned with established teams of experienced infrastructure investors. In the developed markets of Europe and North America, replacement of older infrastructure and potential additional projects arising from fiscal stimuli are likely to be the key drivers. In India, the building of new infrastructure (for example in power, transportation and healthcare) should generate significant opportunities for well-established investors with good government relations, such as 3i.

As a leading international private equity firm, 3i's strategy continues to be to use its resources to produce consistent market-beating returns whilst being acknowledged for its partnership style of investing. 3i also remains committed to increasing the scale of the external funds which it advises or manages so as to generate a higher stream of fee income. In the near term 3i's priorities are to:

- Concentrate on its core business lines of Buyouts, Growth Capital and Infrastructure, and accelerate realisations from its SMi and Venture Capital portfolios;
- Position its business for the upturn by focusing on the mid-market opportunities it will generate, and where 3i has competitive advantage;
- Reduce the level of its net debt over the next 12 to 15 months to approximately £1.0 billion; and
- Reduce costs and increase efficiency while maintaining its core investment capabilities.

Benefits of Rights Issue and use of proceeds

The Board believes that the proposed Rights Issue, which is underwritten, will enable it to build on the actions it has taken, and will continue to take, to reduce 3i's net debt and strengthen its balance sheet; to continue to pace the

realisation of its existing portfolio investments in order to gain the benefit of their full potential; and to take advantage of new investment opportunities.

With pro forma net debt of £1,103 million as at 31 March 2009 after taking account of the Rights Issue and the 3i QPEP transaction, 3i's balance sheet will be considerably stronger than prior to these transactions. This strengthened capital structure which will further support 3i's investment grade credit rating should not only facilitate 3i's access to debt capital markets but should also help to strengthen its market position. The Board therefore believes that the proposed Rights Issue will strengthen 3i's financial and competitive position, and enable 3i to fulfil its potential, and that it is in the best interests of its shareholders.

3. Current trading and prospects

The Company has nothing significant to report with respect to trading in the period since 31 March 2009 other than the completion towards the end of April of the acquisition of the assets of 3i QPEP.

4. Principal terms and conditions of the Rights Issue

Subject to the Rights Issue Resolutions being passed, the Directors propose to offer New Ordinary Shares by way of rights to all Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders), payable in full on acceptance, on the following basis:

9 New Ordinary Shares at 135p each for every 7 Ordinary Shares

that each Qualifying Shareholder holds and has registered in that Shareholder's name as at the Record Time, and so in proportion to any other number of Ordinary Shares that each Qualifying Shareholder then holds and otherwise on the terms and conditions as set out in Part 4 of this document and, in the case of Qualifying Non CREST Shareholders, the Provisional Allotment Letter.

The Rights Issue Price of 135p per New Ordinary Share represents a discount of 60.2% to the Closing Price of 339p on 7 May 2009 (being the last business day prior to the date of this document), and a discount of 51.2% to the *pro forma* Diluted Net Asset Value per Ordinary Share of 277p as at 31 March 2009, after taking into account the Rights Issue and the 3i QPEP transaction. If a Qualifying Shareholder does not take up any of his entitlement to New Ordinary Shares, his proportionate shareholding will be diluted by approximately 56.3% as a result of the Rights Issue. However, if a Qualifying Shareholder takes up his rights in full, he will, following completion of the Rights Issue, have the same proportional voting rights and entitlements to distributions as he had at the Record Time.

New Ordinary Shares representing fractional entitlements will not be provisionally allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. These fractions will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and paid to the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement with a value of £5 or more.

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST.

The Rights Issue is conditional on:

- (A) the Rights Issue Resolutions being passed at the General Meeting;
- (B) Admission becoming effective by not later than 8:00 a.m. on 28 May 2009 (or such later time as the Joint Sponsors and the Company may agree); and
- (C) the Underwriting Agreement otherwise becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

A summary of the Underwriting Agreement and the conditions to which it is subject is set out in paragraph 19 of Part 8 of this Prospectus.

The New Ordinary Shares, when issued and fully paid will rank *pari passu* with the Existing Ordinary Shares including the right to receive dividends or distributions made, paid or declared after the date of their issue. Application will be made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and an application will be made to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on the London Stock Exchange at 8:00 a.m. on 28 May 2009. It is expected that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at 8:00 a.m. on 12 June 2009.

The Rights Issue is expected to result in the issue of 542,060,391 New Ordinary Shares (representing approximately 56.3% of the issued share capital as enlarged by the Rights Issue).

Details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part 4 of this document and, where relevant, will also be set out in the Provisional Allotment Letter. Overseas Shareholders should refer to paragraphs 7 and 8 of Part 4 of the Prospectus for further information on their ability to participate in the Rights Issue.

5. Risk factors

Shareholders who participate in the Rights Issue may face a number of risks in relation to the acquisition of New Ordinary Shares and/or the trading of their Nil Paid Rights. See the "Risk Factors" section which sets out a number of risks and uncertainties which investors should carefully consider in relation to participation in the Rights Issue. Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership in 3i as their proportionate ownership and voting interests in 3i will be reduced.

6. Dividend policy

The Board's dividend policy has been to pay two dividends on the Ordinary Shares in respect of the Company's financial year, typically in January (an interim dividend) and in July (a final dividend).

In order to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988, the Company is prohibited by its Articles of Association from paying dividends or distributions from capital profits and surpluses arising on the realisation of investments save by way of redemption or purchase of any of its shares in accordance with the Companies Acts. In addition, the tax legislation specifies the maximum amount of its revenue profit that an investment trust is able to retain in respect of each accounting period in order to continue to qualify as an investment trust.

The Company paid an interim dividend in January 2009 and the Board has decided, in the light of the Group's financial results for the period and the proposed Rights Issue, not to declare a final dividend for the year to 31 March 2009. The total dividend for the year will therefore consist of the interim dividend of 6.3p per Ordinary Share, which was paid in January 2009 and is sufficient to enable the Company to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 in respect of the financial year to 31 March 2009.

Future dividends paid by the Company will reflect the revenue arising from dividends, interest, fees and other income earned on the Group's investing and investment management and advisory activities. The Board remains committed to the principle of paying an increasing dividend and intends to resume dividend payments consistent with this principle in respect of the financial year to 31 March 2010, provided it considers it is prudent to do so at the relevant time. In light of the Rights Issue, the Board believes it is appropriate to reset the level of dividend going forward at a level at least as high in aggregate as that paid in respect of the year to 31 March 2009 (£24 million before dividend waivers), which, after adjusting for the effects of the Rights Issue and the shares issued in connection with the acquisition of the assets of 3i Quoted Private Equity plc referred to in paragraph 2, equates to an annual dividend of at least 2.5p per Ordinary Share. In any case, the Board intends that 3i will pay sufficient dividends to ensure that it is able to meet the requirements for approval as an investment trust for tax purposes for the financial year to 31 March 2010 and for subsequent periods.

7. Overseas Shareholders

Qualifying Shareholders who have registered addresses outside of the United Kingdom or who are citizens of or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward the Circular, the Proxy Form or, when issued, a Provisional Allotment Letter to such persons, should read paragraphs 7 and 8 of Part 4 of this Prospectus.

In particular, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consent, or need to observe any other formalities, to enable them to take up their entitlements to the Rights Issue.

8. Taxation

The taxation consequences for Qualifying Shareholders of the Rights Issue will depend upon the jurisdiction in which the relevant Qualifying Shareholder is resident for tax purposes.

Certain information about UK and US taxation is set out in Part 7 of this Prospectus. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

9. Employee Share Investment Plan (the "ESIP")

The Directors would like to take this opportunity to increase employees' alignment with shareholders, and demonstrate their confidence in the value of the Company, by facilitating a significant investment by employees in the Company's shares through the ESIP.

The essential features of the ESIP (under which awards will only be made in the 30 days following the Ex-Rights Date) are as follows:

- Subject to legal, tax, regulatory and other practical considerations, the ESIP will be open to all employees of the Group. Before investing in the ESIP, senior executives will want, and if they wish to participate in the ESIP will normally be expected first to, take up the rights which they have in relation to their existing shareholdings.
- Eligible employees will be invited to subscribe for Ordinary Shares ("**Investment Shares**") at a price determined by the Board. This will be not less than the market value (determined as for the purposes of capital gains tax) of an Ordinary Share on the date of subscription which will be on a date or dates selected by the Board falling within the period of 30 days after the Ex-Rights Date.
- There will be minimum and maximum investment limits per individual of £5,000 and £1.5 million respectively.
- Participants (other than the executive Directors) will then be granted an award (a "**Matching Award**") in respect of one Ordinary Share for every two Investment Shares. Executive Directors will not be eligible for Matching Awards because of the other share based arrangements that already exist for them.
- The Matching Award will be subject to a performance target which will mean that in normal circumstances it will not vest unless the growth in the Net Asset Value per Ordinary Share is 35% or more, measured by comparing the *pro forma* Diluted Net Asset Value per Ordinary Share after taking into account the Rights Issue and the 3i QPEP transaction, as at 31 March 2009 (adjusted for the Rights Issue) with the Diluted Net Asset Value per Ordinary Share as at 31 March 2012 (adjusted for the reinvestment of dividends paid between 31 March 2009 and 31 March 2012).
- It will also be a condition of the vesting of the Matching Award that the Participant has retained all of his Investment Shares. If he does not do so, his Matching Award will lapse unless and to the extent that the Board decides otherwise.
- The maximum number of Ordinary Shares available for Investment Shares and Matching Awards is 16 million. If applications for Investment Shares exceed the maximum available, they will be scaled down on a basis to be determined by the Board.

Unlike other senior staff, the Group's investment staff do not normally receive equity-based long-term incentives, and therefore do not have significant holdings of shares in the Company. Their incentive arrangements include portfolio awards which: are funded from realised cash profits; form part of the originally committed team profit-share percentage in relation to certain pools of assets; and are normally paid in cash over a period of three years subject to leaver provisions. In order to encourage the investment staff to participate in the ESIP, they will be given the opportunity to have the payment of their portfolio awards advanced if they elect to apply the after-tax amount in purchasing Investment Shares. In these cases, if the participant does not keep his Investment Shares until the Matching Award vests, then not only will the Matching Award lapse, but the failure to retain the Investment Shares will be taken into consideration by the Company when making future bonus and/or other awards.

Employees will be formally invited to participate following the publication of the Circular.

The Matching Awards will be granted in accordance with, and be subject to, the terms of The 3i Group Discretionary Share Plan. However, in order to implement the ESIP, the Board wishes to amend the Plan to allow the Investment Shares to be issued pursuant to it and is seeking Shareholders' authority to do so at the General Meeting.

Following implementation of the ESIP, the Directors intend to undertake a detailed review of reward strategy. A key objective of this review will be to increase employee alignment with shareholders, and therefore consideration will in particular be given to making certain future awards under The 3i Group Discretionary Share Plan on a similar basis to the ESIP.

10. General Meeting

A notice convening the General Meeting of the Company to be held at the offices of J.P. Morgan Cazenove at 20 Moorgate London EC2R 6DA on 27 May 2009 at 9:30 a.m. is set out at the end of the Circular which is being sent

to Shareholders today. The General Meeting is being convened for the purposes of considering and, if thought fit, passing the Resolutions which are required to implement the Rights Issue and to amend The 3i Group Discretionary Share Plan. Further information on the Resolutions to be proposed at the General Meeting is set out in paragraph 6 of Part 8.

11. Action to be taken

Subject to the passing of the Rights Issue Resolutions at the General Meeting, if you are a Qualifying Non-CREST Shareholder, (other than a Qualifying Non-CREST Shareholder who is a Restricted Shareholder), it is intended that you will be sent a Provisional Allotment Letter on 27 May 2009 giving details of your Nil Paid Rights and containing instructions on how to take up your entitlements under the Rights Issue. For Qualifying Non-CREST Shareholders, (other than those Qualifying Non-CREST Shareholders who are Restricted Shareholders) the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched no later than 19 June 2009 to the registered address of the person(s) entitled to them.

If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. It is expected that Equiniti, 3i's registrar, will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than such Qualifying CREST Shareholders who are Restricted Shareholders) with such Shareholders entitlements to Nil Paid Rights, with effect from 8:00 a.m. on 28 May 2009.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or the Fully Paid Rights of CREST sponsored members.

If you have sold or do sell or have otherwise transferred or do transfer (other than ex-rights) all of your existing Ordinary Shares before the Ex-Rights Date, which is 28 May 2009, please forward the Circular, the Proxy Form and any accompanying documents together with (if you are a Qualifying Non-CREST Shareholder) any Provisional Allotment Letter duly renounced to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was/is effected for onward transmission to the purchaser or transferee. The Provisional Allotment Letter, when issued, should not, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to any of the Excluded Territories. If you have sold or do sell or have otherwise transferred only part of your holding of existing Ordinary Shares (other than ex-rights) held in certificated form, please contact immediately the stockbroker, bank or other agent through whom the transfer was/is effected.

If you have sold or do sell or have otherwise transferred or do transfer all or some of your existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The latest time for acceptance under the Rights Issue is expected to be 11:00 a.m. on 11 June 2009. The procedure for acceptance and payment is set out in Part 4 of this Prospectus. Further details also appear in the Provisional Allotment Letter that will be sent to all Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who are Restricted Shareholders).

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised pursuant to the FSMA if you are resident in the UK or, if not, from another appropriate authorised independent financial adviser.

12. Directors' intentions

The Directors beneficially own, in aggregate, 476,205 Ordinary Shares representing approximately 0.11% of the issued Ordinary Share capital of the Company as at 5 May 2009 (the latest practicable date prior to publication of this document). Save in respect of certain Ordinary Shares held in 3i Share Plans, each of the Directors intends to take up his or her rights to subscribe for the New Ordinary Shares under the Rights Issue.

Yours faithfully,

Baroness Hogg
Chairman

Part 2. Information on 3i

1. Principal activities of 3i

General

3i's vision and approach

3i is an international mid-market private equity business. The 3i Group makes, manages and/or advises on investments in Europe, Asia and North America within the private equity and infrastructure asset classes. Investments, which may take the form of equity or debt instruments, are made with capital from the Group's own balance sheet and/or from funds which the Group manages or advises for others. Total assets under management at 31 March 2009 were £8,019 million, including £3,969 million advised or managed on behalf of third parties.

3i's approach is driven by its vision to be the private equity firm of choice: operating on an international scale, producing consistent market-beating returns, acknowledged for its active partnership style, and winning through its substantial resources. The Group's strategy is to:

- invest in assets that 3i believes will deliver high-returns;
- grow the Group's assets and those it manages on behalf of third parties;
- extend the Group's international reach;
- use the Group's balance sheet and resources to develop existing and new business lines; and
- continue to build the Group's strong culture of operating as one company across business lines, geographies and sectors.

In the current economic climate 3i's near term objectives have been, and continue to be, to conserve capital, increase the focus on core activities, drive efficiency gains and prepare the business to take advantage of the investment opportunities which the Board believes will emerge in the next phase of the economic cycle.

Active Partnership

Creating value through effective portfolio company management is a key part of 3i's strategy and 3i believes that it is of particular importance in the current economic climate. The Group's "active partnership" approach to portfolio company management involves a high level of engagement between 3i and the boards and management of its portfolio companies. In this way, specific activities or issues within the relevant business are identified on an on-going basis with a view to pursuing performance improvement. This active engagement, combined with the depth and breadth of knowledge and experience both within 3i's teams of investment professionals and in its other portfolio companies, assists 3i in developing a targeted business plan with each portfolio company with a view to achieving effective value creation. The "active partnership" programme operates in each of 3i's Buyouts, Growth and Infrastructure business lines.

Business Leaders Network

3i's Business Leaders Network ("**BLN**") is a network of entrepreneurs, non-executive and executive directors, CEOs, CFOs and project consultants with whom 3i maintains active contact. Members of the network provide assistance and know-how which help the business line teams identify investment opportunities and perform due diligence. Members of the BLN may also give 3i and its portfolio companies access to operational and market expertise.

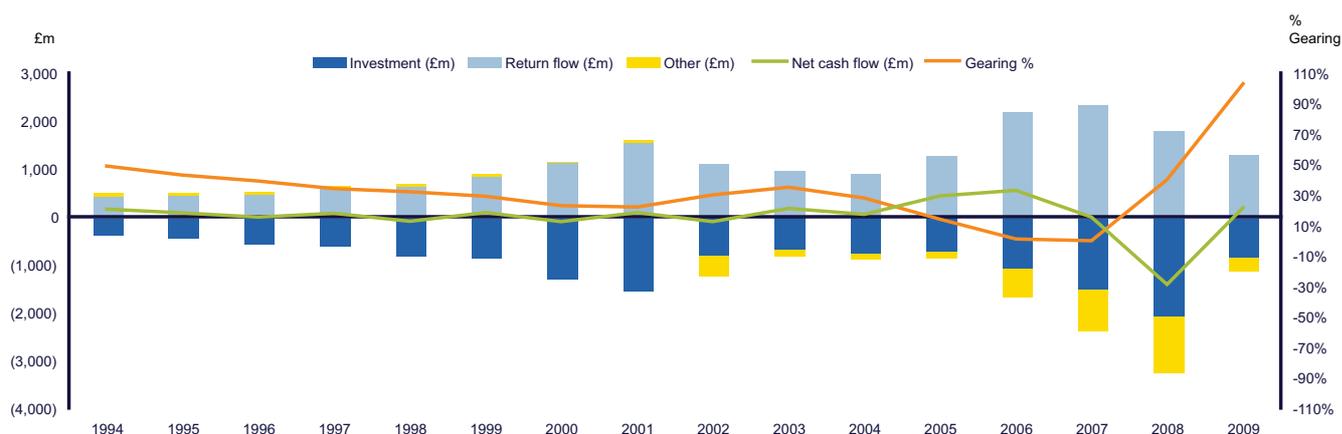
3i's BLN team manages the relationships with members and potential members of the network to ensure that the composition of the network meets 3i's business requirements and is aligned to 3i's investment strategy. It also organises functions and training events (often on a sector basis) to develop contacts amongst the network, senior executives at portfolio companies and 3i's investment professionals.

Track record

Investments and realisations

3i has a strong track record of achieving investment realisations throughout economic cycles. Since 2000, 3i has realised proceeds in excess of £900 million per annum from its investment portfolio.

The chart below sets out, for each financial year to 31 March from 1994 to 2009, the amounts expended by the Group in relation to investments (and certain other items) and the amounts received by the Group from realisations (and certain other items). In addition, the chart shows the Group's Gearing Ratio and net cash flow across the period.



Total return

The table below sets out the Group's total return expressed as a percentage of opening total equity at the beginning of each financial year for the five years to 31 March 2009.

Total return year to 31 March	%
2005	15.2
2006	22.5
2007	26.8
2008	18.6
2009	(53.0)

Gross portfolio return

The table below sets out the Group's gross portfolio return for the five years to 31 March 2009 expressed as a percentage of opening portfolio value.

Gross portfolio return year to 31 March	%
2005	16.7
2006	24.4
2007	34.0
2008	23.9
2009	(36.7)

Business lines

The Group has three main business lines, being Buyouts, Growth Capital and Infrastructure. As described below, each of these business lines makes investments across a number of different markets and geographies. The principal business sectors in which the Buyouts and Growth Capital business lines invest are business services, consumer, financial services, general industrial, healthcare, media, oil, gas and power and technology. The Infrastructure business line invests in infrastructure sectors such as transport, utilities and social infrastructure. Each business line has a managing partner who is responsible for its operations and implementing the execution of the relevant business line strategy. In addition, during the year to 31 March 2009, 3i appointed a chief investment officer whose role is to ensure a consistency of approach in investment across business lines, sectors and geographies as well as to maximise use of best practice.

Buyouts

Business Model

The Buyouts business line undertakes mid-market buyouts of businesses based primarily in Europe but also in Asia which typically have an enterprise value of up to around €1 billion. The Buyouts business line focuses on five core sectors, being business services, consumer, general industrial, healthcare and TMT (telecoms, media and technology).

A buyout involves the acquisition of an existing independent business or a subsidiary or division of a corporate group from its current owners. Buyout investments are generally made through 3i investing from its own balance sheet alongside limited partnership private equity funds which are managed by 3i, with the investment capital for those funds provided primarily by third party investors (currently through Eurofund V) and some of 3i's investment staff. With

buyouts, the business post-acquisition is owned by the management team, 3i and the relevant limited partnership private equity funds, usually with 3i and the funds together holding a majority stake.

As at 31 March 2009, assets under management for the Buyouts business line included 3i's directly held portfolio, managed unlisted funds and the debt warehouse facility (see "In-house banking and debt warehouse" below). As at 31 March 2009, the value of assets under management for the Buyouts business line was £3,779 million of which £1,467 million was held on 3i's own balance sheet and £2,312 million was held by managed funds and the non 3i balance sheet element of the debt warehouse.

Returns from individual investments are achieved through a mix of capital realisations upon exit, returns of capital and income. Returns to the Group are enhanced through fees and Carried Interest payable by the third party funds which are managed by, and which invest alongside, 3i.

A core element of the Buyouts business model is that the Buyouts team of approximately 90 investment professionals operates as one team. This enables the Group to match resources to opportunities on a "best team for the job" basis, based on sector, operational and deal execution experience.

Strategy

The Group's strategy for the Buyouts business line is to apply sector and operational expertise to a premium origination network in order to find, pursue and execute investments in which the Group can create value.

Working in active partnership with management, 3i creates a bespoke value creation plan for each investment, focused on growing earnings, improving operational efficiency and strategic value, and leveraging 3i's network, knowledge and experience to maximum effect.

Track record by vintage year

The table below shows the IRR as at 31 March 2009 and 2008 for the investments made by the Buyouts business line in each of the eight financial years to 31 March 2009 (each a "vintage year").

Long-term performance - Buyouts

New investments¹ made in the financial year to 31 March

Vintage year	Total investment ² £m	Return flow ³ £m	Value remaining ⁴ £m	Cost remaining ⁵	IRR to 31 March 2009	IRR to 31 March 2008
2009	318	1	290	100%	n/a	n/a
2008	631	19	358	99%	(30)%	n/a
2007	551	289	426	78%	25%	35%
2006	495	765	234	26%	46%	57%
2005	362	952	52	25%	62%	62%
2004	307	523	66	20%	34%	37%
2003	275	664	29	12%	49%	50%
2002	186	441	0	2%	61%	61%

Notes:

1. The analysis excludes investment in the debt warehouse, described in "In-house banking and debt warehouse" below.
2. This is total amount invested, including the amount invested at the time of the original investment (this timing determines the vintage year to which an investment belongs) and also any subsequent investment into the same business by 3i up to 31 March 2009 in respect of each of the vintage years listed.
3. This is the total cash investment return received by 3i (which includes net realisation proceeds, repayments of loans and fixed income shares, dividends, interest, fees and commissions) up to 31 March 2009 from the relevant vintage year investments.
4. This is the net book value as at 31 March 2009 of all investments from the particular vintage year still held by 3i at that date.
5. This is the amount paid by 3i for investments (or, where there has been a partial realisation, the residual element) during the relevant vintage year that were still held by 3i at 31 March 2009, expressed as a percentage of the aggregate amount paid for investments in that vintage year.

The strong IRR performance of the 2002 to 2006 vintage years is largely a result of having achieved significant and timely realisations of a number of the investments in these vintage years.

The 2007 vintage benefited from the exit of ABX in the year to 31 March 2009. However, the 2007 vintage performance overall at 31 March 2009 has been adversely impacted by falls in the valuations of some of the remaining companies in this vintage.

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

Gross portfolio return

The table below shows the gross portfolio return for the Buyouts business line by year in the five years to 31 March 2009, expressed as a percentage of opening portfolio value.

Gross portfolio return by year – Buyouts year to 31 March	%
2005	20
2006	29
2007	54
2008	57
2009	(34)

In-house banking and debt warehouse

The buyout team includes in-house banking advisory specialists whose role is to create a centre of excellence for best practice and market knowledge on arranging debt and helping to manage the banking relationships for 3i's portfolio companies as well as for the Group. The other business lines also have access to this in-house banking team. The in-house banking team also manages a debt portfolio financed in part by a facility with Lloyds TSB (the "**debt warehouse**"). The debt warehouse acquires debt instruments in companies in which 3i does not have another investment. The debt warehouse has, to 31 March 2009, acquired €445 million in assets supported by an equity commitment from 3i Group of €133 million on a first loss basis. These assets, which are predominantly related to buyout businesses, are described in more detail as part of the Buyouts business line financial review in Part 3 of this document. In addition, the debt management team, alongside the Infrastructure team, manages a £20 million portfolio of junior debt in infrastructure businesses held by 3i Infrastructure.

Managing Partner

Jonathan Russell is Managing Partner of the Buyouts business line, responsible for the strategic and operational development of 3i's Buyouts business. He joined 3i in 1986 and has been involved in all areas of private equity across Europe. He joined 3i's Management Committee as Head of Buyouts in 1999. Jonathan is the current chairman of the European Private Equity and Venture Capital Association.

Growth Capital

Business Model

The Growth Capital business line typically makes minority investments of between €25 million and €150 million in established and profitable unquoted mid-market businesses across Europe, Asia and North America. Investments are currently made primarily from 3i's own balance sheet and also with funds from some of 3i's investment staff. This type of investment is suited to a diverse range of growth opportunities, including acquisitions, increasing production capacity, market or product developments, turnaround opportunities, shareholder succession and change of ownership situations. This business line may also occasionally seek to acquire influential stakes in smaller quoted companies in Europe and now manages the investments acquired from 3i QPEP in April 2009 (further details of this acquisition are set out in the paragraph entitled "Non-core activities" below).

The Growth Capital business line has approximately 60 investment professionals who work as a team to systematically and selectively invest in assets with the aim of building a portfolio which is diversified by sector, geography, and size of company. The team engages in active partnership with its portfolio companies by seeking to align interests with other shareholders and join the board of directors. The team provides each portfolio company with its sector expertise together with strategic, operational and financial input as appropriate.

Strategy

The Group's strategy for the Growth Capital business line has been to establish a broad geographic presence, improve effectiveness through increasing the average size of investment and to capitalise on 3i's competitive advantage through its international presence in the mid market. 3i's aim is to be the private equity firm of choice for world-class growing companies and entrepreneurs.

Investments are sourced, executed and managed using a "best team for the job" approach, on an international basis. 3i's experience across different geographies and sectors and its network of business contacts provide 3i and its portfolio companies with market access and insight. The development of 3i's sector approach, combined with the strength of its international network and resources, especially in Asia and North America, have increased this access. Over the last few years, approximately half of 3i's Growth Capital deals have been sourced through the Group's own contacts rather than intermediaries. The Directors believe that 3i's track record and experience of managing relationships with company owners for over 60 years supports the conversion of opportunities into investments.

Consistent with 3i's broader strategy of increasing funds under management, the Growth Capital business line may at some stage look for opportunities to raise third party funds to co-invest with 3i on Growth Capital investments.

Track record by vintage year

The table below shows the IRR as at 31 March 2009 and 2008 for the investments made by the Growth Capital business line in each of the eight financial years to 31 March 2009 (each a "vintage year").

Long-term performance - Growth capital

New investments made in the financial year to 31 March

Vintage year	Total investment ¹ £m	Return flow ² £m	Value remaining ³ £m	Cost remaining ⁴	IRR to 31 March 2009	IRR to 31 March 2008
2009	206	1	193	100%	n/a	n/a
2008	986	34	745	100%	(16)%	n/a
2007	542	139	380	85%	(2)%	17%
2006	422	539	95	41%	23%	43%
2005	182	245	55	31%	27%	31%
2004	295	477	16	9%	25%	26%
2003	223	380	54	13%	25%	25%
2002	498	713	11	7%	12%	12%

Notes:

1. This is total amount invested, including the amount invested at the time of the original investment (this timing determines the vintage year to which an investment belongs) and also any subsequent investment into the same business, by 3i up to 31 March 2009 in respect of each of the vintage years listed.
2. This is the total cash investment return received by 3i (which includes net realisation proceeds, repayments of loans and fixed income shares, dividends, interest, fees and commissions) up to 31 March 2009 from the relevant vintage year investments.
3. This is the net book value as at 31 March 2009 of all investments from the particular vintage year still held by 3i at that date.
4. This is the amount paid by 3i for investments (or, where there has been a partial realisation, the residual element) during the relevant vintage year that were still held by 3i at 31 March 2009, expressed as a percentage of the aggregate amount paid for investments in that vintage year.

The performance of the more mature vintages (2002 to 2005) have remained stable due to the significant realisations achieved in previous years. Similarly, 2006 remains above 20%, having already returned more than the original investment cost. The 2007 vintage had two early profitable exits during the year to 31 March 2009 with one exit at 3.1 times 3i's original cost for a 62% IRR and a second exit at 1.6 times 3i's original cost for a 47% IRR. Notwithstanding these early gains, the impact of lower valuations, driven by reductions in multiples, has reduced the IRR for the 2007 vintage year to a marginally negative return.

The 2008 vintage is immature and has been affected by reduced valuations in 2009, leading to a negative IRR of (16)%.

Gross portfolio return

The table below shows the gross portfolio return for the Growth Capital business line by year for the five years to 31 March 2009, expressed as a percentage of opening portfolio value.

Gross portfolio return by year – Growth Capital

year to 31 March	%
2005	23
2006	26
2007	48
2008	21
2009	(44)

Managing Partner

Guy Zarzavatdjian is Managing Partner of the Growth Capital business line and a member of 3i's Management Committee. Guy joined 3i in 1987. During his time at 3i, he spent five years as Country Managing Director in France and established 3i's business in the Benelux region in the late 1990s. He has helped develop the business and been actively involved in a number of the Group's important investments.

Infrastructure

Business Model

The Infrastructure business line invests in a broad range of international infrastructure assets, principally in transportation, utilities and social infrastructure in Europe, Asia and North America. Investments are typically made by 3i Infrastructure and by the 3i India Infrastructure Fund. 3i Infrastructure is a quoted company listed on the London Stock Exchange in which 3i currently holds 33.3% of the company's issued share capital. 3i Infrastructure is advised by 3i Investments, a wholly-owned subsidiary of 3i. The 3i India Infrastructure Fund is a fund comprising limited partnerships managed by 3i

Investments. Historically the Infrastructure business line has also made investments from 3i's own balance sheet and, as at 31 March 2009, the principal unrealised investment financed in this way was the Group's minority stake in Anglian Water Group ("**AWG**").

3i defines infrastructure investments as investments in asset-intensive businesses which provide essential services such as transport, utilities and social infrastructure under long-term contracts. These include a range of asset maturities, from mature, typically high-yielding assets to early-stage development projects, which would generally provide a lower yield, but higher potential for capital growth. This range of maturities is intended to generate returns through a combination of capital growth and income yield.

Strategy

The 3i Infrastructure team comprises approximately 20 investment professionals operating from London, Mumbai and New York, mirroring the geographic focus of investment in Europe, Asia and North America. It focuses on delivering the investment strategy of its advised and managed funds and aims to use 3i's network, track record and brand to build a first-class, global infrastructure investment business which is highly respected in the relevant local markets.

3i Infrastructure

Established in March 2007, 3i Infrastructure is a long-term investor with a global investment mandate to focus on three key sub-sectors: transport; utilities; and social infrastructure. 3i Investments acts as investment adviser to 3i Infrastructure and in return receives an advisory fee of 1.5% of invested capital (dropping to 1.25% for investments that have been held for over five years) and an annual performance fee of 20% of the growth in net asset value, before distributions, over an 8% hurdle, calculated each year. 3i reduced its holding in 3i Infrastructure from 46.2% to 33.3% in February 2009.

3i Infrastructure targets a 12% net return through net asset value growth.

3i India Infrastructure Fund

Both 3i and 3i Infrastructure have also committed funds to the 3i India Infrastructure Fund. 3i India Infrastructure Fund is a \$1.2 billion unquoted infrastructure fund, investing in India in the ports, airports, road and power sectors of infrastructure. 3i announced in April 2008 that the fund had closed with a target investment horizon of two to four years and had invested 41.1% of total commitments as at 31 March 2009. 3i Investments earns management fees and is entitled to Carried Interest from the 3i India Infrastructure Fund.

Other Infrastructure assets

Over the year to 31 March 2009, 3i Group continued to reduce its holdings in Infrastructure assets held directly on its own balance sheet. It has therefore sold part of its holding in AWG and several other smaller infrastructure assets for £56 million, resulting in a total portfolio held directly by 3i (i.e. excluding 3i Infrastructure and the 3i India Infrastructure Fund) of £51 million as at 31 March 2009.

Assets held by managed or advised funds

Assets held by funds managed or advised by the Infrastructure business line include 3i's directly held portfolio, managed unlisted funds, and 3i Infrastructure. As at 31 March 2009, the value of assets under management was £1,658 million of which £371 million was held on 3i's own balance sheet and £1,287 million was held by managed and advised funds.

Managing Partner

Cressida Hogg was one of the founders of the Infrastructure business line in 2005 and is now its managing partner. Cressida joined 3i in 1995, having previously worked at J.P. Morgan. Before helping to establish 3i's infrastructure team in 2005, Cressida worked on a wide range of MBO and private equity deals.

Investment management and advisory activities

Funds managed or advised by the Group

As noted above, the Group manages or advises a number of investment funds and investment companies in which external investors participate. The Group receives fees and, subject to certain performance targets being met, Carried Interest or performance fees from these funds. These management and advisory activities are currently primarily connected with the Buyouts and Infrastructure business lines. The main funds which the Group currently manages or advises are Eurofund III, Eurofund IV and Eurofund V (which are predominantly or exclusively Buyout funds), 3i Infrastructure and the 3i India Infrastructure Fund.

The table below lists 3i's key funds and sets out details, as at 31 March 2009, of their total commitments, 3i's total commitment (directly or through co-investment agreements), the proportion of the total commitments invested and the proportion of the total commitments realised.

as at 31 March 2009

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

Notes:

1 Refers to amount committed to co-invest with the relevant fund or, in the case of 3i Infrastructure or 3i QPEP, the amount invested in the relevant company.

2 Gross proceeds as a percentage of amount invested.

3 As further described below, in April 2009 3i acquired the assets which made up its Quoted Private Equity business line from 3i QPEP. These assets are now managed within 3i's Growth Capital business line.

3i has been a significant investor in, or co-investor with, each of its main funds, committing €1.9 billion to Eurofund IV, €2.8 billion to Eurofund V, an aggregate £350 million to 3i Infrastructure and \$250 million to 3i India Infrastructure Fund. Currently 51% of assets under management are held by the Group on its balance sheet and 49% are held by managed or advised funds. The Board intends, over the next few years, to manage a higher proportion of capital on behalf of third parties such that, over time, the proportion of the Group's commitment will fall to between 25% and 33% of total assets under management. The Group's principal outstanding commitments to these funds as at 31 March 2009 was €1,307 million to Eurofund V and \$148 million to the 3i India Infrastructure Fund. The strategy of managing external funds has enabled the Group to increase the amount of capital for investment as well as to generate fees. Fee income from external funds grew from £43 million in the financial year to 31 March 2004 to £75 million in the financial year to 31 March 2009.

Managing Partner

Paul Waller has responsibility for leading 3i's fundraising activities and managing fund investor relationships. Paul has been a member of the Management Committee since 1999 and has over 30 years of private equity investment experience having joined 3i in 1978. He has developed 3i's activities in fund management since 1993 having previously held various senior management responsibilities for the 3i Group investment businesses in continental Europe, the United States and Japan. He is a former Chairman of the European Private Equity and Venture Capital Association (the "EVCA") and he also chaired the EVCA Investor Relations Committee for several years.

Non-core activities

Quoted Private Equity

3i's Quoted Private Equity business line was established in 2007 with a strategy of acquiring influential stakes in smaller public companies. 3i QPEP was floated on the London Stock Exchange in June 2007 at a market capitalisation of £400 million, and 3i's quoted private equity investments were made by this company. Prior to April 2009, 3i had a 44.9% shareholding in 3i QPEP. 3i Investments acted as investment adviser to 3i QPEP.

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

On 23 February 2009 the boards of 3i and 3i QPEP announced a recommended scheme for the solvent winding up of 3i QPEP under which 3i would acquire the assets and cash of 3i QPEP and 3i, in consideration for receiving the part of such assets and cash of 3i QPEP not accruing to the Company by way of liquidation distribution on its shareholding in 3i QPEP, would issue the other shareholders of 3i QPEP with 50p in cash (£110 million in aggregate) and 0.1706 of an Ordinary Share for each 3i QPEP share they held (37.6 million Ordinary Shares in aggregate). The scheme for the solvent winding up of 3i QPEP was approved on 27 April 2009 and the transaction was concluded on 28 April 2009.

For 3i, the transaction produced a net cash inflow of £110 million. This comprised the cash received from 3i QPEP less the cash due to 3i QPEP shareholders and transaction fees. The transaction also eliminated the effective double discount suffered by Shareholders on the value of 3i QPEP's investments because 3i carried its investment in 3i QPEP at its quoted share price. Management of the five investments in the portfolio, with a combined value of £148m as at the date of acquisition, has been transferred to the Growth Capital business line.

SMi

3i's SMi portfolio contains minority investments in unquoted small and medium enterprises predominantly based in the UK. Since March 2004, the total number of investments in the SMi portfolio has reduced from 1,079 to 74 at 31 March

2009 and a total of £843 million was realised in that period. The value of the portfolio at 31 March 2009 was £153 million.

Venture Portfolio

Following 3i's decision to stop investing in early stage technology and healthcare investments, on 1 April 2008 the Group established a Venture Portfolio team to maximise value from the Venture Portfolio. As at 31 March 2009, this portfolio, comprised 123 investments in technology and healthcare companies, predominantly in Europe and the UK, with a combined value of £314 million.

The focus of the Venture Portfolio team has been to realise value from the portfolio and to determine which investments should receive any further funding. Further funding provided to the Venture Portfolio in the year to 31 March 2009 was £53 million. This funding was made on a selective basis and only where 3i considered there was potential to enhance or protect future value.

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

2. Competitive environment

3i operates in a competitive market across each of its main business lines. 3i competes with other private equity fund managers for limited partner investors and with private equity firms, strategic acquirers and other financial investors for investment opportunities.

3i believes that the following factors provide 3i with the right tools to compete in the current market:

- Recognised brand name – 3i is recognised as a leading brand in the private equity industry, representing the Company's experience and proven ability to manage its business through economic cycles.
- Mid-market focus – 3i believes that its proven mid-market investment model continues to be well placed.
- International network – 3i believes that its international network, its business leaders network and the relationships which it has in each of its markets gives it a competitive advantage when originating new deals. In addition, the international network enables each business line to select the best opportunities which they see from across 3i's network.
- Strong investment team – 3i's international investment teams are very experienced, with many of the senior members of the teams having managed the business through previous economic cycles.
- Active partnership – 3i's active partnership style is described in more detail in paragraph 1 of this Part 2. 3i believes that this active approach to the management of its investments distinguishes it from many of its competitors.
- Investment grade credit rating – 3i's believes that its investment grade credit rating is important to maintaining its position of financial strength in the market.

3i's principal competitors in the buyouts market are other private equity firms seeking the same, or similar, investment opportunities. The buyouts market in Europe is now highly developed and competitive. 3i's competitors in the growth capital market are diverse, as 3i competes not only with other private equity firms but also with other providers of finance such as the stock market, banks and providers of mezzanine finance; though 3i believes few private equity firms are able and/or willing to make minority investments within 3i's typical size criterion. 3i believes that its recognised brand name, disciplined investment approach, international reach and strategy of working in active partnership with the businesses in which it invests mean that it is well placed to compete successfully in the buyouts and growth capital markets.

The infrastructure finance market is dominated by a small number of significant players. Over the last year, the competitive landscape has improved due to issues at several other major investors in this market. For example, Babcock & Brown has gone into administration and Macquarie is reducing its direct investment in most sub-sectors of infrastructure. Given these issues and the market opportunity, the Board believes that infrastructure remains an attractive asset class for 3i.

3. Investment objective and policy

The Group's investment objective is to achieve growth in the value of its net assets (prior to returns to Shareholders). The Company manages and invests its assets in accordance with its published investment policy.

As a closed ended investment fund 3i is required to publish its investment policy. This 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 the investment policy in its Annual Report and Accounts for the year to 31 March 2008, the Board also stated that it then considered it appropriate to operate with an optimum Gearing Ratio within a 30% to 40% range across the cycle. In the light of the current dislocation in the debt markets and the substantial changes occurring and expected in the pricing and availability of debt finance, the Board intends to reconsider the appropriateness of this optimum range for the Group's Gearing Ratio in due course when markets are more settled. In addition, if a material change to the investment policy is considered appropriate, the Board would seek the approval of shareholders for such a change. Furthermore, given that market movements are outside of the Company's control, the Board will also target an absolute level of net debt, in addition to the optimum Gearing Ratio referred to above. The pro forma Gearing Ratio as at 31 March 2009, after taking account of the Rights Issue and the impact of the 3i QPEP transaction, will be 42%.

There are no statutory restrictions on the approaches, techniques and instruments that may be used in the management of the Group's portfolio, provided always that, in order for the Company to continue to meet the present criteria for approval as an investment trust, for the purposes of section 842(1)(a) of the Income and Corporation Taxes Act 1988, its income must consist wholly or mainly of income deriving from shares or securities.

As a UK closed-ended investment company, 3i also complies with Chapter 15 of the Listing Rules. Under Chapter 15, 3i is required to invest and manage its assets in a way which is consistent with its object of spreading investment risk. Compliance with Chapter 15 also means that the 3i Group must not conduct any trading activity which is significant in the context of its group as a whole. This does not prevent the companies that form part of 3i's portfolio from conducting trading activities. In addition, under Listing Rule 15.2.5, the Company will be required, at Admission, to ensure that no more than 10%, in aggregate, of its total assets are invested in other listed closed-ended investment funds (as such term is defined in the Listing Rules). However, this rule will not apply where the relevant closed-ended investment fund or funds have a published investment policy to invest no more than 15% of their total assets in other listed closed-ended investment funds. As at the date of this document, the only listed closed-ended investment funds in which 3i has invested are 3i QPEP and 3i Infrastructure, each of which has a published investment policy that meets the requirement set out above. These are the only listed closed-ended investment funds in which 3i expects to hold an interest at Admission.

Under Chapter 15, the Company is permitted to make a material change to its investment policy only with the approval of shareholders.

4. Investment portfolio

The value of the Group's investment portfolio at 31 March 2009 was £4,050 million. The following tables provide an analysis of the Group's holdings by business line, geographical region, sector and vintage year, and details of the ten largest investments and 40 other large investments excluding, in each case, any investments held by external funds that 3i manages or advises.

Business line

Set out in the table below is a breakdown of the 3i investment portfolio value by business line for each financial year as at 31 March 2009, 2008 and 2007:

Portfolio value (£m) Business line	31 March 2009	31 March 2008	31 March 2007
Buyouts	1,467	2,025	1,281
Growth Capital	1,574	2,366	1,460
Infrastructure	371	501	469
Quoted Private Equity	171	142	20
SMi	153	244	391
Venture Portfolio	314	738	741
Total	4,050	6,016	4,362

Note: As further described in paragraph 1 of this Part 2, in April 2009, 3i acquired the assets which made up its Quoted Private Equity business line from 3i QPEP. These assets are now managed within 3i's Growth Capital business line.

Geographic breakdown

The Group's investments are spread over a wide range of geographies, with the majority of the Group's investments being made in continental Europe and the UK. However, the Group also invests in Asia, North America and in other parts of the world. Set out in the table below is a breakdown of the 3i investment portfolio value by geography as at 31 March 2009, 2008 and 2007:

Portfolio value (£m) ^{1,2} Region	31 March 2009	31 March 2008	31 March 2007
Continental Europe	1,618	2,573	1,894
UK	1,719	2,250	1,792
India	196	334	148
China	105	171	60
Other Asia ³	190	174	165
North America	209	497	283
Rest of world	13	17	20
Total	4,050	6,016	4,362

Notes:

- For the purposes of this geographic breakdown, 3i's interests in 3i Infrastructure and 3i QPEP are treated as investments made in the UK.
- As further described in paragraph 1 of this Part 2, in April 2009, 3i acquired the assets which made up its Quoted Private Equity business line from 3i QPEP. These assets are now managed within 3i's Growth Capital business line.
- Other Asia includes Japan, Singapore and South Korea.

Sector breakdown

Set out in the table below is a breakdown of the 3i investment portfolio value by business sector as at 31 March 2009, 2008 and 2007:

Portfolio value (£m) Sector	31 March 2009	31 March 2008	31 March 2007
Business services	749	819	586
Consumer	327	703	494
Financial services	265	415	222
General industrial	764	1,423	970
Healthcare	545	572	501
Media	214	455	338
Oil, gas and power	253	316	175
Technology	391	670	587
Sub total	3,508	5,373	3,873
Infrastructure	371	501	469
Quoted private equity	171	142	20
Total	4,050	6,016	4,362

Note: The assets which made up 3i's Quoted Private Equity investments were, prior to April 2009, predominantly held through 3i's interest in the share capital of 3i QPEP and, therefore, have not been allocated to any of the sectors in the table above. 3i acquired such assets from 3i QPEP in April 2009.

Movements in the portfolio

Set out in the table below is a breakdown of the value of the 3i investment portfolio by business line which shows the opening portfolio value as at 1 April 2008, new investment, divestment, value and other movements over the year to, and the closing portfolio value as at, 31 March 2009.

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

Ten largest investments

The table and notes below set out certain key information relating to the Group's ten largest investments, by value, as at 31 March 2009.

Investment	Business line	Geography ⁶	First invested in (calendar year)	Valuation Basis	Proportion of equity shares held	Residual cost £m	Valuation £m	Income in the year £m	Net assets £m	Earnings £m
3i Infrastructure plc	Infrastructure	UK	2007	Quoted						
Quoted investment company, investing in infrastructure										
Equity shares					33.3%	271	228	17		
Total						271	228	17	922	44
3i Quoted Private Equity plc¹	QPE	UK	2007	Quoted						
Quoted investment company, investing in quoted companies										
Equity shares					44.9%	180	167	–		
Total						180	167	–	409	15
Venture Production plc²	Growth	UK	2007	Quoted						
Oil and gas production										
Equity shares					5.4%	34	64	1		
Loans						76	76	2		
Total						110	140	3	425	77
Enterprise Group Holdings Limited	Buyouts	UK	2007	Earnings						
UK utilities and public sector maintenance outsourcing										
Equity shares					32.2%	3	–	–		
Loans						125	125	16		
Total						128	125	16	194	48
ACR Capital Holdings Pte Limited	Growth	Singapore	2006	Other						
Reinsurance in large risk segments										
Equity shares					31.6%	105	125	–		
Total						105	125	–	307	8
Sortifandus, S.L.³	Buyouts	Spain	2006	Earnings						
Wind power service provider										
Equity shares					43.2%	6	79	–		
Loans						31	41	3		
Total						37	120	3	20	6
Foster and Partners⁴	Growth	UK	2008	Earnings						
Architectural services										
Equity shares					40.0%		–	–		
Loans							111	16		
Total							111	16	(14)	(15)

	Business line	Geography ⁶	First invested in (calendar year)	Valuation Basis	Proportion of equity shares held	Residual cost £m	Valuation £m	Income in the year £m	Net assets £m	Earnings £m
Quintiles Transnational Corporation³	Growth	US	2008	Earnings						
Clinical research outsourcing solutions										
Equity shares					7.0%	100	109	–		
Total						100	109	–	(421)	24
Inspicio Sarl	Buyouts	UK	2007	Other						
Global testing and inspection										
Equity shares					38.2%	2	–	–		
Loans						105	105	14		
Total						107	105	14	107	3
				Market adjust-ment						
Memora Inversiones Funerarias³	Buyouts	Spain	2008							
Funeral service provider										
Equity shares					38.1%	8	9	–		
Loans						79	93	4		
Total						87	102	4	85	7

Notes:

1. 3i's interest in Quoted Private Equity investments was, prior to April 2009, predominantly its interest in the share capital of 3i QPEP before 3i QPEP entered a recommended scheme for its solvent winding up and 3i acquired the investments from 3i QPEP in April 2009.
2. Equity element is valued as listed. Loans are valued using the amortised cost method of valuation.
3. The increase in the difference between valuation and residual costs is due to foreign exchange movements.
4. The residual cost of the investment in Foster and Partners has not been disclosed because the information is subject to a confidentiality agreement.
5. Loans mean non-voting preference shares and/or shareholder debt.
6. For the purposes of this geographic breakdown, 3i's interests in 3i Infrastructure and 3i QPEP are treated as investments made in the UK.

Forty other large investments

The table below sets out certain key information relating to the forty other large investments of the Group by value which are substantially all of the Group's remaining investments valued over £19 million, as at 31 March 2009.

Investment	Description of business	Business line	Geography	First invested in (calendar year)	Valuation basis ¹	Proportion of equity shares held	Residual cost £m	Valuation £m
Ambea AB	Elderly, primary and specialist care	Buyouts	Sweden	2005	Earnings	44.7%	20	102
Telecity Group plc	Operator of carrier neutral data centres	Buyouts	UK	1998	Quoted	22.6%	16	95
3i India Infrastructure Holdings Limited	Fund investing in Indian infrastructure	Infrastructure	India	2007	Other	21.2%	57	91
MWM GmbH	Provider of decentralised power generation systems	Buyouts	Germany	2007	Earnings	41.3%	75	91
Labco SAS	Clinical laboratories	Growth	France	2008	Market adjustment	17.4%	93	89
Sociedad de Servicios Radiofonicos Union Radio, S.L.	Hispanic radio operator	Growth	Spain	2008	Market adjustment	8.1%	80	83
DNA Oy	Telecom operator	Growth	Finland	2007	Earnings	12.8%	88	71
British Seafood Distribution Group Holdings Limited	Seafood sourcer, processor and importer from Far East	Growth	UK	2007	Earnings	28.5%	76	69
Cornwall Topco Limited (Civica)	Public sector IT and services	Buyouts	UK	2008	Market adjustment	40.6%	65	65
Hyva Investments BV	Branded hydraulics for commercial vehicles	Buyouts	Netherlands	2004	Earnings	44.1%	4	65
Eltel Networks Oy	Network services	Buyouts	Finland	2007	Earnings	36.9%	85	54
Mayborn Group plc	Manufacturer and distributor of baby products	Buyouts	UK	2006	Earnings	45.7%	64	52
Anglian Water Group Limited	Provider of drinking water and waste water services	Infrastructure	UK	2006	Other	2.8%	46	50
Inspecta Holding OY	Supplier of testing and inspection services	Buyouts	Finland	2007	Earnings	40.7%	45	50
EUSA Pharma Inc	Business focused on pain control, oncology and critical care	Venture Portfolio	UK	2007	Further round	21.6%	30	42
NORMA Group Holding GmbH	Provider of plastic and metal connecting technology	Buyouts	Germany	2005	Earnings	30.2%	31	42
Joyon Southside	Real estate	Growth	China	2008	Other	49.9%	27	41
Scandferries Holding GmbH (Scandlines)	Ferry operator in the Baltic Sea	Buyouts	Germany	2007	Other	22.7%	31	40
Gain Capital Holdings, Inc	Retail online foreign exchange trading	Growth	US	2008	Earnings	13.8%	48	31
Otnortopco AS (Axellia/Alpharma)	Developer and supplier of specialist active pharmaceutical ingredients	Buyouts	Norway	2008	Earnings	49.9%	59	31
Navayuga Engineering Company Limited	Engineering and construction	Growth	India	2006	Earnings	10.0%	23	30
Boomerang TV, S.A.	Production of audio visual contents	Growth	Spain	2008	Earnings	40.0%	27	29
Goromar XXI,S.L. (Esmalglass)	Manufacture of frits, glazes and colours for tiles	Buyouts	Spain	2002	Earnings	21.6%	19	28
Radius Systems Limited	Manufacture of thermoplastic pipe systems for gas and water distribution.	Buyouts	UK	2008	Market adjustment	31.6%	26	26
APB SpA (AP Bags)	Luxury handbags	Buyouts	Italy	2008	Earnings	27.5%	52	26
Alö Intressenter AB	Manufacturer of front end loaders	Growth	Sweden	2002	Earnings	35.2%	33	26
Advanced Power AG	Developer of traditional power stations	Growth	Switzerland	2008	Net Assets	38.1%	21	25
Kneip Communications S.A.	Outsourced publication of investment fund data	Growth	Luxembourg	2007	Earnings	41.1%	25	25

Investment	Description of business	Business line	Geography	First invested in (calendar year)	Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Beijing Digital Telecom Co., Limited	Mobile phone retailer	Growth	China	2006	Earnings	17.4%	11	24
Hyperion Insurance Group Limited	Specialist insurance intermediary	Growth	UK	2008	Other	26.5%	28	22
SLR Holdings Limited	Specialist environmental consultancy	Growth	UK	2008	Market adjustment	34.0%	33	22
Hobbs Holding No. 1 Limited	Retailer of women's clothing and footwear	Buyouts	UK	2004	Earnings	42.2%	49	22
LHI Technology Private Limited	Medical cable assemblies	Buyouts	China	2008	Earnings	35.8%	17	21
Delta Hydrocarbons	Oil and gas exploration fund	Growth	Netherlands	2007	Other	23.2%	42	21
RBG Limited	Oil and gas service provider	Buyouts	UK	1996	Earnings	37.5%	4	20
Apatech Limited	Synthetic bone products	Venture Portfolio	UK	2001	Further round	44.6%	22	20
Dockwise	Specialist in heavy transport shipping within the marine and oil and gas industry	Buyouts	Netherlands	2007	Quoted	14.7%	1	20
Franklin Offshore International Pte Limited	Manufacture, installation and maintenance of mooring and rigging equipment	Growth	Singapore	2007	Other	30.9%	15	20
Everis Participaciones S.L.	IT consulting business	Growth	Spain	2007	Earnings	18.3%	30	19
Polyconcept Investments BV	Supplier of promotional products	Growth	Netherlands	2005	Earnings	13.0%	21	19

Note: A description of the valuation bases is set out in paragraph 5 of this Part 2.

Number of investments

The number of investments in 3i's investment portfolio fell to 376 (177 excluding SMi and Venture Portfolio), as at 31 March 2009, compared to 487 (213 excluding SMi and Venture Capital Portfolio) as at 31 March 2008.

Movements in top fifty investments since 31 March 2009

The value of the Group's top fifty investments (set out in the tables above entitled "ten largest investments" and "forty other large investments") is based on the valuations used for the purpose of 3i's Annual report and accounts for the year to 31 March 2009. As at 5 May 2009, being the latest practicable date prior to the date of this document (based on 31 March 2009 valuations), the "ten largest investments" would cease to include 3i QPEP. As set out in paragraph 1 of this Part 2, on 28 April 2009, 3i QPEP entered a recommended scheme for the solvent winding up of 3i QPEP and 3i acquired the assets and cash of 3i QPEP. As at 5 May (based on 31 March 2009 valuations), the asset which would replace 3i QPEP in the Group's list of top fifty investments is IndiaREIT Offshore Fund. On 7 May 2009, the Company reduced its shareholding in Telecity Group plc to 16.5% from 22.6%, although as at that date (based on 31 March 2009 valuations) the asset would remain in the Group's list of top fifty investments. On 7 May 2009 the Company entered into an agreement which will lead to the sale of 41% of its remaining stake in Anglian Water Group Limited and is in the advanced stages of negotiations to sell approximately a further 46% of its stake. As the Group continues its investment and divestment activities as described in this document, the identities of the Group's top fifty investments will continue to change over time.

5. Net Asset Value and valuation methodology

The Board is responsible for determining the Net Asset Value of the Company. The Net Asset Value is calculated by 3i based on information about the Company's portfolio provided to it by 3i Investments, the Company's investment manager. The Board reviews and approves those calculations as part of the process for preparing the annual and half-yearly accounts.

The Group's valuation methodology complies in all material respects with the IPEVC valuation guidelines.

The Group's policy is to value the investment portfolio at fair value and to achieve this by valuing individual investments on an appropriate basis using a consistent methodology across the portfolio. Fair value is the value of an asset or liability in an arm's-length transaction between two willing and knowledgeable parties. This generally provides the best estimate of what the Group would receive if it sold the investment at the date of valuation. The Group's financial statements are prepared in accordance with IFRS, which are largely based on the concept of fair value.

Quoted investments are valued at the closing bid price on the date of valuation. No discounts are applied for any illiquidity of the stock or any dealing restrictions, such as lock-up periods, provided the relevant investments are traded on an active stock market.

3i uses a number of different valuation methods to value unquoted investments. The main methods 3i uses to value unquoted assets are summarised below.

The current economic climate has caused the Board to reconsider the appropriateness of the cost basis method and, as at 31 March 2009, investments that would previously have been valued on a cost basis were valued on a market adjustment basis. In addition, the Board has decided to value the non-core SMi and Venture Portfolios so as to reflect the expected level of proceeds which the Company might obtain from a realisation of such investments. More details on the impact of the current economic climate on portfolio valuations are set out in paragraph 4 of Part 3 of this document.

Cost basis

For investments that are less than 12 months old the price that the Group paid, i.e. the original cost of the investment, is generally considered the most appropriate valuation method. However, the performance of the investment is reviewed to assess whether any impairment should be made (e.g. if the portfolio company is underperforming). When a full set of accounts (covering a period of at least six months following the date of 3i's investment) are received then those are generally used to prepare the valuation on an alternative basis to cost.

Market adjustment basis

The methodology for the market adjustment considers the change in earnings multiples since acquisition. The total enterprise value at acquisition is adjusted by the ratio 'current multiple/entry multiple' and 3i's share of the enterprise value is recomputed. The adjustment is intended to show the impact of significant market movements since acquisition.

Earnings basis

The "earnings" basis is a common basis of valuing unquoted investments. Essentially a multiple is applied to the earnings of the relevant portfolio company, to calculate an enterprise value for the business in which the investment is held. This enterprise value is the total value of the business, including debt, any preferred financial instruments and equity. Before calculating the value of the Group's shareholding in the relevant portfolio company, the debt and any preferred instruments are deducted from the enterprise value. The total value of the Group's investment is then the value of its equity plus any debt or preferred financial instruments that are due to it. After allocating the enterprise value to financial instruments which rank above 3i, such as senior loans, 3i then generally applies a marketability discount of 10% to 30%. The remaining balance is then allocated between equity holders dependent on individual stakes. The marketability discount of between 10% to 30% is based on the Group's influence over the exit prospects and timing for the relevant portfolio company. A greater influence gained through a greater equity holding implies a smaller discount. In some cases a greater discount may be applied if there are particular factors affecting the ability to sell. If the enterprise value remaining after having allocated value to financial instruments ranking above 3i in the portfolio company's capital structure and after deducting the marketability discount is less than the amount of a shareholder loan held by 3i, this implies that there is a shortfall in the value of the loan. If this is the case, a decision based on the performance of the investment will be taken to determine whether to recognise the shortfall.

Loans are valued using the "amortised cost" method. The amortised cost represents the amount at which the loan is measured at initial recognition, less principal repayments taking into account any premium or discount on the original loan amount. Effectively, this is cost less any provisions required. Interest income is recognised using the effective interest rate based on the loan's total cash flows. The objective is to use maintainable earnings of the relevant portfolio company in which 3i is invested. These are the "normal" earnings of the company, and are calculated by removing any ad hoc amounts included in the current year figures, such as profits on disposal of fixed assets or one-off expenses that are not expected to occur on a regular basis. A common measure of earnings used for this calculation is earnings before interest and tax ("EBIT"). Other measures used are earnings before interest, tax, depreciation and amortisation ("EBITDA"), or profit after tax. These figures are usually taken from the latest audited accounts of the relevant company, which cover a period of at least six months from the date of investment. A review of more recent management accounts is conducted to ensure that the audited accounts remain a valid basis for valuation.

EBIT multiples must be used with EBIT, EBITDA multiples with EBITDA and price earnings ("PE") multiples used with profit after tax. The multiple used is derived using recent transaction information, external valuations or quoted sector multiples.

Net assets basis

Where a portfolio company reports an operating loss or the industry standard valuation methodology is by reference to the asset base, then the value is calculated using the value of the portfolio company's net assets, which is usually taken from its latest audited accounts, and applying a marketability discount of between 10% and 30%.

Further round basis

Venture capital investments often have a number of equity financing rounds to raise additional finance during the life of the investment. In return for additional financing the portfolio company issues shares to investors and the price per share in the last round of financing can be used as a reference point to estimate the fair value of the investment. 3i considers that, in order to warrant a change in the book value of an investment, the round of equity financing must include investment from a third party not already invested in the portfolio company.

Imminent sale or IPO basis

When an investment is in an advanced sales process or an initial public offering ("IPO") of the portfolio company's shares is imminent, the Group uses the imminent sale or IPO basis of valuation, which uses the expected proceeds from the sale, or the expected IPO price, applying a 10% marketability discount. The potential effect of completion conditions is considered before deciding to value an investment on this basis.

Other valuation methods

Other valuation methods, such as discounted cash flow or industry specific techniques, are used where appropriate. If a portfolio company in which the Group is invested is failing or it is considered that there is a 50% chance or more that the company will fail within the next 12 months, any equity element of 3i's investment in that company is valued at nil, and any loan element is valued at the lower of the cost to 3i of the loan element or the estimated net recoverable amount.

Portfolio breakdown by valuation basis

The table below sets out a breakdown of 3i's investment portfolio by value, setting out, for each financial year to 31 March 2009, 2008 and 2007, the proportion of the value of the portfolio which was attributable to each of the valuation bases set out above.

as at 31 March	2009 £m	2008 £m	2007 £m
Cost	—	2,007	1,431
Market adjustment from cost	387	—	—
Earnings	1,925	1,660	1,432
Imminent sale or IPO	110	185	254
Net assets	47	46	67
Further round	145	308	159
Other	825	921	449
Quoted	611	889	570
TOTAL	4,050	6,016	4,362

Note: "Other" includes predominantly discounted cash flow, industry benchmarks and external fund valuations.

6. 3i's investment manager

This section describes 3i Investment's role as principal investment manager for the Group. For further information on how investments are managed after the investment is made, please see paragraph 1 of this Part 2.

3i Investments acts as investment manager of the Company and of the limited partnerships through which the Company and/or certain of its investment professionals invest. 3i Investments also manages the partnerships which comprise its external managed funds and advises 3i Infrastructure.

3i Investments was incorporated in England and Wales (registered number 3975789) on 13 April 2000 under its present legal and commercial name. It is incorporated in England and Wales under the Companies Act 1985 as a public limited company. The registered address and telephone number of 3i Investments are the same as those of the Company, set out in paragraph 2.4 of Part 8 of this document. 3i Investments was formed to act as regulated fund manager to the Company, certain other entities in the Group, and a number of unregulated investment schemes in which the Company and third parties invest, having taken over this role from 3i plc in March 2001. 3i Investments is an indirect wholly-owned subsidiary of the Company.

Since 1 December 2001, 3i Investments has been authorised and regulated in the UK by the Financial Services Authority under FSMA. Save for (1) those jurisdictions where another company in the Group has been appointed as local investment manager and (2) investments into limited partnerships managed by third parties, 3i Investments acts as investment manager in respect of all investments made by the Company.

Investment or divestment decisions or recommendations by 3i Investments are delegated to an investment committee, comprising the chief executive of 3i Investments and senior investment professionals. There are currently seven members

of the investment committee. The investment committee approves most investment transactions by 3i Group entities, subject to certain delegations for smaller transactions. Certain larger transactions must also be approved by two non-executive Directors of the Company who are approved persons for FSA investment management purposes.

Potential investments are originated by the business line teams, who generally carry out financial, market and legal due diligence on investment opportunities and negotiate the investment terms. An outline investment paper, outlining the business case for investment and the proposed transaction terms, is prepared by the business line team and undergoes a review process by senior investment professionals within the business line as part of the examination of the investment opportunity. A final detailed investment paper will be submitted to 3i Investments for consideration and, if thought fit, approval or (in the case of 3i Infrastructure and investments managed in other jurisdictions) recommendation to the relevant entity.

In addition to 3i Investments, other companies in the 3i Group are also involved, to some extent, in the management of the Group's investments. The following table summarises the arrangements under which the Group companies are responsible for management of the Group's investments and/or are subject to regulatory regimes:

Group company	Principal activity	Regulatory status
3i Investments	Investment management for 3i Group entities	Authorised and regulated by the FSA to conduct a number of regulated activities, for example, to manage investments and operate collective investment schemes. Also holds regulatory passports to provide certain regulatory activities in and into various EU countries. Registered with the Securities and Exchange Board of India as a Foreign Institutional Investor, permitting investment in Indian quoted companies.
3i Europe plc	Investment advisory services in Benelux and Spain	Authorised and regulated by the FSA to conduct a number of regulated activities, for example, to provide investment advice. Also holds regulatory passports to provide advice in relevant EU countries.
3i Nordic plc	Investment advisory services in Denmark, Sweden and Finland	Authorised and regulated by the FSA to conduct a number of regulated activities, for example, to provide investment advice. Also holds regulatory passports to provide advice in relevant EU countries.
3i Società di Gestione del Risparmio S.p.A	Investment management of certain Italian fund entities	Regulated by the Bank of Italy and the Commissione Nazionale per le Società e la Borsa.
3i Gestion SA	Investment management of certain French fund entities	Regulated by the Autorité des Marchés Financiers.
3i Asia Limited	Investment advisory services in Asia	Holder of Category 1 Global Business Licence ("GBL1") in Mauritius encompassing certain reporting and other regulatory obligations.
3i Management (Mauritius) Limited	Formed to manage Mauritius limited partnerships. Currently dormant.	Holder of Mauritius GBL1
Various subsidiaries of 3i incorporated in Mauritius	Investment holding companies for investments in India	Holders of Mauritius GBL1s.
3i Corporation	Investment manager for certain 3i Group entities which invest in the United States	Not regulated.
3i Deutschland Gesellschaft für Industriebeteiligungen GmbH	Investment manager for investments made by 3i Group entities and managed funds in Germany and Austria	Not regulated.

7. Carried Interest and co-investment arrangements

The Company has put in place Carried Interest and co-investment arrangements designed to follow what the Directors believe is best practice in the private equity industry. A Carried Interest arrangement typically allows participants to share directly in the cash returns generated by the funds which they manage or advise, subject to achieving a minimum

rate of return, whereas co-investment arrangements typically invite (or may require) participants to invest their own money alongside that of the private equity house or external funds. Investors in private equity funds (such as the unquoted funds managed by the Group) often expect the executives responsible for investments and funds to have a direct interest in their financial performance, thereby aligning the executives' interests with those of the investors.

In 2004, 3i adopted a Carried Interest plan for senior investment executives on a Group-wide basis for the first time, and has since then continued to use such arrangements. The arrangements typically involve the formation of English limited partnerships, managed by 3i Investments, into which 3i provides 99% or more of the funding. Generally the investment executives, investing in the partnership via a separate entity, will receive a percentage share of any profits made by those partnerships, conditional upon the cash returns from a portfolio of investments exceeding a specified annual rate of return (the "hurdle"). If the hurdle is exceeded, the investment executives receive a share of all profits and not merely the excess. The partnerships are formed so that the executives participating can share in the profits from certain pools of investments made by 3i. The pools are determined by business line, sector and/or geography with each partnership investing over a specified time period (usually two years). Participants are allocated entitlements in the pools (and consequently invest in the relevant partnerships) by reference to the areas of the Group's business in which they work or for which they have responsibility. The share of profits that flow to the participants, in aggregate, has risen from 8.75% in respect of the April 2004 to March 2006 period to 15% in respect of the April 2008 to March 2010 period. The hurdle in each case has been 8% per annum (net).

The Company introduced co-investment arrangements for senior investment executives with effect from 1 April 2006. Such executives are normally only awarded Carried Interest if they agree to put their own money at risk by participating in the co-investment arrangements. Executives invest their own money in limited partnership(s) with the pools of investment and participation corresponding to the relevant Carried Interest arrangements. Since April 2006, the amount of capital provided by the executives under the co-investment arrangements has in aggregate generally been 1% of the total investment made by the Group, its funds under management and the relevant co-investment arrangements.

The persons from time to time holding office as Chief Executive or Finance Director of the Company are not eligible to participate in the Carried Interest plan and the co-investment arrangement except in relation to any participation granted prior to the decision to appoint them to the relevant office.

8. Conflicts of interest

As set out above, 3i Investments acts as investment manager to the Company, to limited partnerships through which the Company invests with Group employees and to the partnerships which comprise 3i Investments' external managed funds. 3i Investments also acts as investment adviser to 3i Infrastructure. Situations may therefore arise in which 3i Investments has a duty or an interest to one of these customers that potentially conflicts with its duties to, or the interests of, the Company.

Situations of conflict might include:

- where an investment might fall within the mandate of more than one of 3i's funds. For example a transaction which could be structured either as a Buyout or as a Growth Capital investment;
- where, for example, an existing portfolio company wishes to acquire another company which is a potential investment opportunity for another business line; or
- a transaction between two funds managed or advised by 3i, or between one of those funds and 3i itself. For example, if 3i Infrastructure wanted to acquire a company in which Eurofund IV had made an investment.

3i Investments' conflict rules are designed to ensure that 3i Investments treats all of its customers fairly, in accordance with its responsibilities as manager or adviser and in accordance with applicable FSA principles as to the treatment of regulatory customers. Each entity which 3i Investments advises or manages has an investment policy which identifies the types of investments to be recommended to or made on their behalf. The Company's investment policy is set out in paragraph 3 of this Part 2.

If a conflict is identified, it will initially be dealt with by members of 3i's Management Committee. However, any member of the Management Committee may consult with, or refer a potential or actual conflict to, 3i Investment's conflicts committee, which has been set up to manage potential conflicts.

Where it is unclear or there is disagreement as to which investment policy a particular proposed investment will fall within, or it could potentially fall within more than one policy, the members of the Management Committee and/or the conflicts committee will seek to allocate the investment appropriately. This may mean that an investment which has been considered by one business line may ultimately be allocated to another customer of 3i Investments. Consequently, 3i may not invest in the company concerned or it may invest a reduced proportion of the overall investment.

Where the investment is proposed by the Company, one of 3i Investments' other customers or one or more portfolio companies of the Group, it may be that 3i Investments is unable to decide how to allocate the transaction. In this case, each party may continue to consider the investment. 3i Investments has confidentiality and information barrier rules which would apply in this situation and it will also take account of specific legal and regulatory constraints on a case by case basis. In these circumstances, 3i Investments would be free to support each party, notwithstanding that only one of the parties will ultimately make the investment.

3i Investments is free to provide advice or other services to any other person, notwithstanding any conflict with its duties to, or the interests of, the Company. If 3i Investments receives information about a transaction it is under no duty to share it with the Company or use it for the Company's benefit.

Part 3. Selected Financial Information and Operating and Financial Review

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the financial information referred to in Part 5 (Historical Financial Information) of this document and the information relating to the business of the Group contained in this document. The following discussion contains forward-looking statements that are based on assumptions about the Group's future business. The Group's actual results could differ materially from those discussed in these forward-looking statements. For further information regarding the factors that may affect the Group's business, please see the section of this document entitled Risk Factors.

1. Selected financial information

The selected historical financial information set out in the table below and other historical financial information in relation to the 3i Group set out in this Part 3 has, unless otherwise stated, been extracted without material adjustment from the historical financial information of the 3i Group for the years to 31 March 2007 and 2008 which is incorporated by reference into this document in Part 5 and from the historical financial information of the 3i Group for the year to 31 March 2009 which is set out in Part 5. Shareholders should read the whole of this document and the documents incorporated by reference into it and should not just rely on the financial information set out in this Part 3.

The table below sets out the key figures drawn from 3i's audited accounts which the Company believes summarise the financial condition and results of operations of 3i in respect of each of the three years to 31 March 2009:

year to 31 March	2009	2008	2007
Gross portfolio return	£(2,206)m	£1,041m	£1,406m
Net portfolio return	£(2,328)m	£735m	£1,127m
Total recognised income and expense ("total return")	£(2,150)m	£792m	£881m
Investment portfolio (as at end of year)	£4,050m	£6,016m	£4,362m
Total equity (as at end of year)	£1,862m	£4,057m	£4,249m
Diluted Net Asset Value per Ordinary Share	£4.96	£10.77	£9.32

2. Additional key financial information

In addition to the selected financial information set out in paragraph 1 above, the table below sets out certain additional financial information which the Company uses to measure the financial condition and results of operations in respect of each of the three years to 31 March 2009:

year to 31 March	2009	2008	2007
Business activity			
Investment ¹	£968m	£2,160m	£1,576m
Realisation proceeds ²	£1,308m	£1,742m	£2,438m
Net divestment/(investment)	£340m	£(418)m	£862m
Returns			
Gross portfolio return on opening portfolio value ³	(36.7)%	23.9%	34.0%
Total return on opening equity ⁴	(53.0)%	18.6%	26.8%
Assets under management (as at end of year)			
Own balance sheet	£4,050m	£6,016m	£4,326m
Third party funds managed or advised by the Group	£3,969m	£3,776m	£2,772m
Total assets under management ⁵	£8,019m	£9,792m	£7,134m
Balance Sheet (as at end of year)			
Gearing Ratio	103%	40%	0%
Net debt ⁶	£1,912m	£1,638m	£(1)m

Notes:

- See Note 13 (Investment Portfolio) to the financial statements for the year to 31 March 2009, set out in Part 5 of this document.
- See Note 2 (Realised profits over value on the disposal of investments) to the financial statements for the year to 31 March 2009, set out in Part 5 of this document.
- Gross portfolio return as stated in the Group's consolidated income statement, expressed as a percentage of opening portfolio value.
- Calculated as total return divided by total equity at the beginning of the applicable year.
- See the section of paragraph 4 of this Part 3 entitled "Assets under management".
- Net debt is defined as the sum of current and non-current financial liabilities (including loans and borrowings, bonds and derivative financial instruments) less financial assets which include cash and cash equivalents, deposits and derivative financial instruments.

3. Accounting policies

3i prepares its financial statements in accordance with IFRS, as adopted for use in the European Union. The significant accounting policies section included within the 31 March 2009 financial statements, set out in Part 5 of this document, describes the accounting policies of the Group.

A significant part of 3i's balance sheet relates to the investment portfolio. The valuation methodology applied to the investment portfolio is described in further detail in paragraph 5 of Part 2 of this document entitled "Net Asset Value and valuation methodology". The application of this valuation methodology involves a significant amount of judgment on the part of management. The Group accounts for all investments in its investment portfolio at fair value with fair value changes recognised in its income statement. Accordingly, the trading results, cash flows and financial positions of individual companies within 3i's investment portfolio are not consolidated within the financial statements of the Group; nor are any of these investments accounted for using the equity method of accounting, whereby an investment is initially valued at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investment.

4 Operating and financial review

A discussion of the Group's operating results and financial condition for each of the two years to 31 March 2008, is incorporated into this Prospectus by reference to:

- the sixth to ninth paragraphs (inclusive) of the Business Review on page 8 and the Financial Review on pages 32-39 (inclusive), of the Company's Report and Accounts 2007; and
- the five paragraphs under the heading "Market conditions" of the "Business Review" on pages 8-9 and the Financial Review on pages 28-37 (inclusive), of the Company's Report and Accounts 2008.

Investors should note that statements regarding current circumstances and forward-looking statements made in each of the Annual Report and Accounts referred to above speak as at the date of the relevant document and therefore such statements do not necessarily remain up to date as at the date of this Prospectus. Information included in this Prospectus, to the extent applicable, automatically updates and supersedes information included in the documents incorporated by reference and referred to above.

Market conditions during the year to 31 March 2009

Conditions for private equity investment and realisations during the year to 31 March 2009 have been the most challenging for some time. The liquidity crisis, which spread through the banking system during 2008, undermined confidence in the capital markets and led to a broader economic slowdown in most of the world's major economies, as well as a significant reduction in mergers and acquisitions activity.

In addition to having a significant impact on private equity portfolio valuations, these conditions had an effect on the levels of private equity investment, realisations and fundraising activity in Europe, Asia and North America, the regions of most importance to 3i's business. The market data referred to below demonstrates how pronounced these effects were.

Levels of investment in almost all categories of private equity investing were significantly lower in 2008 than in the previous year. Data from unquote" shows that overall European private equity investment fell by 59% to €87 billion in calendar year 2008 from €198 billion in 2007. Investment in the final quarter to 31 December 2008 at €8 billion was 74% lower than in the final quarter of the year before. (Source: unquote", Private Equity Barometer, Q4 2008)

According to unquote", in the calendar year 2008, European mid-market buyout investment totalled €73 billion, which was 61% lower than in 2007, with only €7 billion of investment made in the final quarter to 31 December 2008 whereas, at €12 billion, European growth capital investment was 7% higher in 2008 than in 2007. European mid market buyout investment, defined by unquote" as deals between €160 million and €1.65 billion, at €39 billion was less than half the previous year. (Source: ibid)

According to the Asian Venture Capital Journal, new private equity investment in "Asia Pacific", which includes the three main regions in Asia in which 3i is most active (being India, China and South East Asia), fell 38% in 2008, despite a rise in new private equity investment of 8.2% in China. In India, the region in Asia in which 3i is most active, new private equity investment was down 38%. (Source: Asian Venture Capital Journal, February 2008)

The capital markets of most importance to 3i relate to the quoted markets for equities and the markets for debt finance. Over the year to 31 March 2009, there were significant falls in many public equity markets. Falls in the FTSE250, FTSE Euro Midcap, S&P 400 mid cap and Nikkei 225 indices were consistent at 36%, 38%, 36% and 35% respectively and were also accompanied by levels of significant volatility.

In this environment, many equity capital markets became almost closed to new listings in the second half of 2008. This trend continued into the first quarter of 2009. Ernst & Young compiled statistics for 2009 IPOs in Europe, the US and Asia Pacific recorded 50 deals globally in the first quarter of 2009 raising a total of \$1.4 billion (2008: \$251 and \$41.2 billion Singapore dollars). The first quarter of 2009 saw the number of IPOs completed at its lowest level since the first quarter of 2003 and was dominated by activity in Asia (72% market share), with Europe, the Middle East and Africa, and North America making up 20% and 8% respectively.

The availability of debt in the leveraged finance market also sharply contracted during 2008 and the market has remained illiquid in 2009. Standard & Poor's LCD Euro Stats reported new issue volume of just €1 billion during the first quarter of 2009, a 12 year record low. (Source: Standard & Poor's LCD Euro Stats, April 2009)

Mergers and acquisitions activity was also affected. Europe-targeted M&A totalled \$182 billion in the first quarter of 2009, down 42% from the previous year and the lowest quarterly total since the third quarter of 2004. (Source: Dealogic press release, April 2009)

Fundraising by private equity firms also slowed during the year to 31 March 2009. Data from Preqin, however, shows that as a result of a strong first half, the aggregate capital raised by private equity funds at \$554 billion in 2008 only declined by 11% from the 2007 record level of \$624 billion. Buyout funds at \$216 billion were responsible for half of the non-real estate fundraising in 2008 and were responsible for six of the largest 10 fundraisings in the year, which collectively accounted for \$67 billion. (Source: Preqin, Funds in Market, April 2009)

The Infrastructure fundraising environment however, remained attractive, as demonstrated by fundraising for the infrastructure asset class of \$30 billion globally over the 12 months to April 2009. (Source: *ibid*)

Operating and financial review for the year to 31 March 2009

Investment and realisation activity

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

The commentary below refers to investments and realisations made from 3i's own balance sheet. Additional data relating to the amount of investment and realisations made on behalf of external funds managed or advised by 3i is set out in paragraph 1 of Part 2.

The market backdrop for investment activity in the year to 31 March 2009 was characterised by uncertainty and a severe downturn in confidence. For 3i and the funds it manages, visibility of earnings for potential new investments became less clear as the year progressed and general mergers and acquisitions activity contracted sharply. As a consequence, the Group prioritised portfolio management over new investment activity.

However, despite this difficult environment, the Group generated realisations of £1,308 million (2008: £1,742 million), including £711 million in the second half of the year (2008: £698 million). The highly selective approach taken to new investment resulted in the Group completing only 10 investments in new portfolio companies in 2009 (2008: 47). Total investment in the year was £968 million (2008: £2,160 million), of which £300 million was in the second half of the year (2008: £926 million). As a result, the Group had net divestment of £340 million (2008: net investment £418 million) during the year, with realisations exceeding investment by £411 million in the second half (2008: £228 million net investment).

The table below sets out the net divestment (investment) for the Group and external funds for each of the two years to 31 March 2009.

Investment activity – own balance sheet and external funds (£m) year to 31 March	3i own balance sheet		External funds	
	2009	2008	2009	2008
Investment	(968)	(2,160)	(749)	(1,035)
Realisations	1,308	1,742	360	584
Net divestment (investment)	340	(418)	(389)	(451)

New investment

The table below sets out the amount invested by the Group, by business line and geography, for each of the two years to 31 March 2009.

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

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

Note: For the purposes of this geographic breakdown, 3i's interests in 3i Infrastructure and 3i QPEP are treated as investments made in the UK. 3i's interest in 3i India Infrastructure Fund is treated as an investment made in Asia. As further described in paragraph 1 of Part 2, in April 2009, 3i acquired the assets which made up its Quoted Private Equity business line from 3i QPEP. These assets are now managed within 3i's Growth Capital business line.

During the year, 10 investments in new portfolio companies were made (2008: 47) totalling £514 million (2008: £1,834 million). A further £454 million (2008: £326 million) was invested in the existing portfolio, including capitalised interest of £127 million (2008: £46 million), bringing total investment for the year to £968 million (2008: £2,160 million). (Capitalised interest is the interest accrued on loans which, instead of being paid to 3i in cash, is added to the principal of the loan, effectively increasing the principal amount invested by 3i in the portfolio company concerned.)

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

During the year, both new investments and investments in existing portfolio companies were made across a broad range of sectors, with no one sector accounting for more than 25% of total investment in the year. The largest proportion of investment by sector was in business services, which accounted for 20% of new investment in the year to 31 March 2009.

The average size of new investments, although a less meaningful statistic for such a small number of new investments made during the year, remained firmly in the mid-market range at £57 million (2008: £37 million).

Investment in the Buyouts business line totalled £519 million (2008: £788 million), including further investment of £64 million in debt instruments made through the debt warehouse facility, £29 million to support existing portfolio companies and capitalised interest of £117 million (2008: £39 million).

Growth Capital investment of £343 million was 65% lower than the previous year (2008: £990 million) and represented 35% of total investment made by 3i during the year. Additional investment of £53 million was made in existing Venture Portfolio investments on a selective basis, with the objective of strengthening positions ahead of sale.

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

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

investment during the year with a \$161 million investment in Krishnapatnam Port Company Ltd, which is developing and operating the Krishnapatnam port on the east coast of India.

Realisations

The table below sets out the Group's realisation proceeds by business line and geography for each of the two years to 31 March 2009.

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

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

Note: For the purposes of this geographic breakdown, 3i's interests in 3i Infrastructure and 3i QPEP are treated as investments made in the UK. 3i's interest in 3i India Infrastructure Fund is treated as an investment made in Asia. As further described in paragraph 1 of Part 2, in April 2009, 3i acquired the assets which made up its Quoted Private Equity business line from 3i QPEP. These assets are now managed within 3i's Growth Capital business line.

Despite challenging mergers and acquisitions markets, the quality of 3i's portfolio and its mid-market profile enabled the Group to continue to find opportunities to generate realisations. As set out in the table above, total realisations in the year were £1,308 million (2008: £1,742 million), with investments representing 21% (2008: 28%) of the opening portfolio value realised during the year. These realisations were made on a selective basis where purchasers were willing to pay what 3i considered to be good prices for strategic investments or where 3i believed the investment to be non-core to its investment strategy.

Realisations during the second half of the year were stronger than in the first half, with proceeds of £711 million (2008: £698 million) being generated, of which £345 million was generated during the third quarter (2008: £429 million) and £366 million (2008: £269 million) during the final three months of the year.

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

Infrastructure realisations totalled £117 million (2008: £57 million), including the sale in February 2009 of a proportion of the Group's holding in 3i Infrastructure, which generated net proceeds of £61 million.

Realisations from the Venture Portfolio increased by 23% during the year to £209 million (2008: £170 million). Having realised investments representing 43% of the opening portfolio value in the year, there were, at 31 March 2009, 123 portfolio investments in the portfolio (2008: 180). The Venture Portfolio realisations also led to an increase in North American realisations, which increased to £106 million (2008: £40 million).

The continuing development of 3i's business in Asia led to an increase of realisations in that region to £127 million in the year to 31 March 2009 (2008: £25 million).

Returns

Total return

"Total return" is the Group's loss/profit for the year, less certain reserve movements. These reserve movements can be found in the consolidated statement of recognised income and expense, as set out in Part 5 of this document.

The table below sets out the Group's consolidated income statement less these reserve movements to arrive at "Total return". Total return for the year was a loss of £(2,150) million (2008: profit of £792 million), which represents a negative return on opening equity of (53.0)% (2008: positive return of 18.6%). A key driver of the negative return was an unrealised loss of £(2,440) million (2008: unrealised profits £291 million), which included unrealised losses of £(354) million from non-core operations.

Total return (£m) year to 31 March	2009	2008
Realised profits over value on the disposal of investments	63	523
Unrealised (losses)/profits on the revaluation of investments	(2,440)	291
	(2,377)	814
Portfolio income		
Dividends	65	56
Income from loans and receivables	108	149
Fees receivable	(2)	22
Gross portfolio return	(2,206)	1,041
Fees receivable from external funds	75	60
Carried interest		
Carried interest and performance fees receivable from external funds	(3)	60
Carried interest and performance fees payable	56	(152)
Operating expenses	(250)	(274)
Net portfolio return	(2,328)	735
Interest receivable	34	89
Interest payable	(120)	(105)
Movement in the fair value of derivatives	(38)	158
Exchange movements	505	(44)
Other finance income	3	1
(Loss)/profit before tax	(1,944)	834
Income taxes	(4)	(6)
(Loss)/profit after tax	(1,948)	828
Reserve movements (pensions, property and currency translation)	(202)	(36)
Total return	(2,150)	792

Realised profits

The market for realisations became progressively more difficult during the course of the year. This was reflected in lower levels of realisations for the year as a whole and in the values achieved. However, despite the sale of a number of older non-core assets at significant discounts to their carrying value as at 1 April 2008, overall the Group achieved realised profits in the year of £63 million (2008: £523 million) and an aggregate uplift to the opening portfolio value, as at 1 April 2008, of 5% (2008: 43%).

Realised profits from Buyouts of £255 million (2008: £370 million) were partly offset by realised losses from the Venture Portfolio of £(110) million (2008: realised gains of £65 million) and losses of £(66) million from Growth Capital (2008: realised gains of £75 million) following the sale of a number of older non-core investments from the Growth Capital portfolio.

Realisations from the core Buyouts, Growth Capital and Infrastructure portfolios continued to be made at a significant uplift to cost. Realisations from the whole portfolio during the year were in aggregate sold at a 1.3 times money multiple, which increases to 1.7 times money multiple if SMi and Venture Portfolio realisations are excluded.

Total realised profits in the first six months of the year were £190 million. Realisations during these six months were made at an average uplift of 47% (2008: £337 million, 48%). Realised losses in the second half of the year of £(127)

million (2008: £186 million), were made at an average reduction to carrying value to 1 April 2008 value of (15)% (2008: average uplift of 36%.)

Unrealised value movement

The table below sets out unrealised (losses)/profits on revaluation of investments by category of valuation movement for each of the two years to 31 March 2009, grouped by those valued on an earnings basis and those valued on another basis.

Unrealised (losses)/profits on revaluation of investments (£m) year to 31 March	2009	2008
Earnings and multiples based valuations		
Equity – Earnings multiples	(412)	(162)
– Earnings growth	14	307
Loans – Impairments (earnings basis)	(620)	(16)
First-time movements from cost	(584)	154
Other bases		
Provisions	(156)	(150)
Uplift to imminent sale	(140)	83
Loans – Impairments (other basis)	(228)	(22)
Other movements on unquoted investments	(188)	33
Quoted portfolio	(126)	64
Total	(2,440)	291

There was a significant fall in the value of the Group's portfolio in the year to 31 March 2009, with an unrealised loss of £(2,440) million (2008: unrealised profits £291 million). This was due to a combination of factors, including the steep falls in market indices and asset valuations in the period and the considerable economic challenges facing portfolio companies. The Group decided that, as at 31 March 2009, investments that would previously have been valued on a cost basis would be valued on a market adjustment basis and that the non-core assets in the SMi and Venture Portfolios would be valued on their expected disposal proceeds.

Impact of multiple movements

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

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

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

As the table above shows, the equity value movement for companies valued on an earnings basis at both at 31 March 2008 and at 31 March 2009 was an unrealised loss of £(412) million (2008: £(162) million).

The estimated overall effect due to reductions in the earning multiples used to value the portfolio, including quoted movements and assets being sold immediately, was approximately £1,279 million or 52% of the unrealised value movement on unquoted investments for the year to 31 March 2009.

Earnings growth category of value movement

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

However, in the light of prevailing economic uncertainty, the Group believes that it has taken a prudent approach to the earnings data used to value portfolio companies on an earnings basis, and has incorporated management accounts or forecast earnings in deriving earnings for valuation purposes. The weighting of accounts used to value the portfolio as at 31 March 2009 was as follows: audited 37% (2008: 58%); management accounts 42% (2008: 34%); and forecast 21% (2008: 8%). 3i uses forecast earnings only where 3i considers the portfolio company has a proven track record of reliable forecasting. Where 3i has forecast earnings that show a decline on 2008 levels, this lower level of earnings has been used for 31 March 2009 valuation purposes.

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

Impairments

When the enterprise value (less senior debt) of a portfolio company falls below the combined value of 3i's equity in the company and the cost of any loans provided, the equity is written down to nil and a shortfall is recognised against the value of the loan. This movement is classified as an impairment. Total loan impairments in the period were £848 million (2008: £38 million). Impairments to loans as a result of earnings based valuations were £(620) million. The largest movements in Impairments for a basis other than earnings were the £(112) million fall (2008: £12 million fall) in the value of the debt warehouse.

First time movements from cost

The Group's valuation policy has historically been to value investments that are less than 12 months old at cost. In light of the significant level of economic volatility in the year, the Group announced in March that no assets will be held at cost at 31 March 2009. Consequently, the "First time movements from cost" category includes both investments that were held at cost at 31 March 2008 as well as investments made during the year. First time movements from cost resulted in unrealised losses in the portfolio of £584 million (2008: £154 million, unrealised profit). Of this, £498 million relates to investments that were in the portfolio as at 31 March 2008. Of the 10 new investments made during the year, four have been moved to an earnings basis resulting in an unrealised loss of £(73) million of which £51 million is included in "first time movements from cost" and the remaining £22 million within "Impairments". 3i has not received audited financial statements for six of the new investments. However, in order to reflect the significant movements in quoted markets since acquisition the latest benchmark multiples have been applied to these investments resulting in an unrealised loss of £(35) million. This is referred to as 'market adjustment' valuation basis.

Provisions

A provision is recognised where 3i expects there to be a 50% or greater chance that the company may fail within the next 12 months. Total provisions for the year are broadly in line with last year at £156 million (2008: £150 million), reflecting the more challenging economic environment facing the Group's portfolio companies. There are also several companies whose value is £nil where we do not consider the company will fail. However, the impact of reduced enterprise value from either falling earnings or multiples has reduced the equity to nil and impaired all of our loan value.

Uplift to imminent sale

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

Quoted portfolio

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

Portfolio income

As set out in the table below, the Group's portfolio income of £171 million (2008: £227 million) includes dividend income of £65 million (2008: £56 million), interest receivable on loans of £108 million (2008: £149 million) and fees receivable, net of abort costs, of £(2) million (2008: £22 million). The fall in income from loans and receivables is due to not recognising accrued interest where provisions or impairments have been taken against loans during the year. The fall in fees receivable is primarily the result of the lower level of investment activity in the year.

Portfolio income for the year to 31 March	2009 £m	2008 £m
Dividends	65	56
Income from loans and receivables	108	149
Fees receivable	(2)	22
Portfolio income	171	227
Portfolio income/opening portfolio ("income yield")	2.8%	5.2%

Gross Portfolio Return

The table below sets out the gross portfolio return by business line for each of the two years to 31 March 2009.

Gross portfolio return by business line year to 31 March	Gross portfolio return		Return as a % of opening portfolio	
	2009 £m	2008 £m	2009 %	2008 %
Buyouts	(678)	731	(34)	57
Growth Capital	(1,035)	302	(44)	21
Infrastructure	(50)	67	(10)	14
QPE	26	(42)	18	n/a
SMi	(53)	–	(22)	–
Venture Portfolio	(416)	(17)	(56)	(2)
Gross portfolio return	(2,206)	1,041	(37)	24

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

The three business lines Buyouts, Growth Capital and Infrastructure generated a combined negative gross portfolio return of £(1,763) million (2008: positive return of £1,100 million), which represents a negative gross portfolio return of (36)% on opening portfolio value.

Buyouts gross portfolio return was a negative £(678) million (2008: positive return of £731 million). An unrealised value movement of £(995) million (2008: £245 million) was only partially offset by a good level of realised profits of £255 million (2008: £370 million), which were achieved at uplifts of 107% (2008: 76%). Portfolio income from the Buyouts portfolio of £62 million fell in the year (2008: £116 million) due to provisions taken against interest where the value of the loan was impaired at 31 March 2009.

Growth Capital gross portfolio return was a negative return of £(1,035) million (2008: positive return of £302 million), principally the result of unrealised losses in the year of £(1,029) million and realised losses of £(66) million (2008: £160 million unrealised profits and £75 million realised profits). Portfolio income during the year was £60 million (2008: £67 million).

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

3i's investments in SMi and the Venture Portfolio are valued based on expected sale proceeds. These portfolios are now classified as non-core activities. The Venture Portfolio gross portfolio return was a negative £(416) million (2008: negative return of £(17) million) and the SMi gross portfolio return was a negative £(53) million (2008: £Nil).

3i's Quoted Private Equity business activities generated a gross portfolio return of £26 million (2008: £(42) million), reflecting the 15p increase in the share price in the year. Following the announcement of the scheme for solvent winding up of 3i QPEP, as described in paragraph 1 of Part 2, the share price increased to 93p at 31 March 2009.

Fees receivable from external funds and Carried Interest

Fees receivable from external funds comprises income from management and advisory fees and performance fees.

During the year the Group received fund fee income from its managed Buyouts and Infrastructure funds and from 3i Infrastructure and 3i QPEP. 3i QPEP was placed into solvent liquidation in April 2009 and ceased to pay advisory and other fees from that date. Total income from Buyouts and Infrastructure managed funds increased to £53 million (2008: £45 million). This increase is principally a consequence of the Group benefiting from a full year of fees from the 3i India Infrastructure fund, as well as the impact of a strengthening of the Euro against Sterling on the Euro fees from the Buyouts funds.

Advisory fee income is received based on the gross investment value of the relevant investment companies. Total advisory fee income of £11 million (2008: £9 million) comprises £8 million from 3i Infrastructure (2008: £8 million) and £3 million from 3i QPEP (2008: £1 million). As noted in Part 2, the assets of 3i QPEP have now been acquired by 3i.

Net Carried Interest receivable from external funds and performance fees payable

3i receives Carried Interest from the external funds (e.g. Eurofund V) and it pays Carried Interest to investment executives in respect of investments held both on its balance sheet and through external funds. Arrangements to pay Carried Interest are intended to broadly align the interests of 3i's investment staff with those of 3i's shareholders and fund investors.

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

As a consequence of the unrealised losses generated in the year, unrealised Carried Interest and performance fees payable accrued in prior periods was reversed giving rise to a net gain of £56 million (2008: £152 million expense).

Included within this was the performance fee payable by 3i Infrastructure, which is based on the net asset value growth per share of the fund, subject to an 8% hurdle. During the year, the fee was £8 million (2008: £3 million). Due to 3i Infrastructure announcing its results after 3i Group plc last year, the performance fee recognised in the financial year to 31 March 2008 was based on the increase in 3i Infrastructure net asset value per share to 30 September 2007, the last publicly available net asset value per share. Consequently, included within the £8 million performance fee for the financial year to 31 March 2009 is £6 million relating to the increase for the period from 1 April 2007 to 31 March 2008, i.e. within 3i's previous financial year. In 2009 3i Infrastructure plc announced its financial results before 3i and 3i was therefore able to include in its financial statement the full amount of the performance fee.

A proportion of the fees earned for advising 3i Infrastructure are payable to employees of 3i Investments. During the financial year, £6 million was payable (2008: £6 million). The performance of the underlying investments in 3i India Infrastructure Fund has been good, resulting in Carried Interest receivable for the year of £6 million (2008: £nil).

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

Operating expenses

Improving cost efficiency was a major focus through the year and the Group reduced total operating expenses by 9% to £250 million (2008: £274 million), despite this amount including £45 million of restructuring and redundancy costs.

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

The Group's cost efficiency metric is defined as operating costs net of management and advisory fee income and is expressed as a percentage of the opening portfolio value. Higher fee income, lower operating expenses and a higher opening portfolio value resulted in an improvement in this measure to 3.0% (2008: 5.0%). The following table sets out this cost efficiency metric for each of the two years to 31 March 2009.

Cost efficiency	2009	2008
year to 31 March	£m	£m
Operating expenses	250	274
Fees receivable from external funds*	(67)	(57)
Net operating expenses	183	217
Net operating expenses/opening portfolio ("cost efficiency")	3.0%	5.0%

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

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

Total headcount at 31 March 2009 was reduced to 607 (2008: 739) after remaining fairly stable at between 700 and 800 during the financial years from 2004 to 2008. During the period, the mix of resourcing changed considerably as the Group increased its international reach, most notably in Asia and North America, established the Infrastructure and QPE business lines and reduced staffing in the SMi and Venture Portfolio teams in line with the reduction in the size of the portfolio. As at 30 April 2009 total headcount had reduced to 570.

The combination of further reductions in the size of the SMi and Venture portfolios, the closure of the QPE business line and a reduction in staff numbers in December 2008 following a detailed review of the Group's operational requirements, resulted in employee numbers falling to 570 at 1 April 2009 (739 at 31 March 2008). During the year, a number of smaller offices were closed in continental Europe, Asia and North America. 3i also undertook a review of expenditure by the Group. As a consequence of these factors, 3i estimates that the direct costs of its business lines, professional service teams and office network will fall by at least 15% between 1 April 2009 and 31 March 2011.

Net interest payable

Net interest payable in the year to 31 March 2009 increased from £(16) million to £(86) million. A reduction in the level of cash balances in the year, combined with a fall in interest rates during the year, resulted in interest receivable falling to £34 million (2008: £89 million). Interest payable increased to £120 million (2008: £105 million) and is mainly a result of a higher rate of interest payable on the Convertible Bonds than was payable on the previous €550 million convertible bond.

Movement in the fair value of derivatives

In previous years, the €550 million convertible bond raised in August 2003, resulted in the Group's total return being impacted by movements in the value of the equity element of the convertible bond. In July 2008, this convertible bond was repaid and replaced with the Convertible Bonds. 3i also entered into certain hedging agreements to reduce the volatility associated with the derivative element of the Convertible Bonds (a summary of the material contracts relating to the Convertible Bonds, including the hedging agreements is set out in paragraph 19 of Part 9). Consequently, fair value movements on derivatives at 31 March 2009 was significantly lower than in 2008 at a loss of £(38) million (2008: gain of £158 million) and relate almost entirely to movements in the fair value of 3i's interest rate swaps.

Exchange movements and reserve movements

Following the decision in October to substantially close out its foreign exchange swap portfolio, 3i's total return now has exposure to foreign exchange movements affecting the value of its portfolio. As approximately 54% of the Group's debt is Sterling denominated, foreign exchange movements also affect the value of the Group's net debt.

Exchange movements on 3i's balance sheet account for the £505 million gain in the year (2008: £(44) million loss). In addition, included within the £202 million reserve movements (2008: £36 million) is £190 million foreign exchange loss (2008: £6 million gain) on the translation of foreign operations. During the year, there was a net foreign exchange gain of £315 million (2008: £38 million loss). This is comprised of a £765 million increase in portfolio values offset by £188 million on translation of long-term debt and a further £251 million relating to movements from foreign exchange swaps and other balance sheet items.

The reserve movements of £(202) million resulted from the £(190) million foreign exchange movement, as described above, an £(8) million movement in the actuarial loss relating to the Group's pension scheme deficit and £(4) million on the realisation of own-use property.

In September 2008, the triennial valuation to June 2007 of the UK defined-benefit pension scheme was completed. This resulted in a £86 million deficit, which the Group agreed to fund over five years to June 2012. The pension deficit recognised in the Group's balance sheet is accounted for under IAS 19 and reduced from £38 million to £18 million in the year to 31 March 2009, principally due to the Group providing additional contributions of £20 million. The Group recognised an £(8) million actuarial loss (2008: £(41) million) principally due to changes in the value of plan assets and liabilities. The deficit is likely to have increased since the last triennial valuation as a result of the negative return on the plan assets and the decrease in yields on index-linked gilts which has led to an increase in technical provisions.

Recognising this, 3i has agreed with the trustees that it will pay additional contributions of £25m per annum in respect of the two financial years to 31 March 2011. These contributions are additional to regular ongoing contributions in respect of employees' pension benefits as they accrue.

Change in Net Asset Value during the year

The table below shows a reconciliation of the Group's consolidated equity and NAV at the start of the financial year to that at the end of the financial year, both in terms of absolute amount and on a per-share basis, the latter based on the Diluted Net Asset Value per Ordinary Share at the beginning and end of the year.

Change in NAV year to 31 March 2009	Equity (£m)	Equity (£m)	Diluted NAV per share (p)	Diluted NAV per share (p)
Equity at start of year		4,057		1,077
Realised profits		63		17
Unrealised value movement				
Market				
quoted portfolio	(126)		(34)	
uplift to imminent sale	(140)		(37)	
other*	(1,012)		(270)	
	(1,278)		(341)	
Earnings and performance*	(655)		(175)	
Provisions	(156)		(42)	
First time liquidity discount*	(163)		(44)	
Other value movements	(188)		(50)	
		(2,440)		(652)
Portfolio income		171		46
Dividend paid		(64)		(17)
Other		75		25
Equity at end of year		1,862		496

The analysis of certain elements of unrealised value movement in the table (those marked with an asterisk) above differs from that presented in the table on page 64, since the presentation in the above table is intended to identify those elements assessed by 3i as attributable mainly to market-related factors ("market"), earnings and performance, regardless of whether they arise on the equity or the non-equity instruments through which 3i invests in portfolio companies.

The central piece of this analysis covers investments that were valued on an earnings basis both at 31 March 2008 and at 31 March 2009 and investments valued on an earnings basis for the first time at 31 March 2009. The analysis was conducted by estimating the impact on the opening value of an investment of changes in earnings multiples over the year (or since the date of investment, if the investment was made during the year) by substituting the multiple as at 31 March 2009 for the multiple used at 31 March 2008 or the date of investment, as appropriate, and attributing the resulting change in valuation to "market". The remainder of the total value movement on an investment, for the investments covered by this analysis, was then attributed to 'earnings and performance'.

The "market" category further includes the value movement of £(126) million on the quoted portfolio, the value movement of £(112) million on the debt warehouse, the value movement of £(35) million arising through the application of the market adjustment basis of valuation and the value movement of £(140) million arising through applying the "uplift to imminent sale" basis of valuation.

The 'first time liquidity discount' category shows the impact of the application of the marketability discount in valuing 3i's investments, where this is the first financial year-end where this has been the case for the investments in question.

The balance of the value movement which has been differently presented in the above table from that presented in the table on page 64 has been attributed to the 'earnings and performance' category.

Assets under management

Assets under management

3i's assets under management comprise 3i's directly held portfolio, managed unlisted funds and advised listed funds. The table below sets out the total assets under management for the two years as at 31 March 2009 and 2008.

Assets held by managed or advised funds (£m) as at 31 March	2009	2008
3i direct portfolio	4,050	6,016
Managed funds	3,079	3,143
Advised quoted funds	890	633
Total	8,019	9,792

A key element of the Group's strategy has been to grow assets under management and the fees generated from those investments. Where 3i has a direct investment in the funds that it manages or advises, this is held at fair value within the direct portfolio. The value of external funds under management is based on the value of the assets on which income is earned by the Group, which normally includes un-invested commitments and the accounting valuation of invested assets.

As set out in the table above, assets under management fell by 18% in the year to £8,019 million (2008: £9,792 million). This was principally due to the 33% fall in the value of the Group's direct portfolio to £4,050 million (2008: £6,016 million). The value of the Group's third party managed and advised funds increased by 5% in the year to 31 March 2009 (2008: 37% growth). This was due to the strong performance of underlying investments in the 3i India Infrastructure Fund, growth in 3i Infrastructure as well as the impact of foreign exchange movements on un-invested commitments within the Euro-denominated Eurofund V.

At 31 March 2009, the Infrastructure business line had the highest proportion of external funds of the three business lines, at 78% (2008: 59%). The proportion of external funds in the Buyouts business line rose to 61% over the year (2008: 56%) mainly as a consequence of the fall in the value of the direct portfolio in the year.

Business review – Buyouts

Business activity

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

Total investment of £519 million in the year included £309 million (2008: £604 million) invested in seven (2008:11) new investments in the year. Also included in the total investment number is a further £64 million investment in the debt warehouse (2008: £40 million), the balance being £29 million in further investments into the portfolio (2008: £105 million) and £117 million of capitalised interest (2008: £39 million).

Realisation proceeds of £494 million (2008: £858 million) in the year included the full realisation of six investments (2008: 19). The table below sets out the net divestment (investment) in the Buyouts business line for each of the two years to 31 March 2009.

Buyouts business activity – investment and divestment (£m) year to 31 March	2009	2008
Realisation proceeds	494	858
Investment	(519)	(788)
Net (investment)/divestment	(25)	70

Gross portfolio return

A combination of significant falls in the multiples used to value the portfolio, a decline in earnings of some portfolio companies and the lower level of realisations more than offset a higher level of portfolio income and the realised profits achieved in the period.

As set out in the table below, the result was a negative gross portfolio return of £(678) million (2008: positive £731 million), equating to a negative return of (34)% on the opening portfolio value (2008: positive 57%).

Returns from Buyouts (£m) year to 31 March	2009	2008
Realised profits over opening portfolio value on the disposal of investments	255	370
Unrealised (losses)/profits on the revaluation of investments	(995)	245
Portfolio income	62	116
Gross portfolio return	(678)	731
Fees receivable from external funds	45	39

Portfolio health

Overall portfolio health has declined since 31 March 2008. At 31 March 2009, 67% of the portfolio based on cost was classified as "healthy" (2008: 90%). This reduction in the health of the portfolio reflects the harsher environment and is reflected in lower valuations. 3i characterises an investment as "healthy" if the portfolio company's financial condition (using its trading results, balance sheet, cash flow etc.) is judged to be stable, in line with, or ahead of, 3i's expectations.

Portfolio analysis

The tables below show the Buyouts portfolio by sector, geography and vintage year both by value and by number of investments. The total book value of the portfolio as at 31 March 2009 of £1,467 million in 55 investments compares with an original cost of £1,852 million.

Buyouts by geography as at 31 March	% by value
UK	40
Continental Europe	58
Asia and Rest of World	2
Total	100

Buyouts by geography as at 31 March	% by number
UK	42
Continental Europe	54
Asia and Rest of World	4
Total	100

Buyouts by sector as at 31 March	% by value
Healthcare	11
Business Services	31
Media	2
Consumer	10
Financial Services	1
Technology	11
Oil, Gas and Power	3
General Industrial	31
Total	100

Buyouts by sector as at 31 March	% by number
Healthcare	9
Business Services	24
Media	4
Consumer	16
Financial Services	9
Technology	5
Oil, Gas and Power	4
General Industrial	29
Total	100

Buyouts by vintage year as at 31 March	% by value
2009	20
2008	24
2007	29
2006	16
2005	4
2004	4
2003	2
2002 and before	1
Total	100

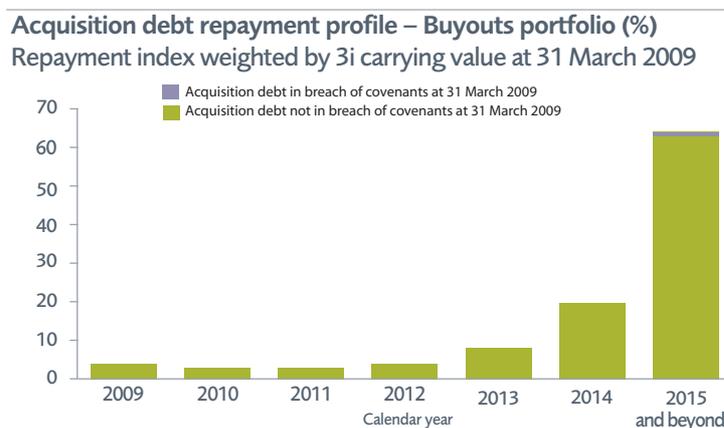
Buyouts by vintage year as at 31 March	% by number
2009	13
2008	22
2007	18
2006	16
2005	11
2004	7
2003	4
2002 and before	9
Total	100

Portfolio leverage

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

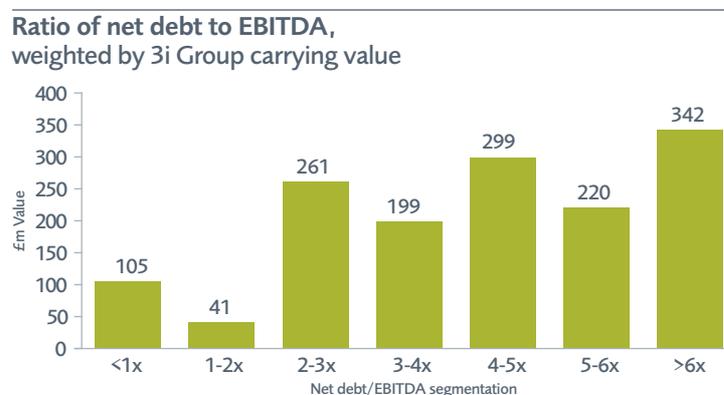
In the event of a covenant breach on a loan there is the risk that the loan requires refinancing earlier if an agreement over the effect of the breach cannot be reached with the debt providers. The impact of a breach can vary significantly – in some cases it can be waived or "cured", in others it can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

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



Note: Repayment profile reflects gross acquisition debt as at 31 March 2009. Excludes working capital lines, leasing and cash on balance sheet.

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



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

Portfolio valuations

Unrealised losses from the buyout portfolio in the 12 months to 31 March 2009 were £(995) million. This has been driven by falls in the multiples used to value portfolio companies and specific company under-performance compared to plan largely as a result of the more difficult economic environment.

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

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

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

Portfolio earnings

For 2008 company year ends, comparable earnings in the portfolio increased by 6% on 2007 portfolio company year-end levels. 3i anticipates the earnings outlook for 2009 to be more challenging. Where 3i has forecast earnings that show a decline on 2008 levels, this lower level of earnings has been used for 31 March 2009 valuation purposes. 3i uses forecast earnings only where the forecasts are comprehensive and the portfolio company has a proven track record of reliable forecasts.

Debt warehouse

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

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

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

Business review – Growth Capital

Business activity

The combination of a highly selective approach to new investment and a good level of realisations resulted in the Growth Capital business line delivering net divestment of £118 million in the year to 31 March 2009 (2008: net investment £487 million). Total investment during the year was £343 million (2008: £990 million) and realisations totalled £461 million (2008: £503 million).

The table below sets out the net divestment (investment) in the Growth Capital business line for each of the two years to 31 March 2009.

Growth Capital business activity – investment and divestment (£m)	2009	2008
year to 31 March		
Realisation proceeds	461	503
Investment	(343)	(990)
Net divestment/(investment)	118	(487)

Investment into new portfolio companies and further investment to support the growth of existing portfolio companies was broadly balanced, with £206 million invested in three new portfolio companies in the year to 31 March 2009 (2008: £938 million, invested in 27 new portfolio companies). A further £99 million was also committed to these three companies for the purposes of making acquisitions.

The significant reduction in the level of new investment in the year reflected the Group's caution in an environment where there was lower visibility on earnings and where the pricing expectations of management teams and shareholders were adjusting more slowly to the new market level.

There continue to be good levels of investment activity within 3i's portfolio, where robust businesses can take advantage of the current market and make strategic acquisitions. Over 40 acquisitions were completed by 3i's portfolio companies with 3i's support during the year to 31 March 2009.

Realisation proceeds of £461 million from 39 exits were marginally below the amount realised last year (2008: £503 million, 49 exits). 3i continued its focus on selling a large number of smaller, older investments in the year while continuing to take opportunities to sell larger investments where the price was considered favourable. The largest realisation in the year generated proceeds of £71 million.

Gross portfolio return

As set out in the table below, in the year to 31 March 2009, Growth Capital achieved a negative gross portfolio return of £(1,035) million (2008: a positive return of £302 million) equating to a negative return of (44)% on the opening portfolio value (2008: 21%). The major contributor to this change was an unrealised value movement of £(1,029) million (2008: £160 million).

Returns from Growth Capital (£m)	2009	2008
year to 31 March		
Realised (losses)/profits over opening portfolio value on the disposal of investments	(66)	75
Unrealised (losses)/profits on the revaluation of investments	(1,029)	160
Portfolio income	60	67
Gross portfolio return	(1,035)	302
Fees receivable from external funds	1	2

A significant element of the unrealised loss of £(1,029) million has been driven by a fall in the multiples used to value the portfolio. Underlying earnings within the portfolio remained healthy at 14% up year on year whilst the average multiple has fallen by approximately 30% (before a typical marketability discount of 25%).

Realised losses of £(66) million (2008: £75 million realised profit) reflect the sale of a number of non-core smaller investments and a more challenging mergers and acquisitions market in the year to 31 March 2009 than in the previous year. However, these investments were sold at a profit over cost, generating on average a 1.5 times money multiple.

The most profitable realisation in the year generated realised profits of £20 million and a 3.1 times money multiple.

Portfolio income of £60 million in the year (2008: £67 million) was lower as 2008 included a small number of exceptional dividends.

Portfolio health

As at 31 March 2009, 81% (2008: 93%) of the portfolio, based on cost, was classified by 3i as "healthy", against a three year rolling average to 31 March 2009 of 89% (2008: 89%). This reduction in the health of the portfolio reflects the harsher environment and is itself reflected in lower valuations. 3i characterises an investment as "healthy" if the portfolio company's financial condition (using its trading results, balance sheet, cash flow etc.) is judged to be stable, in line with, or ahead of 3i's expectations.

Portfolio analysis

The tables below show the Growth Capital portfolio by sector, geography and vintage year, both by value and by number of portfolio companies. The total book value of the portfolio as at 31 March 2009 of £1,574 million in 118 companies compares with an original cost of £2,042 million.

Growth Capital by geography as at 31 March 2009	%
	by value
UK	25
Continental Europe	40
Asia	24
North America	10
Rest of World	1
Total	100

Growth Capital by geography as at 31 March 2009	%
	by number
UK	19
Continental Europe	58
Asia	19
North America and Rest of World	4
Total	100

Growth Capital by sector as at 31 March 2009	% by value
Healthcare	15
Business Services	16
Media	10
Consumer	11
Financial Services	16
Technology	5
Oil, Gas and Power	13
General Industrial	14
Total	100

Growth Capital by sector as at 31 March 2009	% by number
Healthcare	5
Business Services	20
Media	7
Consumer	11
Financial Services	12
Technology	13
Oil, Gas and Power	8
General Industrial	24
Total	100

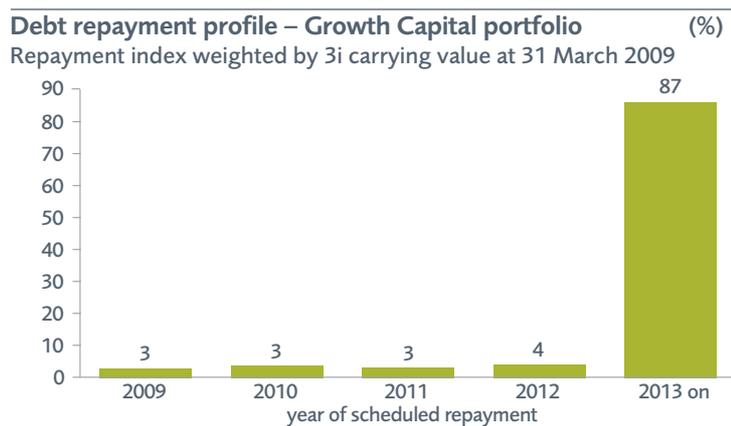
Growth Capital by vintage year as at 31 March 2009	% by value
2009	12
2008	49
2007	23
2006	6
2005	4
2004	1
2003	3
2002 and before	2
Total	100

Growth Capital by vintage year as at 31 March 2009	% by number
2009	3
2008	18
2007	22
2006	11
2005	9
2004	5
2003	3
2002 and before	29
Total	100

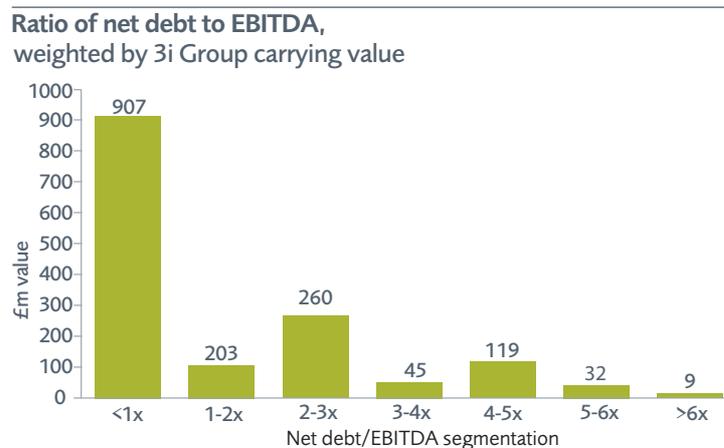
Portfolio leverage

Within the Growth Capital portfolio, leverage is significantly lower than in the Buyouts portfolio. For investments made in the five years to 31 March 2009, the average level of debt in portfolio companies at the time of investment was 1.5 times EBITDA. The average level of debt across the portfolio at 31 March 2009 was 2.0 times EBITDA. By numbers, 80 of the 118 investments in the Growth Capital portfolio have leverage below 1.0 times EBITDA.

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



Levels of leverage vary across the portfolio depending upon the specific nature of business, international profile and the phase of development. The chart below shows the range of leverage (net debt to EBITDA multiples) by value across the portfolio as at 31 March 2009.



Portfolio valuations

With no investments held at cost at 31 March 2009 and all valued with reference to an external benchmark (typically multiples), the adverse movement in market valuations was the major factor in the fall of the portfolio during the year. The average multiple used to value investments which were valued on an earnings basis at 31 March 2009 was 5.3 times EBITDA (pre-marketability discount), a 25% reduction from the 7.1 times EBITDA (pre-marketability discount) used at 31 March 2008.

For Growth Capital investments, 3i also applies a marketability discount of typically 25%, to reflect its minority position. This has a large impact at the first valuation date post acquisition and during the year to 31 March 2009, investments with a cost of £800 million had the discount applied, reducing valuations by £103 million.

Quoted investments were valued at £78 million (2008: £174 million), the largest of which was the Group's shareholding in Venture Production plc, which was valued at £64 million (excluding a convertible bond valued separately at £76 million) at 31 March 2009. The largest privately held investment is the Group's investment in ACR Capital holdings Pte Limited, which is valued on an industry metric basis, and was valued at £125 million.

Portfolio earnings

For 2008 company year ends, aggregate earnings in the portfolio were over £1.5 billion, representing an increase of 14% on 2007 portfolio company year-end levels. This growth was achieved through a combination of organic and acquisitive growth with approximately 25% through acquisitions. 3i anticipates the earnings outlook for 2009 to be more challenging. Where 3i forecast earnings that show a decline on 2008 levels, this lower level of earnings has been used for 31 March 2009 valuation purposes.

Business review – Infrastructure

Gross portfolio return and fee income

>Returns from Infrastructure (£m) year to 31 March	2009	2008
Realised (losses)/profits over opening portfolio value on the disposal of investments	(20)	6
Unrealised (losses)/profits on the revaluation of investments	(62)	43
Portfolio income	32	18
Gross portfolio return	(50)	67
Fees receivable from external funds	26	18

As set out in the table above, the Infrastructure business line made a negative gross portfolio return of £(50) million for the year to 31 March 2009 (2008: positive gross portfolio return of £67 million). Higher portfolio income of £32 million (2008: £18 million) was more than offset by unrealised losses on the revaluation of investments of £62 million (2008: £43 million profit), principally the result of the fall in the value of the quoted holding in 3i Infrastructure. A profit of £5 million was achieved in the year through the disposal of a number of assets directly held by the Group and a loss of £(25) million from the sale of 3i Infrastructure shares referred to in the section entitled "Realisations" below.

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

The 24% fall in share price of 3i Infrastructure over the year led to a reduction in the value of the Group's holding in 3i Infrastructure of £74 million. This was the major contributor to the unrealised loss on the revaluation of investments.

Investment

As previously noted, the Infrastructure business line's investment is mainly made through 3i Infrastructure and the 3i India Infrastructure Fund. Investment and drawdowns by the Group in the year were £50 million (2008: £38 million). This included a £25 million further investment in 3i Infrastructure and a draw down of £21 million to 3i India Infrastructure Fund in relation to the fund's investment in the Krishnapatnam Port Company Limited.

Total new investment completed through infrastructure funds managed and advised by the Group for the year was £246 million. The largest investment was 3i India Infrastructure Fund's \$161 million investment in the Krishnapatnam Port Company Limited in the year.

Realisations

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

In February 2009, 77 million shares in 3i Infrastructure were sold by 3i, generating gross proceeds of £61 million. As a result of this sale, 3i now holds 33.3% of the issued share capital of 3i Infrastructure. 3i will continue to make investments in infrastructure assets through 3i Infrastructure and through 3i India Infrastructure Fund.

As part of the strategy to reduce direct holdings in infrastructure assets, 3i disposed of its interest in Tramtrack Croydon Limited and sold part of its stake in AWG and small residual interests in a number of non-core investments during the year. These transactions generated aggregate proceeds of £56 million at a realised profit of £5 million.

Realisations completed by 3i Infrastructure in the year totalled £178 million.

Non-core activities

Quoted Private Equity

On 28 April 2009 3i QPEP entered into a recommended scheme for the solvent winding up of 3i QPEP. Under the scheme, 3i acquired the assets and cash of 3i QPEP and, in return, 3i paid £110 million and issued 37.6 million Ordinary Shares to the other shareholders of 3i QPEP. The transaction produced a net cash inflow of £110 million for the Company.

The return for the year was £26 million (2008: £(42) million) generated entirely through the QPEP share price.

SMi

During the year, 18 investments from the SMi portfolio were sold realising a total of £27 million (2008: £136 million). The strategy continues to be to realise these investments to maximise value either individually or in groups of assets.

The return for the year was £(53) million (2008: £nil). The unrealised value movement of the portfolio generated a loss of £(68) million and total income was £11 million.

Venture Portfolio

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

The focus of the Venture Portfolio team has been to realise value from the portfolio and to determine which investments should receive any further funding. During the year, despite difficult conditions for realising such investments, the Venture Portfolio team was able to realise investments in 42 companies for a total consideration of £209 million (2008: £170 million). Of these realisations, £112 million was to financial buyers and £97 million was to trade buyers. Further funding provided to the Venture Portfolio was £53 million (2008: £156 million). These investments were made on a selective basis and only where 3i considered there was potential to enhance or protect future value.

The table below sets out the net divestment in the Venture Portfolio for each of the two years to 31 March 2009.

Venture Portfolio business activity – investment and divestment (£m)	2009	2008
year to 31 March		
Realisation proceeds	209	170
Investment	(53)	(156)
Net divestment	156	14

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

Returns from Venture Portfolio	2009	2008
year to 31 March	£m	£m
Realised (losses)/profits over opening portfolio value on the disposal of investments	(110)	65
Unrealised (losses) on the revaluation of investments	(312)	(88)
Portfolio income	6	6
Gross portfolio return	(416)	(17)
Fees receivable from external funds	–	–

The remaining Venture Portfolio of 123 assets, which was valued at £314 million at 31 March 2009, is made up of predominantly UK and continental European assets. The strategy for the year to 31 March 2010 is to continue to focus on achieving realisations from the Venture Portfolio.

5. Capital structure, gearing and liquidity

Capital structure and gearing

The table below shows the amount of the consolidated equity and net borrowings and the Gearing Ratio as at 31 March 2009 and 2008.

Group balance sheet as at 31 March	2009	2008
Equity	£1,862m	£4,057m
Net borrowings	£1,912m	£1,638m
Gearing	103%	40%

The effects of a reduction in the value of the portfolio, which significantly reduced equity, and the £274 million increase in net debt due mainly to the effect of currency translation has meant that, although net debt on a constant currency basis fell during the year, the Group's gearing increased significantly from 40% at the start of the year to 103% at 31 March 2009, which was outside the Group's previously targeted optimum range of 30% to 40% across the cycle. Further information on the Group's Gearing policy is set out in paragraph 3 of Part 2.

Liquidity

The Group's primary liquidity needs are to fund new investments and further investment in portfolio companies (including co-investment with the funds managed or advised by 3i Investments), payment of operating expenses (including Carried Interest due to investment professionals), the payment of interest and principal when due under borrowing arrangements and the payment of any dividends.

The principal source of the Group's cash is realisations (and a cash flow analysis is in paragraph 5 of this Part 3). The Group's realisations, combined with a highly selective approach to investment and its strategy to sell non-core assets, has resulted in total cash and deposits at 31 March 2009 remaining broadly in line with last year at £734 million (2008: £796 million). In addition to its cash and cash equivalent assets, 3i also has access to revolving credit facilities.

The pro forma liquidity of the Group, taking into account the 3i QPEP transaction and the Rights Issue, as at 31 March 2009 is £1,829 million. For further details, please see Part 6 of this document.

Borrowings

The Group's principal borrowings comprise:

- notes issued under the €1,000m Euro Commercial Paper (ECP) Programme. These are notes issued by 3i or, possibly, 3i Holdings plc (a wholly-owned subsidiary of 3i) from time to time. The notes are not committed facilities so further issuance under the ECP Programme, and the principal terms of that issuance, are dependent both 3i's credit rating and on market appetite at the point at which 3i wishes to issue notes.
- notes issued under the £2,000m Note Issuance Programme. These are publicly traded bonds issued by 3i from time to time and listed on the London Stock Exchange. The Company has issued various tranches of fixed and variable rate notes denominated in Euros and Sterling with differing maturities. The notes are not committed facilities so further borrowing under the Note Issuance Programme, and the principal terms of that borrowing, are dependent on both 3i's credit rating and market conditions at the point at which 3i wishes to issue notes.
- two multi-currency revolving credit facilities of £486m and £150m. These are committed working capital facilities which can be drawn and redrawn by 3i or 3i Holdings plc at any time prior to maturity in September 2010 (the £486m facility) and November 2010 (the £150m facility). As at 30 April 2009, £286 million of these facilities were undrawn. Advances are subject to customary conditions (such as 3i not being in breach of its borrowing agreements or having gone into insolvency proceedings). There is no 'material adverse change' clause which would prevent advances.
- £430m 3.625% convertible bonds due 2011, which were issued in May 2008. The Convertible Bonds are publicly traded bonds listed on the London Stock Exchange. Each bond of £50,000 may be redeemed for its face value at maturity or converted at any time into the cash value of 4,417 Ordinary Shares, which represents a nominal conversion price of £11.32 for each Ordinary Share. The Company has entered into hedging agreements to manage its financial exposure if the conversion rights are exercised.

None of 3i's principal borrowings are secured, nor do they contain financial covenants. All of the Group's borrowings are repayable in one instalment on the respective maturity dates. The fair value of the loans and borrowings is £1,922 million (2008: £1,840 million). Further information on the legal terms of each of these borrowing arrangements is in Part 19 of Part 8 of this document.

The following table summarises the Group's borrowings under these arrangements and provides information on the size, maturity and interest rate of each of them as at 30 April 2009, being the latest practicable date before publication of this document:

As at 30 April 2009	Rate	Maturity	Group 2009 £m
Issued under the £2,000 million note issuance programme			
Fixed rate			
£200 million notes (public issue)	6.875%	2023	200
£400 million notes (public issue)	5.750%	2032	400
Other			105
Variable rate			
€500 million notes (public issue)	EURIBOR+ 0.100%	2012	465
Other			389
			1,559
Committed multi-currency facilities			
£486 million	LIBOR+ 0.210%	2010	200
£150 million	LIBOR+ 0.175%	2010	143
			343
Other			
Euro commercial paper			226
Finance lease obligations			1
			227
Total for loans and borrowings			2,129

Note: currency exchange rates calculated as at 31 March 2009.

The table below shows the maturity profile of the Group's debt at 30 April 2009.

Loans and borrowings maturity (£m)	
As at 30 April 2009	
Loans and borrowings are repayable as follows:	
Within one year	336
In the second year	379
In the third year	35
In the fourth year	500
In the fifth year	279
After five years	600
	2,129

Note: Currency exchange rates calculated as at 31 March 2009.

During the year, 3i took a number of actions to reduce net debt which was £1,912 million as at 31 March 2009. In May 2008 3i issued a 3 year £430 million Convertible Bond to largely replace the €550 million convertible bond that matured in August 2008.

Currency hedging

Historically, the Group has maintained a policy of hedging 90% to 100% of its non-Sterling denominated portfolio. This was achieved through a combination of cash-settled currency swaps and borrowings to broadly match the currency and anticipated holding period of its portfolio. The significant weakening of Sterling during the year meant that the cash volatility associated with using short-term foreign exchange swaps was no longer considered appropriate by 3i. As a consequence, the Group closed out its foreign exchange swap portfolio in the latter half of the year. As at 31 March 2009, approximately 50% of 3i's investments (by value) which are denominated in currencies other than Sterling are hedged through the use of matching borrowings. In the short term, 3i intends to remain partially hedged through the use of matching borrowings and will continue to assess its foreign exchange hedging position as market conditions develop. 3i may, in time, use derivatives and other instruments as part of its hedging strategy, depending on the Group's requirements and market conditions.

Co-investment arrangements

3i has several co-investment agreements in place with the limited partnerships which make up the private equity funds which 3i manages or advises. 3i has agreed to co-invest alongside a number of its funds when it identifies suitable investment opportunities, and 3i's principal outstanding commitments to these funds comprise up to €1,307 million to Eurofund V and \$148 million to the 3i India Infrastructure Fund. 3i co-invested €402 million and \$34 million respectively alongside these funds in the year to 31 March 2009. 3i's obligations to make new investments or co-invest alongside such funds are conditional on 3i Investments determining that the proposed investment or co-investment meets a number of conditions for suitability, including meeting the relevant fund's return objectives. 3i will, however, wish to take advantage of good opportunities which arise and which satisfy those conditions and objectives.

3i also has residual co-investment commitments in respect of funds which are no longer in their investment period, of which the most significant is a commitment to Eurofund IV of €125 million. 3i does not expect the full amount of that commitment to be drawn.

6. Cash flow analysis

The net cash outflow for the year to 31 March 2009 was £(116) million (2008: cash inflow £253 million) and relates to cash flows from operating activities, financing activities and investing activities. The Group's consolidated cash flow statement for the year to 31 March 2009 is set out in the Historical Financial Information in Part 5 of this document.

3i's operating cash flows relate to cash paid for investments, cash received on selling investments, interest and dividend income received from investments, fees received from investments and from fund management and fund advisory activities, operating expenses and income tax paid. The net cash flow from operating activities in the year to 31 March 2009 was 251 million (2008: £(399) million). The main factor in the change between 2008 and 2009 was the purchase of investments in the year to 31 March 2009 of £827 million (2008: £2,072 million) and proceeds received on the sale of investments in the year to 31 March 2009 of £1,308 million (2008: £1,824 million). The investment activity and realisations sections in the operating and financial review describe these activities for the year to 31 March 2009.

3i's cash flows from financing activities relate to the purchase and disposal of own shares, repurchase of B shares, dividends paid, interest received and paid, proceeds and repayment of long-term borrowings, cash flow from short-term borrowings and cash flow from deposits. The net use of cash from financing activities in the year to 31 March 2009 was £(366) million (2008: net cash inflow £657 million). This included the repayment of the €550 million 1.375% 5-year convertible bonds and the issuance of the £430 million 3.625% 3-year convertible bonds in the year to 31 March 2009. A summary of the material contracts relating to the issue of the convertible bonds is set out in paragraph 19 of Part 8. Foreign exchange derivative cash flows in the year to 31 March 2009 related to the closing out of derivative positions resulting in a cash outflow of £(249) million (2008: £(110) million). The net cash flow from deposits in the year were £(15) million (2008: £1,624 million). The cash flow from deposits in the year to 31 March 2008 reflects the reduction of the deposit balance of £1,668 million as at 31 March 2007.

7. Capitalisation and indebtedness

The table below sets out the 3i Group's total capitalisation and indebtedness as at 31 March 2009. Please read this table together with the financial statements and the notes to those financial statements set out in Part 5 of this document.

	31 March 2009 £m
Total Current Debt	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	461
Total current debt	461
Total non-current debt	
Guaranteed	—
Secured	7
Unguaranteed/Unsecured	2,189
Total non-current debt	2,196
Total	2,657
Cash and cash equivalents	675
Liquidity	675
Current financial receivable	69
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	461
Current financial debt	461
Net current financial surplus	284
Non-current bank loans	1,793
Bonds issued	384
Other non-current loans	19
Non-current financial indebtedness	2,196
Net financial indebtedness	1,912
Capitalisation as at 31 March 2009	
Share Capital	284
Share premium	405
Other reserves	1,173
Total	1,862

Note: Secured non-current debt comprises limited recourse funding from Kreditanstalt für Wiederaufbau, German federal bank. Repayment of the funding, which individually finances investment assets, is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the German subsidiaries to which these funds have been advanced and in certain circumstances become non-repayable should assets fail.

Part 4. Terms and Conditions of the Rights Issue

1. Details of the Rights Issue

3i proposes to raise approximately £699.3 million, net of expenses, by way of a Rights Issue of 542,060,391 New Ordinary Shares.

The Rights Issue Price represents a discount of approximately 60.2% to the Closing Price for an Ordinary Share of 339p on 7 May 2009 (being the last business day prior to the date of this document).

2. Terms and conditions

Subject to the fulfilment of the conditions set out below, the New Ordinary Shares will be offered for subscription by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Restricted Shareholders) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter):

9 New Ordinary Shares at 135p per New Ordinary Share for every 7 Ordinary Shares

held and registered in their name at close of business on 26 May 2009 (the Record Time) and so in proportion to any other number of Ordinary Shares then held.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. New Ordinary Shares representing fractional entitlements will not be provisionally allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. These fractions will be aggregated and, if possible, sold. The net proceeds of such sales (after deduction of expenses) will be aggregated and paid to the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement with a value of £5 or more.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter into a jurisdiction other than the UK is drawn to paragraphs 7 and 8 of this Part 4 (Terms and Conditions of the Rights Issue). In particular, subject to the provisions of paragraph 7 of this Part 4 (Terms and Conditions of the Rights Issue), this document will not be made available to Restricted Shareholders and they will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of their issue.

Application will be made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on the London Stock Exchange at 8:00 a.m. on 28 May 2009 (whereupon an announcement will be made by the Company to a Regulatory Information Service). It is expected that dealings in the New Ordinary Shares (fully paid) will commence on the London Stock Exchange at 8:00 a.m. on 12 June 2009.

The Rights Issue has been underwritten (on a several basis) in the Due Underwriting Proportions by the Underwriters and is conditional upon:

- (A) the Rights Issue Resolutions being passed at the General Meeting;
- (B) Admission becoming effective by not later than 8:00 a.m. on 28 May 2009 (or such later time and/or date, not later than 8:00 a.m., on 2 June 2009 as the Company and the Joint Sponsors agree); and
- (C) the Underwriting Agreement otherwise becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to Admission and may be terminated by the parties other than the Company prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will be revoked and will not proceed. After Admission, the Underwriting Agreement will not be subject to any right of termination (including in respect of any statutory withdrawal rights). The Joint Bookrunners may arrange sub-underwriting for some, all or none of the New Ordinary Shares which they have underwritten. A summary of the principal terms of the Underwriting Agreement is set out in paragraph 19 of Part 8 of this Prospectus.

Subject, amongst other things, to the passing of the Rights Issue Resolutions, it is intended that Provisional Allotment Letters in respect of the New Ordinary Shares will be despatched on 27 May 2009 to Qualifying Non-CREST

Shareholders (other than, subject to certain exceptions, Restricted Shareholders) at their own risk. Provisional Allotment Letters constitute temporary documents of title.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST as participating securities. Euroclear UK requires the Company to confirm to it that certain conditions are satisfied before Euroclear UK will admit any security to CREST. As soon as practicable after the satisfaction of these conditions, the Company will confirm this to Euroclear UK.

Subject to the conditions above being satisfied and save as provided in this Part 4 (Terms and Conditions of the Rights Issue), it is expected that:

- (A) Equiniti will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8:00 a.m. on 28 May 2009;
- (B) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear UK on 28 May 2009, as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for admission of such rights to CREST have been satisfied;
- (C) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights by 8:00 a.m. on 12 June 2009; and
- (D) share certificates for the New Ordinary Shares will be despatched by no later than 19 June 2009 to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights. Such certificates will be despatched at the risk of such Shareholders.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-to-Many ("MTM") instruction to Euroclear UK will be deemed to have given the representations and warranties set out in paragraph 8 below of this Part 4 (Terms and Conditions of the Rights Issue), unless such requirement is waived by the Company.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Restricted Shareholders is drawn to paragraph 7 of this Part 4 (Terms and Conditions of the Rights Issue).

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates or times.

3. Action to be taken

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraphs 4 and 6 to 15 (inclusive) of this Part 4 (Terms and Conditions of the Rights Issue).

If you are a Qualifying CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraphs 5 to 15 (inclusive) of this Part 4 (Terms and Conditions of the Rights Issue) and to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

4. Action to be taken in relation to Nil Paid Rights represented by Provisional Allotment Letters

4.1 General

Subject to the Rights Issue Resolutions being passed at the General Meeting, the Company intends that the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Restricted Shareholders) on 27 May 2009.

The Provisional Allotment Letter, which constitutes a temporary document of title, will set out:

- (A) the holding of Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

- (B) the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (C) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (D) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the assumption that Provisional Allotment Letters are despatched on 27 May 2009 and that dealings commence, nil paid, on 28 May 2009, the latest time and date for acceptance and payment in full will be 11:00 a.m. on 11 June 2009.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 27 May 2009, the expected timetable at the front of this document will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters. References to dates and times in this document should be read as subject to any such adjustment.

4.2 Procedure for acceptance and payment

(A) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to Equiniti Limited re 3i: Rights Issue and crossed "A/C payee only", for the full amount payable on acceptance, by post or by hand (during normal business hours only) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and, in any event, not later than 11:00 a.m. on 11 June 2009. A reply-paid envelope for use within the UK only will be sent with the Provisional Allotment Letter. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery.

(B) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to paragraph 4.7 of this Part 4 (Terms and Conditions of the Rights Issue).

(C) *Discretion as to validity of acceptances*

If payment is not received in full by 11:00 a.m. on 11 June 2009, the provisional allotment will be deemed to have been declined and will lapse, except that the Company and the Joint Bookrunners may, but shall not be obliged to, treat as valid (a) Provisional Allotment Letters and accompanying remittances that are received through the post not later than 10:00 a.m. on 12 June 2009 (the cover bearing a legible postmark not later than 11:00 a.m. on 11 June 2009); and (b) acceptances in respect of which a remittance is received prior to 11:00 a.m. on 11 June 2009 from an authorised person (as defined in Section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and giving an undertaking to lodge the relevant Provisional Allotment Letter, duly completed, by 10:00 a.m. on 12 June 2009 and such Provisional Allotment Letter is lodged by that time.

The Company and the Joint Bookrunners may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company and the Joint Bookrunners reserve the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company or the Joint Bookrunners to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in an Excluded Territory.

4.3 Payments

All payments must be made by cheque or banker's draft in Pounds Sterling payable to Equiniti Limited re 3i Rights Issue and crossed "A/C payee only". Third party cheques may not be accepted, except building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or bankers' draft to such effect. The account name should be the same as that shown on the application. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted. Shareholders should not send cash.

3i reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Rights Issue that cheques must be honoured on first presentation and the Company and the Joint Bookrunners may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of the Provisional Allotment Letter with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If New Ordinary Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company and the Joint Bookrunners may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part 4 (Terms and Conditions of the Rights Issue) in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor the Joint Bookrunners nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All enquires in connection with the Provisional Allotment Letter should be addressed to Equiniti on 0871 384 2232 (or +44 121 415 7187 if calling from outside the UK).

4.4 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Equiniti may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Equiniti. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the "**applicant**"), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements. Submission of a Provisional Allotment Letter shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purpose of the Money Laundering Regulations.

If Equiniti determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of Equiniti, the Company or the Joint Bookrunners will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application moneys will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

- (A) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (B) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directive 2001/97/EC and 2005/60/EC; or
- (C) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (D) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or

- (E) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its Pounds Sterling equivalent).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in Pounds Sterling drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Equiniti Limited re 3i Rights Issue and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application; or
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (B) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Equiniti and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact Equiniti. The telephone number of Equiniti is 0871 384 2232 or, if calling from outside the UK, +44 121 415 7187. Calls from within the UK are charged at 8p per minute from a BT landline. Other providers' costs may vary.

4.5 Dealings in Nil Paid Rights

Subject to the fulfilment of the conditions set out in paragraph 2 above dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8:00 a.m. on 28 May 2009. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11:00 a.m. on 11 June 2009.

4.6 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (in the case of Qualifying Non-CREST Shareholders) in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only), with Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received not later than 11:00 a.m. on 11 June 2009. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letter returned to them after their acceptance has been effected by Equiniti. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 11 June 2009, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

4.7 Renunciation and splitting of Provisional Allotment Letters

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split up to 3:00 p.m. on 6 June 2009 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once

a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11:00 a.m. on 11 June 2009 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.2 of this Part 4 (Terms and Conditions of the Rights Issue) by not later than 3:00 p.m. on 6 June 2009, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.2 of this Part 4 (Terms and Conditions of the Rights Issue), together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker's draft for the appropriate amount made payable to Equiniti Limited re 3i Rights Issue and crossed "A/C payee only" and with the Holder Reference Number (which appears on page 1 of the Provisional Allotment Letter) written on the reverse of the cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and the cheque or banker's draft must be received by Equiniti by 3:00 p.m. on 6 June 2009, being the last date and time for splitting Nil Paid Rights.

The Company and the Joint Sponsors reserve the right to refuse to register any renunciation in favour of any person in respect of which the Company and the Joint Sponsors believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the UK.

4.8 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such allotment prior to the latest time for acceptance and payment in full which is 11:00 a.m. on 11 June 2009 in accordance with the provisions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter and this document, but need take no further action.

4.9 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form in which case Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed – see paragraph 4.10 of this Part 4 (Terms and Conditions of the Rights Issue)) and send the entire Provisional Allotment Letter, when fully paid, by post or (during normal business hours only) by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not later than the latest time for registration of renunciation which is 11:00 a.m. on 11 June 2009. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders) if Form Y on page 4 of one of the Provisional Allotment Letters (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. To consolidate the New Ordinary Shares attached to two or more Provisional Allotment Letters, complete one Provisional Allotment Letter Form Y on page 4 (the Principal Letter) and attach a letter detailing each Provisional Allotment Letter Allotment Number (as shown on page 1 of each Provisional Allotment Letter) the number of new Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated.

4.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service (CCSS) (as such term is defined in the CREST Manual); in addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form must not be used.

A holder of the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 11 June 2009. **In particular, having regard to processing times in CREST and on the part of Equiniti, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights or, if appropriate, the Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 11 June 2009) is 3:00 p.m. on 6 June 2009.**

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by Equiniti. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

4.11 Issue of New Ordinary Shares in certificated form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 19 June 2009, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renounees or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by Equiniti against the register.

5. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST

5.1 General

Subject as provided in paragraph 7 of this Part 4 (Terms and Conditions of the Rights Issue) in relation to certain Restricted Shareholders and subject to the Rights Issue Resolutions being passed at the General Meeting, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 28 May 2009. The CREST stock account to be credited will be an account under the participant ID and

member account ID that apply to the Ordinary Shares held at the Record Time by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company and the Joint Sponsors agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Joint Sponsors, be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

5.2 Procedure for acceptance and payment

(A) MTM instructions

Qualifying CREST Shareholders who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a MTM instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of Equiniti's stock account under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the CREST RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of Equiniti's RTGS settlement bank in Pounds Sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting Qualifying CREST Shareholder (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the Qualifying CREST Shareholder is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

(B) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting Qualifying CREST Shareholder;
- (iii) the member account ID of the accepting Qualifying CREST Shareholder from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of Equiniti, in its capacity as a CREST receiving agent. This is 6RA62;
- (v) the member account ID of Equiniti, in its capacity as a CREST receiving agent. This is RA979001;
- (vi) the number of Fully Paid Rights that the Qualifying CREST Shareholder is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11:00 a.m. on 11 June 2009);
- (ix) the nil paid ISIN Number. This is GB00B41LKZ49;

- (x) the fully paid ISIN Number. This is GB00B41LLL77;
- (xi) the Corporate Action Number to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and (xii) contact name and telephone numbers in the shared note field.

(C) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (B) of this paragraph 5.2 will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11:00 a.m. on 11 June 2009; or
- (ii) at the discretion of the Company and the Underwriters (i) the MTM instruction is received by Euroclear UK by not later than 11:00 a.m. on 11 June 2009; and (ii) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting Qualifying CREST Shareholder specified in the MTM instruction at 11:00 a.m. on 11 June 2009; and (iii) the relevant MTM instruction settles by 2:00 p.m. on 11 June 2009 (or such later date as the Company has determined).

An MTM instruction will be treated as having been received by Euroclear UK for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear UK of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

(D) *Representations, warranties and undertakings of Qualifying CREST Shareholders*

Each Qualifying CREST Shareholder who makes a valid acceptance in accordance with this paragraph 5.2 represents, warrants and undertakes to the Company that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11:00 a.m. on 11 June 2009 and remains capable of settlement at all times after that until 2:00 p.m. on 11 June 2009 (or until such later time and date as the Company and the Joint Sponsors may determine). In particular, each Qualifying CREST Shareholder (whether a CREST member or CREST sponsored member) represents, warrants and undertakes that at 11:00 a.m. on 11 June 2009 and at all times thereafter until 2:00 p.m. on 11 June 2009 (or until such later time and date as the Company and the Joint Sponsors may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. Qualifying CREST Shareholders who are CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a Qualifying CREST Shareholder for such amount to be debited or the Qualifying CREST Shareholder's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such Qualifying CREST Shareholder, the Company and the Joint Sponsors may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that Qualifying CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the Qualifying CREST Shareholder pursuant to the provisions of this Part 4 (Terms and Conditions of the Rights Issue) in respect of the acquisition of such shares) on behalf of such Qualifying CREST Shareholder. Neither the Company, the Joint Sponsors nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying CREST Shareholder as a result.

(E) *CREST procedures and timings*

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid

acceptance is received as stated above by 11:00 a.m. on 11 June 2009. In this connection, Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(F) *Qualifying CREST Shareholder's undertaking to pay*

A Qualifying CREST Shareholder, who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2: (a) undertakes to pay to the Company, or procure the payment to the Company of, the amount payable in Pounds Sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of an RTGS settlement bank payment obligation in Pounds Sterling in favour of Equiniti's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the Qualifying CREST Shareholder to pay to the Company the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Memorandum of Association and Articles of Association of the Company.

If the payment obligations of the relevant Qualifying CREST Shareholder in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to such Qualifying CREST Shareholder, the Company and the Underwriters may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that Qualifying CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the Qualifying CREST Shareholder pursuant to the provisions of this Part 4 (Terms and Conditions of the Rights Issue) in respect of the acquisition of such shares) or an amount equal to the original payment of the Qualifying CREST Shareholder (whichever is the lower) on trust for such CREST member or CREST sponsored member. Neither the Company, the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying CREST Shareholder as a result.

(G) *Discretion as to rejection and validity of acceptances*

The Company and the Underwriters may:

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in paragraphs 5.2(D) and 5.2 of this Part 4 (Terms and Conditions of the Rights Issue). Where an acceptance is made as described in this paragraph 5.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 2:00 p.m. on 11 June 2009 (or by such later time and date as the Company and the Underwriters may determine), the Company and the Joint Sponsors shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraphs 5.2(G) and 5.2(F), that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 5.2(D) above unless the Company or Joint Sponsors are aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2;
- (iii) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Sponsors may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph 5.2(G)(iv), the "**first instruction**") as not constituting a valid acceptance if, at the time at which Equiniti receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Equiniti has received actual notice from Euroclear UK of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (v) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor or Qualifying CREST Shareholder is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Equiniti in connection with CREST.

5.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Equiniti is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Equiniti before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Equiniti any information Equiniti may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti, having consulted with the Company and the Joint Sponsors, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Equiniti will not permit the MTM instruction concerned to proceed to settlement (without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence).

5.4 Dealings in Nil Paid Rights

Subject to the passing of the Rights Issue Resolutions at the General Meeting and the Rights Issue otherwise becoming unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8:00 a.m. on 28 May 2009. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 11 June 2009.

5.5 Dealings in Fully Paid Rights

After acceptance and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11:00 a.m. on 11 June 2009. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 11 June 2009.

After 11 June 2009, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4:30 p.m. on 4 June 2009, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 11 June 2009. You are recommended to refer to the CREST Manual for details of such procedures.

5.7 Issue of New Ordinary Shares in CREST

New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Equiniti will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID

that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 12 June 2009).

5.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Equiniti in connection with CREST, or otherwise if the Company has first obtained the Joint Sponsors' written consent.

6. Procedure in respect of rights not taken up

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Joint Bookrunners shall, as agents of the Company, severally endeavour to procure subscribers in the market for New Ordinary Shares not taken up (or, at their discretion, as many of them as can be procured) if an amount which is not less than the aggregate of (i) the Rights Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured; and (ii) the expenses of procurement (including any applicable brokerage and commissions and any amounts in respect of VAT on such amounts which are not recoverable) can be obtained. The Joint Bookrunners' obligation to seek to procure such subscribers shall expire at 5.00 p.m. on the second Dealing Day following 11 June 2009.

Notwithstanding the above, the Joint Bookrunners may cease to endeavour to procure any such acquirers if, in the opinion of the Joint Bookrunners, it is unlikely that any such acquirers can be so procured at such a price by such time or proceeding with such placing would give rise to a breach of law. If and to the extent that acquirers cannot be procured on the basis outlined above, the relevant Underwritten Shares will be acquired by the Underwriters as principals pursuant to the Underwriting Agreement or by sub-underwriters procured by the Underwriters, in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

Any premium over the aggregate of the Rights Issue Price and the expenses of procuring acquirers (including any applicable brokerage and commissions and any amounts in respect of VAT on such amounts which are not recoverable) shall be paid (subject as provided in this paragraph 6):

- (A) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (B) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (C) where an entitlement to New Ordinary Shares was not taken up by a Restricted Shareholder, to that Restricted Shareholder.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting the aggregate of the Rights Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured and the expenses of procurement (including any applicable brokerage and commissions and any amounts in respect of VAT on such amounts which are not recoverable)), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments, save that no payment will be made of amounts of less than £5, which amounts will be aggregated and will be paid to the Company. Cheques for the amounts due will be sent in Pounds Sterling, by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant Qualifying CREST Shareholder's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Underwriters nor any other person procuring acquirers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above.

7. Overseas Shareholders

This document has been approved by the FSA, being the competent authority in the UK. The Company has requested the FSA to provide a certificate of approval and a copy of this document to the Financial Regulator in the Republic of Ireland, pursuant to the passporting provisions of FSMA. It is expected that Shareholders in each member state of the European Economic Area will be able to participate in the Rights Issue.

7.1 General

The offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the UK may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons outside the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

This paragraph 7 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the UK, who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including all Restricted Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Restricted Shareholders, or to their agent or intermediary, except where the Company and the Joint Bookrunners are satisfied that such action would not result in the contravention of any registration or other legal requirement in such jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in or into an Excluded Territory and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into any Excluded Territory. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any Excluded Territory, or by their agent or nominee in any such territory, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company and the Joint Bookrunners determine that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7 of this Part 4 (Terms and Conditions of the Rights Issue).

Subject to this paragraph 7 of this Part 4 (Terms and Conditions of the Rights Issue), any person (including, without limitation, nominees, agents and trustees) outside the UK wishing to take up his rights under the Rights Issue (or to do so on behalf of someone else) must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of Part 4 (Terms and Conditions of the Rights Issue) are intended as a general guide only and any Qualifying Shareholder who is in doubt as to his position should consult his own independent professional adviser without delay.

3i and the Joint Bookrunners may treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights, Provisional Letter of Allotment or New Ordinary Shares which appears to 3i, Equiniti or the Joint Bookrunners or their respective agents to have been executed, effected or despatched in a manner which may

involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the Qualifying CREST Shareholder's registered address is in an Excluded Territory, or if the Company and the Joint Sponsors believe or their respective agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Provisional Allotment Letter, the Company and the Joint Bookrunners reserve the right to permit any Qualifying Shareholder to take up his rights if the Company and the Joint Bookrunners in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company and the Joint Bookrunners are so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4 and 5 of this Part 4 (Terms and Conditions of the Rights Issue).

The provisions of paragraph 6 of this Part 4 (Terms and Conditions of the Rights Issue) will apply generally to Restricted Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

7.2 Offering restrictions relating to the United States and US Persons

General

As described more fully below, there are certain selling and transfer restrictions regarding the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares. These restrictions include, among others, (i) prohibitions on participation by persons in circumstances which would cause the Company to be required to be registered as an investment company under the US Investment Company Act and by persons that are subject to Title I of ERISA or section 4975 of the US Tax Code or Similar Laws, and (ii) restrictions on the ownership and transfer of New Ordinary Shares by such persons following the Rights Issue.

None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters nor the New Ordinary Shares have been or will be registered under the Securities Act, the Securities laws of any state of the United States and, therefore, neither the New Ordinary Shares nor the Provisional Allotment Letters nor any Nil Paid Rights nor any Fully Paid Rights may be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred to (or for the account or benefit of) any US Person, or in or into the US except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares in the US.

If a Qualifying Shareholder that is a US Person and both a Qualified Institutional Buyer and a Qualified Purchaser receives Nil Paid Rights or a Provisional Allotment Letter and elects not to subscribe to New Ordinary Shares, but elects to sell such Nil Paid Rights or Provisional Allotment Letter, such sale may only be made outside the United States in accordance with Regulation S.

The Joint Sponsors may arrange for the offer of New Ordinary Shares not taken up in the Rights Issue only (a) outside the United States, other than to US Persons or persons acquiring for the account or benefit of US Person, in accordance with Rule 903 of Regulation S and (b) within the United States or to, or for the account or benefit of, US Persons reasonably believed to be both Qualified Institutional Buyers, in reliance on the exemption from registration provided by Rule 144A under the Securities Act, and Qualified Purchasers. Any US Person subscribing for or purchasing New Ordinary Shares will be required to execute the US Purchaser's Letter described below.

Restrictions on offering under the US Securities Act and the US Investment Company Act

Each subscriber and purchaser that is within the United States or that is a US Person (or is subscribing or purchasing for the account or benefit of a US Person) is notified that the offer and sale of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and New Ordinary Shares to it is being made in reliance upon an exemption from the registration requirements of the US Securities Act, and that the Company will not be registered under the US Investment Company Act. Each subscriber and purchaser that is within the United States, or that is a US Person (or is subscribing or purchasing for the account or benefit of a US Person), must be both a Qualified Institutional Buyer and a Qualified Purchaser.

In addition, each subscriber and purchaser that is located within the United States or that is a US Person (or is subscribing or purchasing for the account or benefit of a US Person), prior to any such transaction, will be required to execute a US Purchaser's Letter in the form set out in the Appendix to this document, and deliver the letter to the Joint

Bookrunners, J.P. Morgan Securities and the Company. The US Purchaser's Letter will require each such subscriber and purchaser to represent and agree that, amongst other things, (i) it is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in an offshore transaction complying with the provisions of Regulation S (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange's main market for listed securities) to a person not known to be a US Person (by pre arrangement or otherwise), and in compliance with applicable securities laws, provided that the transferor has executed an Offshore Transaction Letter in the form of Annex I to the Appendix to this document and promptly sent it to the Company. The transferor will notify any subsequent transferee or executing broker, as applicable, of the restrictions that are applicable to the New Ordinary Shares being sold. The US Purchaser's Letter and the Offshore Transaction Letter contain additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

3i has not been and does not intend to become registered as an investment company under the US Investment Company Act and related rules. The Company and its agents may require any US Person or any person within the United States that was required to be a Qualified Purchaser but was not a Qualified Purchaser at the time it acquired the New Ordinary Shares or a beneficial interest therein to transfer its New Ordinary Shares or such beneficial interest immediately to a non US Person in an offshore transaction pursuant to Regulation S under the US Securities Act.

The New Ordinary Shares and any beneficial interests therein may not be acquired or held by investors using assets of any Plan Investor. In the US Purchaser's Letter, each subscriber and purchaser that is within the United States or that is a US Person (or is purchasing for the account or benefit of a US Person) will be required to represent, agree and acknowledge (and each subsequent transferee, by acquiring the New Ordinary Shares or a beneficial interest therein, will be deemed to represent, agree and acknowledge) that no portion of the assets used to acquire or hold its interest in the New Ordinary Shares constitutes or will constitute the assets of any Plan Investor.

If any subscriber or purchaser of New Ordinary Shares that was required to execute a US Purchaser's Letter in connection with the acquisition of such New Ordinary Shares receives them in certificated form, the certificate for the New Ordinary Shares will bear an appropriate legend reflecting the transfer restrictions described in the US Purchaser's Letter.

Restrictions on offering in reliance on Regulation S

Each Qualifying Shareholder to whom the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares are distributed, offered or sold outside the United States (other than US Persons) will be deemed by its subscription for, or purchase of, the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, to have represented and agreed as follows (and terms used in this paragraph have the same meaning as in Regulation S):

- (i) it is not a US Person and is not acquiring the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares for the account or benefit of a US Person;
- (ii) it is acquiring the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (iii) it is aware that the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and New Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, absent registration or an exemption from registration under the US Securities Act;
- (iv) it is aware that the Company has not registered under the US Investment Company Act and that 3i has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that 3i is not and will not be required to register under the US Investment Company Act;
- (v) no portion of the assets used by such investor to purchase, and no portion of the assets used by such investor to hold, New Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Tax Code, (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US plan or other investor whose purchase or holding of New Ordinary Shares would be subject to any state, local, non US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA;

- (vi) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal that might (in the opinion of the Directors) require the Company to register under the US Investment Company Act will be subject to the compulsory transfer provisions as provided in the Articles of Association;
- (vii) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing; and
- (viii) 3i, J.P. Morgan Cazenove, the Underwriters and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations and agreements. If any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify 3i, J.P. Morgan Cazenove, J.P. Morgan Securities and Merrill Lynch, and if it is acquiring any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

Restrictions on US Person

If you are a US Person, you shall be deemed to have represented and agreed for the benefit of the Group and its advisers that:

- (i) you are a Qualified Institutional Buyer and a Qualified Purchaser;
- (ii) if you purchase Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters or subscribe to New Ordinary Shares (a) you represent that you will be a Qualified Institutional Buyer and Qualified Purchaser at the time of such purchase and subscription and that you will be acting for the account or benefit of a Qualified Institutional Buyer and Qualified Purchaser; and (b) that such Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and New Ordinary Shares will be offered, resold, transferred, assigned pledged or otherwise disposed of by you (a "**Disposal**") only outside the United States in an offshore transaction complying with the provisions of Regulation S;
- (iii) you agree that the Disposal will be executed solely in, on or through the facilities of the London Stock Exchange or otherwise in an offshore transaction complying with the provisions of Regulation S, and neither you nor any person acting on your behalf will pre-arrange the Disposal with a buyer in the United States or known to be a US Person; and
- (iv) if you elect to subscribe for New Ordinary Shares, such subscription will only be valid if you follow the procedures described in paragraphs 4 and 5 of this Part 4 and such subscription is accompanied by an executed US Purchaser's Letter attached as the Annex A to this document.

ERISA restrictions

Each subscriber and purchaser and subsequent transferee of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and New Ordinary Shares will be deemed to represent and warrant that no portion of the assets used to acquire or hold its interest in the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares constitutes or will constitute the assets of any Plan Investor. The Articles of Association provide that if the ownership of New Ordinary Shares by an investor will or may result in 25% or more of any class of the capital of the Company (or such new ownership threshold that may be established by a change in the Plan Asset Regulations or other applicable law) being owned by Plan Investors or otherwise will or may result in the Company's assets being deemed to constitute "plan assets" under the Plan Assets Regulation, the Directors may serve a notice upon the investor requiring them to transfer the New Ordinary Shares to an eligible transferee within 21 days. If within 21 days, the transfer notice has not been complied with, the Company may sell the relevant New Ordinary Shares on behalf of the investor by instructing a member of the London Stock Exchange to sell them to an eligible transferee.

Certain ERISA Considerations

General

The following is a summary of certain considerations associated with the purchase of New Ordinary Shares by (i) an "employee benefit plan" that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Tax Code, (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan,

church plan, non US Plan or other investor whose purchase or holding of New Ordinary Shares would be subject to any state, local, non US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the same effect as the Plan Asset Regulations (any such laws or regulations, "**Similar Laws**") (each entity described in preceding clauses (i), (ii), (iii) or (iv), a "**Plan Investor**"). This summary is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing or subscribing to Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares on behalf of, or with the assets of, any plan, consult with their counsel to determine whether such plan is subject to Title I of ERISA, section 4975 of the US Tax Code or any Similar Laws.

Section 3(42) of ERISA provides that the term "plan assets" has the meaning assigned to it by such regulations as the Department of Labor may prescribe, except that under those regulations the assets of any entity shall not be treated as plan assets if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity is held by "benefit plan investors" as defined in section 3(42) of ERISA. The Plan Asset Regulations generally provide that when a plan subject to Title I of ERISA or section 4975 of the US Tax Code (an "**ERISA Plan**") acquires an equity interest in an entity that is neither a "publicly offered security" (as defined in the Plan Asset Regulations) nor a security issued by an investment company registered under the US Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not significant or that the entity is an "operating company", in each case as defined in the Plan Asset Regulations. For the purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be significant if they hold, in the aggregate, less than 25% of the value of any class of equity interests of the entity, excluding equity interests held by any person (other than a benefit plan investor) who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to those assets, and any affiliates of that person. Section 3(42) of ERISA provides, in effect, that for purposes of the Plan Asset Regulations, the term "benefit plan investor" means an ERISA Plan or an entity whose underlying assets are deemed to include "plan assets" under the Plan Asset Regulations (for example, an entity 25% or more of the value of any class of equity interests of which is held by benefit plan investors and which does not satisfy another exception under the Plan Asset Regulations).

It is anticipated that: (i) the New Ordinary Shares will not constitute "publicly offered securities" for purposes of the Plan Asset Regulations, (ii) the Company will not be an investment company registered under the US Investment Company Act, and (iii) the Company will not qualify as an operating company within the meaning of the Plan Asset Regulations. The Company will use commercially reasonable efforts to prohibit ownership by benefit plan investors in the New Ordinary Shares. However, no assurance can be given that investment by benefit plan investors in the New Ordinary Shares will not be "significant" for purposes of the Plan Asset Regulations.

Plan asset consequences

If the Company's assets were deemed to be "plan assets" of an ERISA Plan whose assets were invested in the Company, this would result, among other things, in: (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the Company, and (ii) the possibility that certain transactions that any member of the Group might enter into, or may have entered into in the ordinary course of business, might constitute or result in non exempt prohibited transactions under section 406 of ERISA and/or section 4975 of the US Tax Code and might have to be rescinded. A non exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of the ERISA Plan, may also result in the imposition of an excise tax under the US Tax Code upon a "party in interest" (as defined in ERISA) or "disqualified person" (as defined in the US Tax Code), with whom the ERISA Plan engages in the transaction.

Plan Investors that are governmental plans, certain church plans and non US plans, while not subject to Title I of ERISA or section 4975 of the US Tax Code, may nevertheless be subject to Similar Laws. Fiduciaries of such plans should consult with their counsel before purchasing or holding any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares.

Because of the foregoing, the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and New Ordinary Shares may not be purchased or held by any person investing assets of any Plan Investor.

Representation and warranty

In light of the foregoing, by exercising subscription rights with respect to any Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters or subscribing to New Ordinary Shares, each Qualifying Shareholder will be deemed to have represented and warranted, or will be required to represent and warrant in writing, that no portion of the assets used to purchase or hold its interest in the New Ordinary Shares constitutes or will constitute the assets of any Plan

Investor. If the ownership of New Ordinary Shares by an investor will or may result in the Company's assets being deemed to constitute "plan assets" under the Plan Asset Regulations, the Directors may serve a notice upon the holder of such New Ordinary Shares requiring the holder to transfer the New Ordinary Shares to an eligible transferee within 21 days. If within 21 days, the transfer notice has not been complied with, the Company may sell the relevant New Ordinary Shares on behalf of the holder by instructing a member of the London Stock Exchange to sell them to an eligible transferee.

7.3 Other overseas territories

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, Restricted Shareholders) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in any country other than an Excluded Territory. No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into any of the Excluded Territories. Qualifying Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

Member States of the European Economic Area (other than the UK)

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "relevant implementation date") no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

- (A) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (B) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (C) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or any Joint Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression "an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public" in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

The Company has requested the FSA to provide a certificate of approval and a copy of this document to the Financial Regulator in the Republic of Ireland, pursuant to the passporting provisions of FSMA. It is expected that Qualifying Shareholders in all member states of the European Economic Area will be able to participate in the Rights Issue.

8. Representations and warranties relating to overseas territories

8.1 Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and each of the Underwriters that, except where proof has been provided to the Company's and the Joint Sponsors' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter from within the US or any other Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the US or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the US or any other Excluded Territory or any territory referred to in (ii) above.

The Company and each of the Joint Sponsors may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company and the Joint Sponsors to have been executed in or despatched from any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company or either of the Joint Sponsors believes the same may violate any applicable legal or regulatory requirement; (b) provides an address of any Excluded Territory for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph.

8.2 Qualifying CREST Shareholders

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in paragraph 5 of this Part 4 (Terms and Conditions of the Rights Issue) represents and warrants to the Company and the Joint Sponsors that, except where proof has been provided to the Company's and the Joint Sponsors' satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he is not within any of the Excluded Territories; (ii) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; (iii) he is not acting on a non-discretionary basis for a person located within any Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into any Excluded Territory or any territory referred to in (ii) above.

The Company and the Joint Sponsors may treat as invalid any MTM instruction which: (a) appears to the Company and the Joint Sponsors to have been despatched from an Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph.

8.3 Waiver

The provisions of this paragraph 8 and paragraph 7 and of any other terms of the Rights Issue relating to Restricted Shareholders may be waived, varied or modified as regards specific Qualifying Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 8 and paragraph 7 which refer to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 8 and paragraph 7 shall apply jointly to each of them.

8.4 Payment

All payments must be made in the manner set out in paragraphs 2 to 4 of this Part 4 (Terms and Conditions of the Rights Issue) (as applicable).

9. Taxation

Information on taxation in the United Kingdom with regard to the Rights Issue is set out in paragraph 1 of Part 7 (Taxation) of this document. The information contained in paragraph 1 of Part 7 (Taxation) is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders in the United Kingdom should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

10. Withdrawal rights

Qualifying Shareholders wishing to exercise the withdrawal rights under section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal which shall not include a notice sent by facsimile or any other form of electronic communication, which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder the participant ID and the member account ID of such Qualifying CREST Shareholder with Equiniti Limited at Aspect House, Spencer Road, Landings, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published, withdrawal being effective as at posting of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Equiniti after expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received, it is the Company's view that Qualifying Shareholders or renounees who have validly taken up their rights in accordance with the procedure laid down for acceptance and payment in this Part 4 shall not be entitled to withdraw any such acceptance. In such circumstances, any such accepting Qualifying Shareholder, or renounee, wishing to withdraw is advised to seek independent legal advice.

11. Times and dates

The Company shall in its discretion and after consultation with its financial and legal advisers be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall announce such amendment, via a Regulatory Information Service, and notify the UK Listing Authority and, if appropriate, Shareholders.

12. 3i Share Plans

Participants in 3i's Share Incentive Plan ("SIP") are the beneficial owners of the shares held by the trustees of the SIP. The trustees will write to participants to explain the implications of the Rights Issue for them and what action they may take in respect of the rights attributable to their SIP shares.

Participants holding certain performance share awards under the 3i Group Discretionary Share Plan and certain deferred bonus awards under the 3i Group Deferred Bonus Plan are the beneficial owners of those shares and will be entitled to participate in the Rights Issue in the same way (and subject to the same restrictions) as other Shareholders. Participants may, depending on the legal, tax and regulatory implications, be required to hold some or all of the New Ordinary Shares acquired on the same terms and conditions as the original award.

In accordance with the rules of the relevant 3i Share Plans, other outstanding options and awards may be adjusted to take account of the Rights Issue in such manner as the Board or the Remuneration Committee (depending on the plan in question) may consider appropriate. This is subject to the prior approval (where required) of HM Revenue & Customs. Participants will be notified of any adjustments in due course.

13. Governing law

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales.

14. Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document and the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part 5. Historical Financial Information

The consolidated statements of 3i and its subsidiaries included in the Annual Report and Accounts of 3i for each of the financial years to 31 March 2007 and 2008, together with the audit reports thereon, are incorporated by reference into this document. The consolidated financial statements of 3i and its subsidiaries for the financial year to 31 March 2009 together with the audit opinion are set out in this Part 5.

Ernst & Young LLP of 1 More London Place, London SE1 2AF has issued unqualified audit opinions on the consolidated financial statements of 3i and its subsidiaries for each of the financial years to 31 March 2007, 2008 and 2009. The audit opinion for the year to 31 March 2007 is set out on page 73 of the Annual Report and Accounts 2007. The audit opinion for the year to 31 March 2008 is set out on page 79 of the Annual Report and Accounts 2008. The audit opinion for the year to 31 March 2009 is set out on page 139 of this document.

Income statement

For the year to 31 March

	Notes	2009 £m	2008 £m
Realised profits over value on the disposal of investments	2	63	523
Unrealised (losses)/profits on the revaluation of investments	3	(2,440)	291
		(2,377)	814
Portfolio income			
Dividends		65	56
Income from loans and receivables		108	149
Fees receivable	4	(2)	22
Gross portfolio return	1	(2,206)	1,041
Fees receivable from external funds	1	75	60
Carried interest			
Carried interest receivable from external funds	5	(3)	60
Carried interest and performance fees payable	5	56	(152)
Operating expenses	6	(250)	(274)
Net portfolio return		(2,328)	735
Interest receivable	10	34	89
Interest payable	10	(120)	(105)
Movement in the fair value of derivatives	11	(38)	158
Exchange movements	13	505	(44)
Other finance income		3	1
(Loss)/profit before tax		(1,944)	834
Income taxes	12	(4)	(6)
(Loss)/profit for the year		(1,948)	828
Earnings per share			
Basic (pence)	28	(522.2)	207.9
Diluted (pence)	28	(522.2)	173.4

Statement of recognised income and expense

For the year to 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
(Loss)/profit for the year		(1,948)	828	(1,602)	882
Exchange differences on translation of foreign operations		(190)	6	–	–
Revaluation of own-use property		(4)	(1)	(3)	(1)
Actuarial losses	9	(8)	(41)	–	–
Total recognised income and expense for the year		(2,150)	792	(1,605)	881
Analysed in reserves as:					
Revenue	26	99	111	(20)	94
Capital	26	(2,059)	675	(1,625)	787
Translation reserve	26	(190)	6	–	–
		(2,150)	792	(1,605)	881

Reconciliation of movements in equity

For the year to 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Total equity at start of year		4,057	4,249	3,930	4,020
Equity settled call option		5	–	5	–
Total recognised income and expense for the year		(2,150)	792	(1,605)	881
Share-based payments	8	3	8	3	8
Ordinary dividends	29	(64)	(70)	(64)	(70)
Issue of B shares	21	–	(808)	–	(808)
Issues of ordinary shares	26	9	19	9	19
Buy-back of ordinary shares	26	–	(120)	–	(120)
Own shares	26	2	(13)	–	–
Total equity at end of year		1,862	4,057	2,278	3,930

Balance sheet

As at 31 March

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Assets					
Non-current assets					
Investments					
Quoted equity investments	13	611	889	551	770
Unquoted equity investments	13	1,970	3,209	715	1,050
Loans and receivables	13	1,469	1,918	303	513
Investment portfolio		4,050	6,016	1,569	2,333
Carried interest receivable		44	75	44	75
Interests in Group entities	14	–	–	2,641	3,140
Property, plant and equipment	15	22	30	4	8
Total non-current assets		4,116	6,121	4,258	5,556
Current assets					
Other current assets	16	70	49	176	182
Derivative financial instruments	18	10	24	10	24
Deposits		59	44	26	25
Cash and cash equivalents		675	752	545	611
Total current assets		814	869	757	842
Total assets		4,930	6,990	5,015	6,398
Liabilities					
Non-current liabilities					
Carried interest payable		(51)	(110)	–	–
Loans and borrowings	19	(1,793)	(1,509)	(1,522)	(1,224)
B shares	21	(12)	(21)	(12)	(21)
Convertible bonds	20	(384)	–	(384)	–
Subordinated liabilities	22	(7)	(14)	–	–
Retirement benefit deficit	9	(18)	(38)	–	–
Deferred income taxes	12	–	(2)	–	–
Provisions	24	(18)	(5)	–	–
Total non-current liabilities		(2,283)	(1,699)	(1,918)	(1,245)
Current liabilities					
Trade and other payables	23	(255)	(166)	(358)	(308)
Carried interest payable		(61)	(140)	–	–
Loans and borrowings	19	(349)	(373)	(349)	(373)
Convertible bonds	20	–	(433)	–	(433)
Derivative financial instruments	18	(112)	(108)	(112)	(108)
Current income taxes		(3)	(5)	–	(1)
Provisions	24	(5)	(9)	–	–
Total current liabilities		(785)	(1,234)	(819)	(1,223)
Total liabilities		(3,068)	(2,933)	(2,737)	(2,468)
Net assets		1,862	4,057	(2,278)	3,930
Equity					
Issued capital	25	284	283	284	283
Share premium	26	405	397	405	397
Capital redemption reserve	26	42	42	42	42
Share-based payment reserve	26	20	21	20	21
Translation reserve	26	(179)	11	–	–
Capital reserve	26	968	3,026	1,257	2,877
Revenue reserve	26	394	359	265	310
Other reserves	26	5	–	5	–
Own shares	27	(77)	(82)	–	–
Total equity	26	1,862	4,057	2,278	3,930

Baroness Hogg Chairman
8 May 2009

Cash flow statement

For the year to 31 March

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash flow from operating activities				
Purchase of investments	(827)	(2,072)	(777)	(2,246)
Proceeds from investments	1,308	1,824	1,072	1,733
Interest received	23	47	14	21
Dividends received	65	56	46	45
Portfolio fees received	–	22	–	–
Fees received from external funds	63	61	–	–
Carried interest received	43	67	43	67
Carried interest paid	(103)	(154)	–	–
Operating expenses	(316)	(243)	(144)	(108)
Income taxes paid	(5)	(7)	–	3
Net cash flow from operations	251	(399)	254	(485)
Cash flow from financing activities				
Proceeds from issues of share capital	9	19	9	19
Buy-back of ordinary shares	–	(120)	–	(120)
Purchase of own shares	–	(21)	–	–
Disposal of own shares	2	8	–	–
Repurchase of B shares	(9)	(798)	(9)	(798)
Dividend paid	(64)	(70)	(64)	(70)
Interest received	34	95	28	88
Interest paid	(80)	(125)	(79)	(79)
Premium on call options acquired	(78)	–	(78)	–
Premium on call options sold	29	–	29	–
Proceeds from long-term borrowings	686	591	686	592
Repayment of long-term borrowings	(585)	(413)	(566)	(401)
Net cash flow from short-term borrowings	(46)	(23)	(46)	(23)
Net cash flow from derivatives	(249)	(110)	(249)	(110)
Net cash flow from deposits	(15)	1,624	(1)	1,643
Net cash flow from financing activities	(366)	657	(340)	741
Cash flow from investing activities				
Purchases of property, plant and equipment	(4)	(6)	–	–
Sales of property, plant and equipment	3	1	–	–
Net cash flow from investing activities	(1)	(5)	–	–
Change in cash and cash equivalents	(116)	253	(86)	256
Cash and cash equivalents at start of year	752	486	611	346
Effect of exchange rate fluctuations	39	13	20	9
Cash and cash equivalents at end of year	675	752	545	611

Significant accounting policies

3i Group plc (the "Company") is a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements for the year to 31 March 2009 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). Separate financial statements of the Company are also presented. The accounting policies of the Company are the same as for the Group except where separately disclosed.

The financial statements were authorised for issue by the Directors on 8 May 2009.

A Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 1985.

New standards and interpretations not applied

The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

	Effective for period beginning on or after	
IFRS 2	Amendment – Share-based payments: Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Borrowing Costs (Revised)	1 January 2009
IAS 27	Amendment – Consolidation and Separate Financial Statements	1 July 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IAS 32/IAS 1	Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39	Eligible Hedged Items	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estates	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to early adopt.

B Basis of preparation

The financial statements are presented in Sterling, the functional currency of the Company, rounded to the nearest million pounds (£m) except where otherwise indicated.

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The income statement of the Company has been omitted from these financial statements in accordance with section 230 of the Companies Act 1985.

The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

C Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

(iii) Joint ventures

Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value. This treatment is permitted by IAS 31 Interests in Joint Ventures, which requires venturer's interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.

D Exchange differences**(i) Foreign currency transactions**

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling using exchange rates ruling at the date the fair value was determined.

(ii) Financial statements of non-sterling operations

The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation are recognised directly in a separate component of equity, the Translation reserve, and are released upon disposal of the non-sterling operation.

In respect of non-sterling operations, cumulative translation differences on the consolidation of non-sterling operations are being accumulated from the date of transition to IFRS, 1 April 2004, and not from the original acquisition date.

E Investment portfolio**(i) Recognition and measurement**

Investments are recognised and de-recognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investment. The Group manages its investments with a view to profiting from the receipt of dividends and changes in fair value of equity investments.

Quoted investments are designated at fair value through profit and loss and subsequently carried in the balance sheet at fair value. Fair value is measured using the closing bid price at the reporting date, where the investment is quoted on an active stock market.

Unquoted equity investments are designated at fair value through profit and loss and are subsequently carried in the balance sheet at fair value. Fair value is measured using the International Private Equity and Venture Capital valuation guidelines, details of which are in the section called Portfolio valuation – an explanation.

Other investments including loan investments, bonds, fixed income shares and variable funding notes are included as loans and receivables. Loans, bonds and fixed income shares are carried in the balance sheet at amortised cost less impairment. For more detail see the section called Portfolio valuation – an explanation. Variable funding notes are used to invest in debt instruments and are carried in the balance sheet at the value derived from the bid prices of the underlying debt instruments taking into account the Group's obligations under the funding contract. The fair value of loans and receivables is not anticipated to be substantially different to the holding value.

All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying 3i Group's valuation policies.

(ii) Income

Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs but excluding exchange movements. Investment income is analysed into the following components:

(a) Realised profits over value on the disposal of investments are the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal.

(b) Unrealised profits on the revaluation of investments are the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of the movement.

(c) Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. The following specific recognition criteria must be met before the income is recognised:

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value.
- Dividends from equity investments are recognised in the income statement when the shareholders' rights to receive payment have been established except to the extent that dividends paid out of pre-acquisition reserves adjust the fair value of the equity investment.
- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

F Fees receivable from external funds

(i) Fund management fees

The Group manages private equity funds, which primarily co-invest alongside the Group. Fees earned from the ongoing management of these funds are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(ii) Advisory fees

The Group acts as investment adviser to private equity funds. Fees earned from the provision of investment advisory services are recognised on an accruals basis in accordance with the substance of the relevant investment advisory agreement.

(iii) Performance fees

The Group earns a performance fee from funds to which it provides investment advisory services where specified performance targets are achieved. Performance fees are recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured.

(iv) Support services fees

The Group provides support services to external funds, including accounting, treasury management, corporate secretariat and investor relations. Fees earned from the provision of these support services are recognised on an accruals basis in accordance with the relevant support services agreement.

G Carried interest

(i) Carried interest receivable

The Group earns a share of profits ("carried interest receivable") from funds which it manages on behalf of third parties. These profits are earned once the funds meet certain performance conditions.

Carried interest receivable is only accrued on those managed funds in which the fund's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the fund were realised at fair value. Fair value is determined using the Group's valuation methodology and is measured at the balance sheet date. An accrual is made equal to the Group's share of profits in excess of the performance conditions, taking into account the cash already returned to fund investors and the fair value of assets remaining in the fund.

(ii) Carried interest payable

The Group offers investment executives the opportunity to participate in the returns from successful investments. "Carried interest payable" is the term used for amounts payable to executives on investment-related transactions.

A variety of asset pooling arrangements are in place so that executives may have an interest in one or more carried interest scheme. Carried interest payable is only accrued on those schemes in which the scheme's performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in the scheme were realised at fair value. An accrual is made equal to the executive's share of profits in excess of the performance conditions in place in the carried interest scheme.

H Property, plant and equipment

(i) Land and buildings

Land and buildings are carried in the balance sheet at fair value less depreciation and impairment. Fair value is determined at each balance sheet date from valuations undertaken by professional valuers using market-based evidence. Any revaluation surplus is credited directly to the Capital reserve in equity except to the extent that it reverses a previous valuation deficit on the same asset charged in the income statement in which case the surplus is recognised in the income statement to the extent of the previous deficit. Any revaluation deficit that offsets a previously recognised surplus in the same asset is directly offset against the surplus in the Capital reserve. Any excess valuation deficit over and above that previously recognised in surplus is charged in the income statement.

Depreciation on revalued buildings is charged in the income statement over its estimated useful life, generally over 50 years.

(ii) Vehicles and office equipment

Vehicles and office equipment are depreciated by equal annual instalments over their estimated useful lives as follows: office equipment five years; computer equipment three years; computer software three years; motor vehicles four years.

(iii) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The interest element of the rental obligations is charged in the income statement over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

I Treasury assets and liabilities

Short-term treasury assets and short and long-term treasury liabilities are used in order to manage cash flows and overall costs of borrowing. Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

(ii) Deposits

Deposits in the balance sheet comprise longer term deposits with an original maturity of greater than three months.

(iii) Bank loans, loan notes and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(iv) Convertible Bonds

The Convertible Bonds are cash settled and are regarded as compound instruments consisting of a liability and a derivative instrument (see policy below for derivatives). Subsequent to initial recognition the conversion option is measured as a derivative financial instrument with the market value of the instrument at period end used as its fair value. The remainder of the proceeds are allocated to the liability component and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

(v) Derivative financial instruments

Derivative financial instruments have historically been used to manage the risk associated with foreign currency fluctuations of the investment portfolio and changes in interest rates on its borrowings. This is achieved by the use of foreign currency contracts, currency swaps and interest rate swaps. All derivative financial instruments are held at fair value.

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts for contracts with similar maturity profiles. The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and current interest and exchange rates. All changes in the fair value of financial instruments are taken to the income statement.

Derivatives over own shares are classified as equity when they will be settled by the exchange of a fixed amount of shares for a fixed amount of cash.

(vi) Subordinated liabilities

The Group has some limited recourse funding, which individually finances investment assets, at various fixed rates of interest and whose maturity is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the individual Group entity to which the funds have been advanced and becomes non-repayable as the assets fail. These liabilities are held in the balance sheet at the amount expected to be repayable based on the underlying assets. Changes in the amounts repayable as a result of changes in the underlying assets are treated as other income in the income statement. Interest payable on subordinated liabilities is charged as it accrues by reference to the principal outstanding and the effective interest rate applicable.

J Employee benefits**(i) Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged to the income statement as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out at each balance sheet date. Current service costs are recognised in the income statement. Past service costs are recognised to the extent that they are vested in the income statement. Actuarial gains or losses are recognised in full as they arise as part of the statement of recognised income and expense.

A retirement benefit deficit is recognised in the balance sheet to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets. A retirement benefit surplus is recognised in the balance sheet where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus.

(ii) Share-based payments

In accordance with the transitional provisions of IFRS 1, the requirements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005. The costs of share-based payments made by the Company in respect of subsidiaries' employees are treated as additional investments in those subsidiaries.

The Group enters into arrangements that are equity-settled share-based payments with certain employees. These are measured at fair value at the date of grant, which is then recognised in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period. The movement in cumulative changes since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

K Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in the level of impairment is recognised directly in the income statement. An impairment loss is reversed at subsequent balance sheet dates to the extent that the asset's carrying amount does not exceed its carrying value had no impairment been recognised.

L Other liabilities

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date.

M Share capital

Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

N Provisions

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

O Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

1 Segmental analysis

Year to 31 March 2009	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return							
Realised profits/(losses) over value on the disposal of investments	255	(66)	(20)	–	4	(110)	63
Unrealised (losses)/profits on the revaluation of investments	(995)	(1,029)	(62)	26	(68)	(312)	(2,440)
Portfolio income	62	60	32	–	11	6	171
	(678)	(1,035)	(50)	26	(53)	(416)	(2,206)
Fees receivable from external funds	45	1	26	3	–	–	75
Net (investment)/divestment							
Realisation proceeds	494	461	117	–	27	209	1,308
Investment	(519)	(343)	(50)	(3)	–	(53)	(968)
	(25)	118	67	(3)	27	156	340
Balance sheet							
Value of investment portfolio at end of year	1,467	1,574	371	171	153	314	4,050

Year to 31 March 2008	Buyouts £m	Growth Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return							
Realised profits over value on the disposal of investments	370	75	6	–	7	65	523
Unrealised profits/(losses) on the revaluation of investments	245	160	43	(42)	(27)	(88)	291
Portfolio income	116	67	18	–	20	6	227
	731	302	67	(42)	–	(17)	1,041
Fees receivable from external funds	39	2	18	1	–	–	60
Net divestment/(investment)							
Realisation proceeds	858	503	57	18	136	170	1,742
Investment	(788)	(990)	(38)	(182)	(6)	(156)	(2,160)
	70	(487)	19	(164)	130	14	(418)
Balance sheet							
Value of investment portfolio at end of year	2,025	2,366	501	142	244	738	6,016

Year to 31 March 2009	UK £m	Continental Europe £m	Asia £m	North America £m	Rest of World £m	Total £m
Gross portfolio return						
Fees receivable from external funds	47	19	9	–	–	75
Net (investment)/divestment						
Realisation proceeds	280	795	127	106	–	308
Investment	(316)	(539)	(46)	(63)	(4)	(968)
	(36)	256	81	43	(4)	340
Balance sheet						
Value of investment portfolio at end of year	1,719	1,618	491	209	13	4,050

Year to 31 March 2008	UK £m	Continental Europe £m	Asia £m	North America £m	Rest of World £m	Total £m
Gross portfolio return						
Fees receivable from external funds	37	18	5	–	–	60
Net (investment)/divestment						
Realisation proceeds	783	894	25	40	–	1,742
Investment	(972)	(707)	(171)	(303)	(7)	(2,160)
	(189)	187	(146)	(263)	(7)	(418)
Balance sheet						
Value of investment portfolio at end of year	2,250	2,573	679	497	17	6,016

2 Realised profits over value on the disposal of investments

	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m	2008 Unquoted equity £m	2008 Quoted equity £m	2008 Loans and receivables £m	2008 Total £m
Net proceeds	1,023	172	113	1,308	1,081	199	462	1,742
Valuation of disposed investments	(896)	(214)	(117)	(1,227)	(627)	(162)	(425)	(1,214)
Investments written off	(14)	–	(4)	(18)	(2)	–	(3)	(5)
	113	(42)	(8)	63	452	37	34	523

3 Unrealised (losses)/profits on the revaluation of investments

	2009 Unquoted equity £m	2009 Quoted equity £m	2009 Loans and receivables £m	2009 Total £m	2008 Unquoted equity £m	2008 Quoted equity £m	2008 Loans and receivables £m	2008 Total £m
Movement in the fair value of equity	(1,323)	(126)	–	(1,449)	415	64	–	479
Provisions, loan impairments and other movements*	(110)	–	(881)	(991)	(109)	–	(79)	(188)
	(1,433)	(126)	(881)	(2,440)	306	64	(79)	291

*Included within loan impairments for the Group and Company is an £112 million value reduction for variable funding notes relating to the debt warehouse (2008: £12 million).

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

4 Fees receivable

	2009 £m	2008 £m
Fees receivable	13	45
Deal-related costs	(15)	(23)
	(2)	22

Fees receivable include fees arising from the ongoing management of the portfolio together with fees arising from making investments. Deal-related costs represent fees incurred in the process to acquire an investment.

5 Carried interest

	2009 £m	2008 £m
Carried interest receivable from external funds	(3)	60
Carried interest and performance fees payable	56	(152)
	53	(92)

Carried interest receivable represents the Group's share of profits from external funds. Each fund is reviewed at the balance sheet date and income is accrued based on fund profits in excess of the performance conditions within the fund, taking into account cash already returned to fund investors and the fair value of assets remaining in the fund.

Carried interest payable represents the amount payable to executives from the Group's carried interest schemes. As with carried interest receivable, each scheme is separately reviewed at the balance sheet date, and an accrual made equal to the executives' share of profits once the performance conditions in the scheme have been met. During the period, the performance of some of the schemes resulted in a reversal of the accrual recognised as at 31 March 2008 resulting in the £56 million gain.

6 Operating expenses

Operating expenses include the following amounts:

	2009 £m	2008 £m
Depreciation of property, plant and equipment	7	7
Audit fees	2	1
Staff costs (note 7)	110	178
Restructuring and redundancy costs	45	8

6 Operating expenses (continued)

Services provided by the Group's auditors

During the year the Group obtained the following services from the Group's auditors, Ernst & Young LLP:

	2009 £m	2008 £m
Audit services		
Statutory audit – Company	0.6	0.3
– UK subsidiaries	0.5	0.6
– Overseas subsidiaries	0.4	0.4
Audit-related regulatory reporting	0.1	0.1
	1.6	1.4
Non-audit services		
Investment due diligence	0.3	0.4
Tax services (compliance and advisory services)	0.2	0.2
	2.1	2.0

Non-audit services

These services are services that could be provided by a number of firms, including general consultancy work. Work is allocated to the auditors only if it does not impact the independence of the audit team.

In addition to the above, Ernst & Young LLP has received fees from investee companies. It is estimated that Ernst & Young LLP receive less than 15% of the total investment-related fees paid to the four largest accounting firms.

Ernst & Young LLP also acts as auditor to the 3i Group Pension Plan. The appointment of the auditors to this Plan and the fees paid in respect of the audit are agreed by the trustees who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit services to the pension scheme during the year were less than £0.1 million (2008: less than £0.1 million).

7 Staff costs

	2009 £m	2008 £m
Wages and salaries	73	130
Social security costs	11	20
Share-based payment costs (note 8)	12	12
Pension costs (note 9)	14	16
	110	178

The average number of employees during the year was 702 (2008: 772).

Wages and salaries shown above include salaries paid in the year and bonuses relating to the year. These costs are charged against operating expenses.

8 Share-based payments

The Group has a number of share schemes that allow employees to acquire shares in the Company.

The total cost recognised in the income statement is shown below:

	2009 £m	2008 £m
Share options*	1	6
Performance shares*	2	2
Share incentive plan	1	1
Deferred bonus shares	8	3
	12	12

*Credited to equity.

8 Share-based payments (continued)

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 to the extent a performance target has been met over a performance period of three years from the date of grant. For options granted between 1 April 2001 and 31 March 2003 and for options granted to three Directors in June 2003, if the minimum threshold for vesting is not achieved in the first three years from grant, the performance period is extended to four and then five years from the date of grant. For options granted between 1 April 2003 and 31 March 2004 the performance period is extended only to four years from the date of grant. For options granted after 31 March 2004, there is no opportunity for the performance condition to be re-tested after the three-year performance period.

Options granted between 1 April 2001 and 31 March 2003 were subject to a performance condition that options would vest if the annual compound growth ("ACG") in net asset value per share with dividends re-invested was RPI plus 5%. If this target was achieved then 50% of the options would vest. If the ACG was in excess of RPI plus 10% then the maximum number of shares would vest. Options would vest *pro rata* if the ACG was between these two amounts. For options granted between 31 March 2003 and 1 April 2004 the target ACG was RPI plus 3% with maximum vesting at RPI plus 6%, except for options granted to three Directors in June 2003 where the target ACG was RPI plus 5% with maximum vesting at RPI plus 10%. For options granted after 1 April 2005 the target ACG was RPI plus 3% with maximum vesting at RPI plus 8%.

(ii) The 3i Group 1994 Executive Share Option

Plan Options granted before 31 March 2001 were granted under this plan and are normally exercisable between the third and tenth anniversaries of the date of grant provided that a performance condition has been met over a rolling three-year period. This requires that the adjusted net asset value per share (with dividends re-invested) at the end of the three-year period is equal to or in excess of the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

Details of share options outstanding during the year are as follows:

	2009 Number of share options	2009 Weighted average exercise price (pence)	2008 Number of share options	2008 Weighted average exercise price (pence)
Outstanding at start of the year	12,577,113	781	16,894,767	712
Granted	3,126,458	665	1,360,430	1,165
Exercised	(1,233,466)	661	(4,210,287)	637
Lapsed	(1,344,675)	858	(1,467,797)	764
Outstanding at end of year	13,125,430	758	12,577,113	781
Exercisable at end of year	7,414,046	713	6,821,753	735

Included within the total number of share options are options over 2 million (2008: 3 million) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The range of exercise prices for options outstanding at the year end was:

Year ended 31 March	2009 Weighted average exercise price (pence)	2009 Number	2008 Weighted average exercise price (pence)	2008 Number
Year of grant				
1999	–	–	628	325,590
2000	832	409,165	819	579,862
2001	1,356	687,704	1,341	1,024,860
2002	895	9,300	895	16,761
2003	647	995,892	644	1,132,187
2004	571	963,684	571	1,088,933
2005	596	2,062,830	597	2,408,538
2006	691	2,285,471	692	3,312,195
2007	839	1,346,734	839	1,388,851
2008	1,165	1,260,092	1,165	1,299,336
2009	664	3,104,558	–	–
	758	13,125,430	781	12,577,113

Options are exercisable at a price based on the market value of the Company's shares on the date of grant.

8 Share-based payments (continued)

The weighted average share price at the date of exercise during the year was 872p (2008: 1,136p). The options outstanding at the end of the year have a weighted average contractual life of 6.32 years (2008: 6.07 years). The cost of share options is spread over the vesting period of three to five years. The weighted average fair value of options granted during the year was 240p (2008: 456p). These fair values were calculated using the Black-Scholes option pricing model.

The inputs to this model were as follows:

	2009	2008
Weighted average share price (pence)	636	1,195
Average expected volatility (%)	47	29
Expected life (years)	8.5	8.5
Average risk-free rate (%)	4.6	5.5
Average expected dividend yield (%)	3.6	1.7

The expected life of the option is based on the best estimate of the Directors following a review of the profile of the award holders. Expected volatility was determined using an average of the implied volatility on grant and historic share price volatility of the preceding 8.5 years. No options have been repriced during the year (2008: nil).

Performance share awards

Performance Share awards made under the 3i Group Discretionary Share Plan during the year were conditional awards of shares to executives which will be transferred to the participant by the 3i Group Employee Trust on vesting. Awards are subject to a performance condition determining whether and to what extent the award will vest. There are two types of awards: conditional Performance Share awards and conditional Super-performance Share awards.

The performance condition for Performance Share awards made during the year is based on the outperformance of the theoretical growth in value of a shareholding in the Company (with dividends reinvested) for the three year performance period from grant (averaged over a 60 day period) compared to the growth in value of the FTSE 100 Index (with dividends reinvested) adjusted for mergers, demergers and delistings over that period. At an outperformance level below 0% per annum no part of the award will vest. At an outperformance level of 0% per annum, 35% of the award will vest and above 8% per annum the full award will vest. At outperformance levels between 0% and 8%, the award will vest on a *pro rata* basis.

Performance Share awards made before 1 April 2007, were restricted awards which vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group consisting of the FTSE 100 Index constituents at the grant date (adjusted for mergers, demergers and delistings during the performance period). A company's percentage rank is its rank in the comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest *pro rata*.

Super-performance Share awards made during the year were conditional awards of shares which are subject to a particularly challenging performance condition. The performance condition requires annual percentage compound growth in the net asset value per share (with dividends re-invested) over the three-year period of RPI plus 10 percentage points per annum to achieve minimum vesting of 25% of the award; RPI plus 13.5 percentage points per annum to achieve 50% vesting; and RPI plus 17 percentage points per annum to achieve maximum vesting.

The performance condition is measured over a three-year period. If the condition is satisfied, the awards remain subject to a further two-year holding period before they vest.

Super-performance Share awards made before 1 April 2007, were restricted awards which were transferred to the participants by the 3i Group Employee Trust on terms that the shares would be forfeited to the extent the performance condition was not satisfied and in certain other circumstances.

Share Incentive Plan

Eligible UK employees may participate in an Inland Revenue approved Share Incentive Plan intended to encourage employees to invest in the Company's shares. Accordingly it is not subject to a performance condition. During the year participants could invest up to £125 per month from their pre-tax salaries in the Company's shares (referred to as partnership shares). For each share so acquired the Company grants two free additional shares (referred to as matching shares) which are normally subject to forfeiture if the employee ceases to be employed (other than in certain specified circumstances such as retirement) within three years of grant. Dividends are re-invested on behalf of participants in further shares (referred to as dividend shares).

Deferred Bonus Share Plan

Certain employees receive an element of their bonus as shares. These shares are held in trust for two years by the trustee of the 3i Group Employee Trust in a nominee capacity. The fair value of the deferred shares is the share price at date of the award.

Employee trust

The Group has established the 3i Group Employee Trust which holds shares in 3i Group plc to meet its obligations under certain share schemes. The share schemes which use this trust are the 3i Group Discretionary Share Plan and the Deferred Bonus Share Plan.

9 Retirement benefit deficit

Retirement benefit plans

(i) Defined contribution plans

The Group operates a number of defined contribution retirement benefit plans for qualifying employees throughout the Group. The assets of these plans are held separately from those of the Group. The employees of the Group's subsidiaries in France are members of a state-managed retirement benefit plan operated by the country's government. The French subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognised in profit or loss is £6 million (2008: £5 million), which represents the contributions payable to these plans. There were no outstanding payments due to these plans at the balance sheet date.

(ii) Defined benefit scheme

The Group operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK. The plan has not been offered to new employees joining 3i since 1 April 2006. The plan is a funded scheme, the assets of which are independent of the Company's finances and are administered by the trustees.

The last full actuarial valuation as at 30 June 2007 was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2009. The principal assumptions made by the actuaries and used for the purpose of the year end valuation were as follows:

	2009	2008
Discount rate	6.7%	6.0%
Expected rate of salary increases	5.7%	6.0%
Expected rate of pension increases	3.6%	3.8%
Price inflation	3.2%	3.5%
Expected return on Plan assets	6.2%	6.2%

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2009 are based on 80% PNA medium cohort (2008: 80%) with 1.5% pa minimum annual improvement "PA00 medium cohort table" (2008: 1.5% PA00 medium cohort table). The life expectancy of a male member reaching age 60 in 2029 (2008: 2028) is projected to be 33.8 (2008: 33.6) years compared to 30.3 (2008: 30.2) years for someone reaching 60 in 2009.

The amount recognised in the balance sheet in respect of the Group's defined benefit plan is as follows:

	2009 £m	2008 £m
Present value of funded obligations	437	515
Fair value of Plan assets	(419)	(477)
Retirement benefit deficit	18	38

Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

	2009 £m	2008 £m
Included in operating costs		
Current service cost	8	10
Included in finance costs (note 10)		
Expected return on Plan assets	(30)	(30)
Interest on obligation	31	24
Included in statement of recognised income and expenses		
Actuarial loss	8	41
	17	45

9 Retirement benefit deficit (continued)

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

	2009 £m	2008 £m
Opening defined benefit obligation	515	480
Current service cost	8	10
Past service cost	–	1
Interest cost	31	24
Actuarial (gain)/loss	(102)	12
Contributions	1	1
Benefits paid	(16)	(13)
Closing defined benefit obligation	437	515

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

	2009 £m	2008 £m
Opening fair value of Plan assets	477	479
Expected returns	30	30
Actuarial loss	(110)	(29)
Contributions	38	10
Benefits paid	(16)	(13)
Closing fair value of Plan assets	419	477

Contributions paid to the Group Pension Plan are related party transactions as defined by IAS 24 Related party transactions. The fair value of the Plan assets at the balance sheet date is as follows:

	2009 £m	2008 £m
Equities	216	261
Gilts	204	217
Other	(1)	(1)
	419	477

The actual return on Plan assets for the year was a loss of £79 million (2008: gain of £1 million).

The Plan assets do not include any of the Group's own equity instruments nor any property in use by the Group. The expected rate of returns of individual categories of Plan assets is determined by reference to individual indices.

The history of the Plan is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	437	515	480	472	390
Fair value of Plan assets	(419)	(477)	(479)	(455)	(367)
Deficit	(18)	38	1	17	23
Experience adjustments on Plan liabilities	(2)%	(1)%	2%	–	(4)%
Experience adjustments on Plan assets	26%	6%	–	(11)%	(4)%

The cumulative actuarial losses recognised in equity are £52 million (2008: losses £44 million).

The Group expects to make regular contributions of approximately £12 million to the Plan in the year to 31 March 2010. The triennial valuation completed in September 2008 resulted in an actuarial deficit of £86 million. The Group has agreed to fund this over five years making contributions of £20 million per annum. Included with note 34 (Post Balance Sheet Events) are details regarding further commitments to the UK defined benefits plan.

German retirement scheme

Employees in Germany are entitled to a pension based on their length of service. 3i Deutschland GmbH contributes to individual investment policies for its employees and has agreed to indemnify any shortfall on an employee's investment policy should it arise. The total value of 3i Deutschland GmbH's investment policies intended to cover pension liabilities is £5 million (2008: £4 million) and the future liability calculated by German actuaries is £7 million (2008: £5 million). The Group carries both the asset and liability in its consolidated financial statements and has recognised an actuarial loss of £2 million (2008: £1 million).

10 Net interest payable

	2009 £m	2008 £m
Interest receivable		
Interest on bank deposits	34	83
Net finance income on pension plan	–	6
	34	89
Interest payable		
Interest on loans and borrowings	(84)	(86)
Interest on Convertible Bonds	(17)	(4)
Amortisation of Convertible Bonds	(20)	(7)
Subordinated borrowings*	2	(8)
Net finance expense on pension plan	(1)	–
	(120)	(105)
Net interest payable	(86)	(16)

* includes fair value movement on the underlying loan.

11 Movement in the fair value of derivatives

	2009 £m	2008 £m
Forward foreign exchange contracts	4	(1)
Interest-rate swaps	(46)	(3)
Derivative element of Convertible Bonds	58	162
Call options	(54)	–
	(38)	158

Further information on interest-rate swaps is provided in note 18 and on 3i's Convertible Bonds in note 20.

12 Income taxes

	2009 £m	2008 £m
Current taxes		
Current year	(6)	(5)
Deferred taxes		
Deferred income taxes	2	(1)
Total income taxes in the income statement	(4)	(6)

Reconciliation of income taxes in the income statement

The tax charge for the year is different to the standard rate of corporation tax in the UK, currently 28% (2008: 30%), and the differences are explained below:

	2009 £m	2008 £m
Profit before tax	(1,944)	834
Profit before tax multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	544	(250)
Effects of:		
Permanent differences	3	(3)
Short-term timing differences	4	(8)
Current period unutilised tax losses	–	(2)
Prior period utilised tax losses	–	18
Non-taxable UK dividend income	5	10
Foreign tax	(6)	(5)
Foreign tax credits available for double tax relief	3	1
Realised profits, changes in fair value and impairment losses not taxable	(557)	233
Total income taxes in the income statement	(4)	(6)

The Group's realised profits, fair value adjustments and impairment losses are primarily included in the Company, the affairs of which are directed so as to allow it to be approved as an investment trust. An investment trust is exempt from tax on capital gains, therefore the Group's capital return will be largely non-taxable.

Deferred income taxes

	2009 Group balance sheet £m	2008 Group balance sheet £m
Opening deferred income tax liability		
Tax losses	5	12
Income in accounts taxable in the future	(7)	(13)
	(2)	(1)
Recognised through income statement		
Tax losses utilised	4	(7)
Income in accounts taxable in the future	(2)	6
	2	(1)
Closing deferred income tax liability		
Tax losses	9	5
Income in accounts taxable in the future	(9)	(7)
	–	(2)

At 31 March 2009 the Group had tax losses carried forward of £751 million (2008: £867 million). It is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised. Deferred income taxes are calculated using an expected rate of corporation tax in the UK of 28% (2008: 30%).

13 Investment portfolio

	Group 2009 Equity investments £m	Group 2009 Loans and receivables £m	Group 2009 Total £m
Opening book value	4,098	1,918	6,016
Additions	489	479	968
Disposals, repayments and write-offs	(1,124)	(121)	(1,245)
Revaluation	(1,449)	–	(1,449)
Provision and impairment of loans and receivables	(110)	(881)	(991)
Other movements	677	74	751
Closing book value	2,581	1,469	4,050
Quoted	611	–	611
Unquoted	1,970	1,469	3,439
Closing book value	2,581	1,469	4,050

	Group 2008 Equity investments £m	Group 2008 Loans and receivables £m	Group 2008 Total £m
Opening book value	3,179	1,183	4,362
Additions	1,102	1,058	2,160
Disposals, repayments and write-offs	(791)	(428)	(1,219)
Revaluation	479	–	479
Provision and impairment of loans and receivables	(109)	(79)	(188)
Other movements	238	184	422
Closing book value	4,098	1,918	6,016
Quoted	889	–	889
Unquoted	3,209	1,918	5,127
Closing book value	4,098	1,918	6,016

The holding period of 3i's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Additions to loans and receivables includes £4 million (2008: £46 million) interest received by way of loan notes. A corresponding amount has been included in income from loans and receivables.

Other movements include foreign exchange and conversions from one instrument into another.

The variable funding note, relating to the debt warehouse, is included within loans and receivables and had a carrying value of £nil (2008: £32 million).

Included within the income statement are foreign exchange gains of £505 million (2008: £(44) million). This includes exchange movements on non-monetary items (e.g. equity investment portfolio) and on monetary items (e.g. non sterling loans and borrowings) as well as foreign exchange gains/losses on currency swaps and forward currency contracts. Foreign exchange losses on monetary items not measured at fair value total £231 million (2008: £225 million) and on currency swaps and forward currency contracts of £251 million (2008: £200 million). A further £971 million (2008: £342 million) relates to foreign currency denominated inter-company loans.

14 Interests in Group entities

	Company 2009 Equity investments £m	Company 2009 Loans and receivables £m	Company 2009 Total £m
Opening book value	231	2,909	3,140
Additions	35	547	582
Share of profits	–	494	494
Disposals and repayments	(89)	(611)	(700)
Impairment	(50)	(1,268)	(1,318)
Exchange movements	–	443	443
Closing book value	127	2,514	2,641

Details of significant Group entities are given in note 35.

	Company 2008 Equity investments £m	Company 2008 Loans and receivables £m	Company 2008 Total £m
Opening book value	246	1,520	1,766
Additions	31	2,171	2,202
Share of profits	–	360	360
Disposals and repayments	(46)	(1,229)	(1,275)
Impairment	–	(27)	(27)
Exchange movements	–	114	114
Closing book value	231	2,909	3,140

15 Property, plant and equipment

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Land and buildings				
Opening cost or valuation	9	10	8	9
Additions at cost	–	–	–	–
Disposals	–	–	–	–
Revaluation	(4)	(1)	(4)	(1)
Closing cost or valuation	5	9	4	8
Net book amount	5	9	4	8

Depreciation charged in the year on buildings was £nil (2008: £0.2 million).

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Plant and equipment				
Opening cost or valuation	49	44	–	–
Additions at cost	4	6	–	–
Disposals	(3)	(1)	–	–
Closing cost or valuation	50	49	–	–
Opening accumulated depreciation	28	22	–	–
Charge for the year	7	7	–	–
Disposals	(2)	(1)	–	–
Closing accumulated depreciation	33	28	–	–
Net book amount	17	21	–	–

15 Property, plant and equipment (continued)

Assets held under finance leases (all vehicles) have the following net book amount:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cost	1	1	–	–
Aggregate depreciation	–	–	–	–
Net book amount	1	1	–	–

Finance lease rentals are payable as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Within one year	1	–	–	–
Between one and five years	–	1	–	–

The Group's freehold properties and long leasehold properties are revalued at each balance sheet date by professional valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom by CBRE and Howell Brooks, independent Chartered Surveyors.

16 Other current assets

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Prepayments	12	39	6	12
Other debtors	58	10	10	9
Amounts due from subsidiaries	–	–	160	161
	70	49	176	182

17 Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk section. 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. 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. The Group is a highly selective investor and each investment is subject to a full risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework set out in the Risk section.

Capital structure

The capital structure of the Group consists of net debt, including cash held on deposit, and shareholders' equity. The type and maturity of the Group's borrowings are analysed further in note 19 and the Group's equity is analysed into its various components in note 26. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow 3i to operate effectively in the marketplace and sustain future development of the business.

	Group 2009 £m	Group 2008 £m
Cash, deposits and derivative financial assets	744	820
Borrowings and derivative financial liabilities	(2,656)	(2,458)
Net debt	(1,912)	(1,638)
Total equity	1,862	4,057
Gearing (net debt/total equity)	103%	40%

Capital is managed on a consolidated basis and the gearing KPI is only applicable to the Group, not the Company.

Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company subject to maintaining each subsidiary with sufficient reserves to meet local statutory obligations. No significant constraints have been identified in the past and the Group has been able to distribute profits in a tax-efficient manner. The Company operates so as to qualify as a UK Investment Trust for tax purposes which necessitates its investment in subsidiaries remaining below 15% of the Company's investment portfolio.

17 Financial risk management (continued)

The Group's regulated capital requirement is reviewed regularly by the Board of 3i Investments plc, an investment firm that is regulated by the FSA. The last submission to the FSA demonstrated a significant consolidated capital surplus in excess of the FSA's prudential rules. Since 1 January 2008 the Group's capital requirement has been updated following approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP) report by the Board of 3i Investments plc. Although this has increased the regulated capital requirement, there remains a significant regulatory capital surplus. Following the Group's FSA ARROW visit in June 2008, 3i Group now complies with the Individual Capital Guidance as agreed with the FSA and remains at a significant regulatory capital surplus. The Group's Pillar 3 disclosure document can be found on 3iGroup.com

Financial risks

Concentration risk

The Group's exposure to and mitigation of concentration risk is explained within "investment risks" and "liquidity risks" in the Risk section. Quantitative data regarding the concentration risk of the portfolio across economic sectors and geographies can be found in the Portfolio and additional information section in the tables 3i direct portfolio value by geography and 3i direct portfolio value by sector.

Credit risk

The Group is subject to credit risk on its loans, receivables, cash and deposits. The Group's cash and deposits are held with a variety of counterparties with circa 95% of the Group's surplus cash held on demand in AAA Liquidity funds. The balance is held on short-term deposit with 3i's relationship banks. The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due it is believed that the risk of default is small and that capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the Group's investment. Where the portfolio company has failed or is expected to fail in the next 12 months, the Group's policy is to record a provision for the full amount of the loan. Loan impairments are made when the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment. In these cases a loan impairment is recorded equal to the valuation shortfall. Further information on how credit risk is managed is given in the Risk section. In accordance with IFRS7, the amounts shown as past due represent the total credit exposure, not the amount actually past due.

	Group 2009 not past due £m	Group 2009 up to 12 months past due £m	Group 2009 more than 12 months past due £m	Group 2009 Total £m	Company 2009 not past due £m	Company 2009 up to 12 months past due £m	Company 2009 more than 12 months past due £m	Company 2009 Total £m
Loans and receivables before provisions and impairments	1,749	415	82	2,246	401	99	55	555
Provisions on investments that have failed or expected to fail in the next 12 months	(37)	(3)	(6)	(46)	(13)	(3)	(6)	(22)
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment*	(421)	(280)	(30)	(731)	(158)	(48)	(24)	(230)
Total	1,291	132	46	1,469	230	48	25	303

	Group 2008 not past due £m	Group 2008 up to 12 months past due £m	Group 2008 more than 12 months past due £m	Group 2008 Total £m	Company 2008 not past due £m	Company 2008 up to 12 months past due £m	Company 2008 more than 12 months past due £m	Company 2008 Total £m
Loans and receivables before provisions and impairments	1,772	174	128	2,074	432	83	108	623
Provisions on investments that have failed or expected to fail in the next 12 months	(44)	(1)	(40)	(85)	(6)	(1)	(37)	(44)
Impairments where the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment*	(4)	(31)	(36)	(71)	(9)	(27)	(30)	(66)
Total	1,724	142	52	1,918	417	55	41	513

* Included within impairments not past due for the Group and Company is a £112 million value reduction for variable funding notes relating to the warehouse (2008: £12 million).

17 Financial risk management (continued)

Movements on loan impairments and provisions are shown below.

	Group Provisions £m	Group Impairments £m	Group Total £m	Company Provisions £m	Company Impairments £m	Company Total £m
Balance as at 31 March 2007	(109)	(107)	(216)	(98)	(72)	(170)
Other movements	65	74	139	60	30	90
Charged to income statement in year	(41)	(38)	(79)	(6)	(24)	(30)
Balance as at 31 March 2008	(85)	(71)	(156)	(44)	(66)	(110)
Other movements	85	175	260	33	77	110
Charged to income statement in year	(46)	(835)	(881)	(11)	(241)	(252)
Balance as at 31 March 2009	(46)	(731)	(777)	(22)	(230)	(252)

Liquidity risk

Further information on how liquidity risk is managed is provided in the Risk section. The table below analyses the maturity of the Group's contractual liabilities.

Financial liabilities (excluding currency swaps and forward foreign exchange contracts)

As at 31 March 2009	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	41	76	184	1,161	1,462	41	76	184	1,161	1,462
Variable loan notes	142	21	691	–	854	142	21	691	–	854
Convertible Bond 2011 £430 million 3.625%	15	15	438	–	468	15	15	438	–	468
Committed multi-currency facility	7	349	–	–	356	2	73	–	–	75
Euro commercial paper	240	–	–	–	240	240	–	–	–	240
Interest rate swaps	10	14	11	8	43	10	14	11	8	43
Equity element of Convertible Bond	–	–	2	–	2	–	–	2	–	2
Carried interest payable within one year	61	–	–	–	61	61	–	–	–	61
Total	516	475	1,326	1,169	3,486	511	199	1,326	1,169	3,205

Currency swaps and forward foreign exchange contracts

As at 31 March 2009	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross amount receivable from currency swaps	258	–	–	–	258	258	–	–	–	258
Gross amount receivable from forward foreign currency contracts	220	–	–	–	220	220	–	–	–	220
Total amount receivable	478	–	–	–	478	478	–	–	–	478
Gross amount payable for currency swaps	(305)	–	–	–	(305)	(305)	–	–	–	(305)
Gross amount payable for forward foreign currency contracts	(214)	–	–	–	(214)	(214)	–	–	–	(214)
Total amount payable	(519)	–	–	–	(519)	(519)	–	–	–	(519)
Total net amount payable	(41)	–	–	–	(41)	(41)	–	–	–	(41)

17 Financial risk management (continued)

Financial liabilities (excluding currency swaps and forward foreign exchange contracts)

As at 31 March 2008	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross commitments:										
Fixed loan notes	39	39	165	1,198	1,441	39	39	165	1,198	1,441
Variable loan notes	131	114	437	–	682	131	114	437	–	682
Convertible bond 2008 €550 million 1.375%	437	–	–	–	437	437	–	–	–	437
Committed multi-currency facility	19	19	385	–	423	4	4	89	–	97
Euro commercial paper	267	–	–	–	267	267	–	–	–	267
Interest rate swaps	(1)	8	17	9	33	(1)	8	17	9	33
Equity element of Convertible Bond	6	–	–	–	6	6	–	–	–	6
Carried interest payable within one year	140	–	–	–	140	–	–	–	–	–
Total	1,038	180	1,004	1,207	3,429	883	165	708	1,207	2,963

Currency swaps and forward foreign exchange contracts.

As at 31 March 2008	Group due within 1 year £m	Group due between 1 and 2 years £m	Group due between 2 and 5 years £m	Group due greater than 5 years £m	Group Total £m	Company due within 1 year £m	Company due between 1 and 2 years £m	Company due between 2 and 5 years £m	Company due greater than 5 years £m	Company Total £m
Gross amount receivable from currency swaps	2,290	–	–	–	2,290	2,290	–	–	–	2,290
Gross amount receivable from forward foreign currency contracts	347	–	–	–	347	347	–	–	–	347
Total amount receivable	2,637	–	–	–	2,637	2,637	–	–	–	2,637
Gross amount payable for currency swaps	(2,354)	–	–	–	(2,354)	(2,354)	–	–	–	(2,354)
Gross amount payable for forward foreign currency contracts	(346)	–	–	–	(346)	(346)	–	–	–	(346)
Total amount payable	(2,700)	–	–	–	(2,700)	(2,700)	–	–	–	(2,700)
Total (net) amount payable	(63)	–	–	–	(63)	(63)	–	–	–	(63)

Market risk

The valuation of the Group's investment portfolio is largely dependent on the underlying trading performance of the companies within the portfolio but the valuation and other items in the financial statements can also be affected by interest rate, currency and quoted market fluctuations. The Group's sensitivity to these items is set out below.

(i) Interest rate risk

Further information on how interest rate risk is managed is provided in the Risk section. The direct impact of a movement in interest rates is relatively small. An increase of 100 Basis Points would lead to an approximate exposure of £5 million (2008: £4 million) for the Group and £3 million (2008: £1 million) for the Company. This exposure arises principally from changes in interest payable and receivable on floating rate and short-term instruments and changes in the fair value of interest rate derivatives held at the year end. In addition the Group and Company have indirect exposure to interest rates through changes to the financial performance of portfolio companies caused by interest rate fluctuations.

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 2009 Sterling £m	Group 2009 Euro £m	Group 2009 US dollar £m	Group 2009 Swedish krona £m	Group 2009 Indian rupee £m	Group 2009 Swiss franc £m	Group 2009 Other £m	Group 2009 Total £m
Net assets	750	176	707	(75)	97	(8)	(215)	1,862

Sensitivity analysis

Assuming a 5% movement in exchange rates against sterling:

Impact on exchange movements in the income statement	n/a	58	107	(11)	(2)	30	n/a	182
Impact on the translation of foreign operations in statement of recognised income and expense	n/a	(46)	(79)	10	7	(30)	n/a	(138)
Total	n/a	12	28	(1)	5	–	–	44

	Company 2009 Sterling £m	Company 2009 Euro £m	Company 2009 US dollar £m	Company 2009 Swedish krona £m	Company 2009 Indian rupee £m	Company 2009 Swiss franc £m	Company 2009 Other £m	Company 2009 Total £m
Net assets	1,007	390	912	19	–	(147)	97	2,278

Sensitivity analysis

Impact on exchange movements in the income statement assuming a 5% movement in exchange rates against sterling

	n/a	14	40	5	–	(8)	7	58
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	Group 2008 Sterling £m	Group 2008 Euro £m	Group 2008 US dollar £m	Group 2008 Swedish krona £m	Group 2008 Indian rupee £m	Group 2008 Swiss franc £m	Group 2008 Other £m	Group 2008 Total £m
Net assets	4,077	(24)	91	(14)	(67)	(6)	–	4,057

Sensitivity analysis

Assuming a 5% movement in exchange rates against sterling:

Impact on exchange movements in the income statement	n/a	10	25	(1)	(5)	–	n/a	29
Impact on the translation of foreign operations in statement of recognised income and expense	n/a	(17)	(19)	–	–	–	n/a	(36)
Total	n/a	(7)	6	(1)	(5)	–	n/a	(7)

	Company 2008 Sterling £m	Company 2008 Euro £m	Company 2008 US dollar £m	Company 2008 Swedish krona £m	Company 2008 Indian rupee £m	Company 2008 Swiss franc £m	Company 2008 Other £m	Company 2008 Total £m
Net assets	4,125	203	238	(89)	(281)	(184)	(82)	3,930

Sensitivity analysis

Impact on exchange movements in the income statement assuming a 5% movement in exchange rates against sterling

	n/a	2	8	(5)	(15)	(10)	n/a	(20)
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17 Financial risk management (continued)

(iii) Price risk – market fluctuations

Further information about the management of price risk, which arises principally from quoted and unquoted equity investments, is provided in the Risk section. A 5% change in the fair value of those investments would have the following direct impact on the income statement:

	2009 Quoted equity £m	2009 Unquoted equity £m	2009 Total £m	2008 Quoted equity £m	2008 Unquoted equity £m	2008 Total £m
Group	30	96	126	44	160	204
Company	28	33	61	39	53	92

In addition, other price risk arises from carried interest balances and the derivative element of the Convertible Bonds.

18 Derivative financial instruments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current assets				
Forward foreign exchange contracts	7	5	7	5
Currency swaps	–	8	–	8
Interest rate swaps	–	11	–	11
Call options	3	–	3	–
	10	24	10	24
Current liabilities				
Forward foreign exchange contracts	(2)	–	(2)	–
Currency swaps	(46)	(79)	(46)	(79)
Interest rate swaps	(59)	(23)	(59)	(23)
Derivative element of Convertible Bonds	(3)	(6)	(3)	(6)
Call options	(2)	–	(2)	–
	(112)	(108)	(112)	(108)

Forward foreign exchange contracts and currency swaps

The Group has historically used forward exchange contracts and currency swaps to minimise the effect of fluctuations in the value of the investment portfolio from movements in exchange rates. During the year the decision was taken to unwind these positions and consequently the income statement is currently subject to these movements. Foreign currency interest-bearing loans and borrowings continue to be used to partially hedge the portfolio.

The contracts entered into by the Group are principally denominated in the currencies of the geographic areas in which the Group operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the income statement.

At the balance sheet date, the notional amount of outstanding forward foreign exchange contracts is as follows:

	2009 £m	2008 £m
Currency swaps	259	2,322
Forward foreign currency contracts	198	346
	457	2,668

18 Derivative financial instruments (continued)

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its interest-bearing loans and borrowings. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the income statement.

At the balance sheet date, the notional amount of outstanding interest rate swaps is as follows:

	2009 £m	2008 £m
Variable rate to fixed rate	634	510
Variable rate to variable rate	150	150
	784	660

The Group does not trade in derivatives. In general, derivatives held hedge specific exposures and have maturities designed to match the exposures they are hedging. It is the intention to hold both the financial instruments giving rise to the exposure and the derivative hedging them until maturity and therefore no net gain or loss is expected to be realised.

The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the income statement.

As a result of the bankruptcy filing in the US by Lehman Brothers in September 2008 and insolvency proceedings being commenced in respect of a number of its affiliates, the Company terminated the call spread overlay arrangements it had entered into with Lehman Brothers International (Europe) in May 2008 as part of the £430 million 3.625% three year Convertible Bond issued by the Company. Termination of this call spread overlay arrangement resulted in a £12 million adjustment to the fair value of derivatives. The original call spread overlay arrangement with Lehman Brothers International (Europe) has been replaced at a net cost of £13 million with an equivalent arrangement with another counterparty, which will continue to offset the volatility within the Convertible Bond.

19 Loans and borrowings

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Loans and borrowings are repayable as follows:				
Within one year	349	373	349	373
In the second year	379	92	108	92
In the third year	35	394	35	109
In the fourth year	500	398	500	398
In the fifth year	279	25	279	25
After five years	600	600	600	600
	2,142	1,882	1,871	1,597

Principal borrowings include:

	Rate	Maturity	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Issued under the £2,000 million note issuance programme						
Fixed rate						
£200 million notes (public issue)	6.875%	2023	200	200	200	200
£400 million notes (public issue)	5.750%	2032	400	400	400	400
Other			105	50	105	50
Variable rate						
€500 million notes (public issue)	EURIBOR+ 0.100%	2012	465	398	465	398
Other			389	195	389	195
			1,559	1,243	1,559	1,243
Committed multi-currency facilities						
£486 million	LIBOR+ 0.210%	2010	200	200	–	–
£150 million	LIBOR+ 0.175%	2010	143	169	73	85
			343	369	73	85
Other						
Euro commercial paper			239	269	239	269
Finance lease obligations			1	1	–	–
			240	270	239	269
Total loans and borrowings			2,142	1,882	1,871	1,597

The drawings under the committed multi-currency facilities are repayable within one year but have been classified as repayable at the maturity date as immediate replacement funding is available until those maturity dates. The undrawn commitment fee on the £150 million committed multi-currency facility is 0.05%. The margin on this facility increases to 0.20% if the drawn amount is greater than 50% of the facility. The £143 million liability on the £150 million multi-currency facility represents a 1.7 billion Swedish Krona drawing being re-translated at the year end exchange rate. The undrawn commitment fee on the £486 million committed multi-currency facility is 0.08%. The margin on this facility increases to 0.235% if the drawn amount is between 33% and 66% of the facility, and to 0.26% if the drawn amount is greater than 66% of the facility.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £1,922 million (2008: £1,840 million), determined where applicable with reference to their published market price.

20 Convertible Bonds

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Opening balance	433	363	433	363
Amortisation on €550 million convertible	4	7	4	7
Amortisation on £430 million convertible	16	–	16	–
Exchange movements on €550 million convertible	(3)	63	(3)	63
Repayments during the year	(434)	–	(434)	–
New borrowings during the year	368	–	368	–
Closing balance	384	433	384	433

On 1 August 2008 the Group repaid its €550 million 1.375% 5-year convertible. The convertible element of the €550 million bond was cash settled. On 29 May 2008 a £430 million three year 3.625% convertible bond was raised. The derivative element of the £430 million convertible bond is cash settled. The Group share price on issue was £8.86 and the conversion price for bondholders is £11.32.

On issue, part of the proceeds was recognised as a derivative financial instrument and the remaining amount recognised as a loan held at amortised cost with an effective interest rate of 8.5%. The fair value of the loan at 31 March 2009 was £341 million and is determined by its published market price.

21 B shares

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Opening balance	21	11	21	11
Issued	–	808	–	808
Repurchased and cancelled	(9)	(798)	(9)	(798)
Closing balance	12	21	12	21

The Company repurchased and cancelled 7,260,201 B shares on 28 July 2008. The Company expects to make further purchase offers in July 2009.

22 Subordinated liabilities

	Group 2009 £m	Group 2008 £m
Subordinated liabilities are repayable as follows:		
After five years	7	14

Subordinated liabilities comprise limited recourse funding from Kreditanstalt für Wiederaufbau ("KfW"), a German federal bank. Repayment of the funding, which individually finances investment assets, is dependent upon the disposal of the associated assets. This funding is subordinated to other creditors of the German subsidiaries to which these funds have been advanced and in certain circumstances become non-repayable should assets fail.

23 Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Other accruals	255	166	144	67
Amounts due to subsidiaries	–	–	214	241
	255	166	358	308

24 Provisions

	Group 2009 Property £m	Group 2009 Redundancy £m	Group 2009 Total £m
Opening balance	7	7	14
Charge for the year	7	11	18
Utilised in the year	(4)	(5)	(9)
Closing balance	10	13	23

	Group 2008 Property £m	Group 2008 Redundancy £m	Group 2008 Total £m
Opening balance	7	11	18
Charge for the year	2	6	8
Utilised in the year	(2)	(10)	(12)
Closing balance	7	7	14

The provision for redundancy relates to staff reductions announced prior to 31 March 2009. Most of the provision is expected to be utilised in the next year.

The Group has a number of leasehold properties whose rent and unavoidable costs exceed the economic benefits expected to be received. These costs arise over the period of the lease, and have been provided for to the extent they are not covered by income from subleases. The leases covered by the provision have a remaining term of up to 15 years.

25 Issued capital

Authorised	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of 73 ¹⁹ / ₂₂ p	555,076,720	410	555,076,720	410
B shares of 1p	660,000,000	7	660,000,000	7
Unclassified shares of 10p	1,000,000	0.1	1,000,000	0.1

Issued and fully paid	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of 62⁶⁹/₈₈ p				
Opening balance	–	–	461,106,007	289
Issued on exercise of share options and under the 3i Group Share Incentive Plan	–	–	1,794,733	2
Share consolidation	–	–	(462,900,740)	(291)
Closing balance	–	–	–	–

During the period 1 April 2007 to 15 July 2007, the Company issued shares for cash on the exercise of share options at various prices from 512p to 1,012p per share.

On 16 July 2007, the Company consolidated its issued share capital on the basis of 17 ordinary shares of 73¹⁹/₂₂ p each for every 20 ordinary shares of 62⁶⁹/₈₈ p each held. This occurred immediately following the issue of the B shares.

During the period 16 July 2007 to 31 March 2008 the Company issued shares for cash on exercise of share options at various prices from 470p to 895p per share.

25 Issued capital (continued)

During the period 16 July 2007 to 31 March 2008, the Company issued shares for cash on exercise of share options at various prices from 470p to 895p per share.

Issued and fully paid	2009 Number	2009 £m	2008 Number	2008 £m
Ordinary shares of 73 ¹⁹ / ₂₂ p				
Opening balance	382,741,094	283	–	–
Share consolidation	–	–	393,465,629	291
Issued on exercise of share options, conversion of bonds, and under the 3i Group Share Incentive Plan	1,229,786	1	1,275,465	1
Shares cancelled	–	–	(12,000,000)	(9)
Closing balance	383,970,880	284	382,741,094	283

During the period 1 April 2008 to 31 March 2009, the Company issued shares for cash on the exercise of share options at various prices from 567p to 728p per share.

26 Equity

Year to 31 March 2009										
Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at start of year	283	397	42	21	11	3,026	359	–	(82)	4,057
Equity settled call option								5		5
Total recognised income and expense					(190)	(2,059)	99			(2,150)
Share-based payments				3						3
Release on exercise/forfeiture of share options				(4)		1			3	–
Ordinary dividends							(64)			(64)
Issue of ordinary shares	1	8								9
Own shares									2	2
Total equity at end of year	284	405	42	20	(179)	968	394	5	(77)	1,862

* Other reserves include the cost of the option relating to the call spread overlay set up as part of the £430 million Convertible Bond. This equity settled element of the call spread overlay has a strike price of £14.09 and 9,498,061 exercisable shares.

Year to 31 March 2008										
Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Other reserves £m	Own shares £m	Total equity £m
Total equity at start of year	289	387	27	18	5	3,280	318		(75)	4,249
Total recognised income and expense					6	675	111			792
Share-based payments				8						8
Release on exercise/forfeiture of share options				(5)		(1)			6	–
Ordinary dividends							(70)			(70)
Issue of ordinary shares	3	16								19
Issue of B shares		(6)	6			(808)				(808)
Buy-back of ordinary shares	(9)		9		(120)					(120)
Own shares									(13)	(13)
Total equity at end of year	283	397	42	21	11	3,026	359		(82)	4,057

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 start of year	283	397	42	21	2,877	310		3,930
Equity settled call option							5	5
Total recognised income and expense					(1,625)	20		(1,605)
Share-based payments				3				3
Release on exercise/forfeiture of share options				(4)	4			–
Ordinary dividends						(64)		(64)
Issue of ordinary shares	1	8						9
Total equity at end of year	284	405	42	20	1,256	266	5	2,278

Year to 31 March 2008								
Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Capital reserve £m	Revenue reserve £m		Total equity £m
Total equity at start of year	289	387	27	18	3,013	286		4,020
Total recognised income and expense					787	94		881
Share-based payments				8				8
Release on exercise/forfeiture of share options				(5)	5			–
Ordinary dividends						(70)		(70)
B share issue		(6)	6		(808)			(808)
Issue of ordinary shares	3	16						19
Buy-back of ordinary shares	(9)		9		(120)			(120)
Total equity at end of year	283	397	42	21	2,877	310		3,930

Capital redemption reserve

The capital redemption reserve is established in respect of the redemption of the Company's ordinary shares.

Share-based payment reserve

The share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments.

Translation reserve

The translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations.

Capital reserve

The capital reserve recognises all profits that are capital in nature or have been allocated to capital. These profits are not distributable by way of dividend.

Revenue reserve

The revenue reserve recognises all profits that are revenue in nature or have been allocated to revenue.

27 Own shares

	2009 £m	2008 £m
Opening cost	82	75
Additions	–	21
Disposals	(5)	(14)
Closing cost	77	82

Own shares consists of shares in 3i Group plc held by The 3i Group Employee Trust. As at 31 March Trust held 10,259,767 shares in 3i Group plc (2008:10,867,901). The market value of these shares at 31 March 2009 was £28 million (2008: £90 million). The market value of these shares at 31 March 2009 was £28 million (2008: £90 million). The Trust is funded by an interest-free loan from 3i Group plcc.

28 Per share information

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

	2009	2008
Earnings per share (pence)		
Basic	(522.2)	207.9
Diluted	(522.2)	173.4
Earnings (£m)		
(Loss)/profit for the year attributable to equity holders of the Company	(1,948)	828
Effect of dilutive ordinary shares	–	(87)
	(1,948)	741

	2009 Number	2008 Number
Weighted average number of shares in issue		
Ordinary shares	383,495,547	408,633,804
Own shares	(10,465,956)	(10,458,932)
	373,029,591	398,174,872
Effect of dilutive potential ordinary shares		
Share options*	–	4,663,864
Convertible bonds	–	24,408,684
Diluted shares	373,029,591	427,247,420

* The potential effect of share options is excluded from the dilution calculation, as the impact is anti-dilutive.

	2009	2008
Net assets per share (pence)		
Basic	498	1,091
Diluted	496	1,077
Net assets (£m)		
Net assets attributable to equity holders of the Company	1,862	4,057

	2009 Number	2008 Number
Number of shares in issue		
Ordinary shares	383,970,880	382,741,094
Own shares	(10,259,767)	(10,867,901)
	373,711,113	371,873,193
Effect of dilutive potential ordinary shares		
Share options	1,399,354	4,954,110
Diluted shares	375,110,467	376,827,303

29 Dividends

	2009 pence per share	2009 £m	2008 pence per share	2008 £m
Declared and paid during the year				
Ordinary shares				
Final dividend	10.9	41	10.3	47
Interim dividend	6.3	23	6.1	23
	17.2	64	16.4	70
Proposed dividend	–	–	10.9	42

30 Operating leases

Leases as lessee

Future minimum payments due under non-cancellable operating lease rentals are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Less than one year	14	13	–	–
Between one and five years	37	38	–	–
More than five years	37	44	–	–
	88	95	–	–

The Group leases a number of its offices under operating leases. None of the leases include contingent rentals.

During the year to 31 March 2009, £15 million (2008: £14 million) was recognised as an expense in the income statement in respect of operating leases. £1 million (2008: £1 million) was recognised as income in the income statement in respect of subleases.

31 Commitments

	Group 2009 due within one year £m	Group 2009 due 2-5 years £m	Group 2009 due over 5 years £m	Total £m
Equity and loan investments	331	57	2	390

	Group 2008 due within one year £m	Group 2008 due 2-5 years £m	Group 2008 due over 5 years £m	Total £m
Equity and loan investments	220	126	10	356

	Company 2009 due within one year £m	Company 2009 due 2-5 years £m	Company 2009 due over 5 years £m	Total £m
Equity and loan investments	143	31	2	176

	Company 2008 due within one year £m	Company 2008 due 2-5 years £m	Company 2008 due over 5 years £m	Total £m
Equity and loan investments	95	78	1	174

32 Contingent liabilities

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	6	15	1	6

The Company has guaranteed the payment of principal, premium if any, and interest on all the interest rate swap agreements of 3i Holdings plc.

The Company has guaranteed the payment of principal and interest on amounts drawn down by 3i Holdings plc under the £150 million and the £486 million revolving credit facilities. At 31 March 2009, 3i Holdings plc had drawn down £72 million (2008: £84 million) under the first facility and £200 million (2008: £200 million) under the second facility.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan in respect of liabilities of 3i plc to the Plan. 3i plc is the sponsor of the 3i Group Pension Plan.

At 31 March 2009, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

33 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio, its advisory arrangements and its key management personnel. In addition the Company has related parties in respect of its subsidiaries.

Limited partnerships

The Group manages a number of third-party funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Income statement				
Carried interest receivable	(3)	60	(3)	60
Fees receivable from external funds	53	60	–	–
Balance sheet				
Carried interest receivable	44	75	44	75

Investments

The Group makes minority investments in the equity of unquoted and quoted investments. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts included for these investments are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Income statement				
Realised profit over value on the disposal of investments	151	369	2	180
Unrealised (losses)/profits on the revaluation of investments	1,372	196	(421)	59
Portfolio income	138	204	45	65
Balance sheet				
Quoted equity investments	496	661	487	654
Unquoted equity investments	1,224	1,990	502	738
Loans and receivables	1,219	1,679	8	323

From time to time transactions occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. There has been no single transaction in the year with a material effect on the Group's financial statements and all such transactions are fully included in the above disclosure.

33 Related parties (continued)

Advisory arrangements

The Group acts as an adviser to 3i Infrastructure plc and 3i Quoted Private Equity plc, companies listed on the London Stock Exchange. The following amounts have been included in respect of these advisory relationships:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Income statement				
Unrealised losses on the revaluation of investments	(47)	(11)	(47)	(11)
Fees receivable from external funds	19	12	19	12
Dividends	17	6	17	6

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Balance sheet				
Quoted equity investments	395	503	395	503

Key management personnel

The Group's key management personnel comprises the members of Management Committee and the Board's non-executive Directors.

	Group 2009 £m	Group 2008 £m
Income statement		
Salaries, fees, supplements and benefits in kind	6	5
Bonuses and deferred share bonuses	1	12
Increase in accrued pension	–	–
Carried interest payable	(1)	19
Share-based payments	2	4
Termination benefits	3	–

	Group 2009 £m	Group 2008 £m
Balance sheet		
Bonuses and deferred share bonuses	1	12
Carried interest payable within one year	4	11
Carried interest payable after one year	7	11

Carried interest paid in the year to key management personnel was £14 million (2008: £18 million).

Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties of the Company, are eliminated on consolidation. Details of related party transactions between the Company and its subsidiaries are detailed below.

Management, administrative and secretarial arrangements

The Company has appointed 3i Investments plc, a wholly owned subsidiary of the Company incorporated in England and Wales, as investment manager of the Group. 3i Investments plc received a fee of £39 million (2008: £39 million) for this service.

The Company has appointed 3i plc, a wholly owned subsidiary of the Company incorporated in England and Wales, to provide the Company with a range of administrative and secretarial services. 3i plc received a fee of £143 million (2008: £223 million) for this service.

Investment entities

The Company makes investments through a number of subsidiaries by providing funding in the form of capital contributions or loans depending on the legal form of the entity making the investment. The legal form of these subsidiaries may be limited partnerships or limited companies or equivalent depending on the jurisdiction of the investment. The Company receives interest on this funding, amounting in 2009 to £1 million (2008: £1 million).

Other subsidiaries

The Company borrows funds from certain subsidiaries and pays interest on the outstanding balances. The amounts that are included in the Company's income statement are £nil million (2008: £1 million).

34 Post balance sheet events

UK Defined Benefit Scheme

Since the balance sheet date the Group has agreed with the Trustees of the 3i Group Pension plan to provide additional contributions of £25.0 million per annum to the plan over the next two financial years to 31 March 2011. These contributions are incremental to the contributions agreed in September 2008 of £20.4 million per annum over five years. Under IFRIC 14 the Group is required to assess whether any additional contributions would result in a pension surplus arising where the full economic benefit is not available to the company. The potential impact of this on the financial statements in future accounting periods would be to increase both the pension liability and the actuarial loss recognised in the financial statements.

3i Quoted Private Equity

On 23 February 2009, the Boards of 3i QPEP and 3i announced proposals for the acquisition of the assets of 3i QPEP by 3i to be effected by way of a solvent winding up of 3i QPEP. On 28 April 2009, at an EGM of 3i QPEP, shareholders passed the resolutions which supported the proposal. Under the terms of the scheme each independent non-3i shareholder became entitled to 50p in cash and 0.1706 of a new Ordinary Share. The financial impact of this transaction being that 3i issued 37.6 million new Ordinary Shares, representing 8.9% of 3i's post-transaction issued share capital, received net cash proceeds of £110 million (being the difference between the cash consideration paid to the 3i QPEP shareholders (£110 million) and the cash on the Balance Sheet of 3i QPEP (£220 million)) and took ownership of the investment assets of 3i QPEP (£148 million).

Rights Issue

On 8 May the Group announced that it was proposing to raise up to £732 million (before expenses) by way of a rights issue. Under the rights issue, the Board is proposing to issue 542 million new ordinary shares at 135p per new ordinary share on the basis of nine new ordinary shares for every seven ordinary shares held.

35 Group entities

Significant subsidiaries

Name	Country of incorporation	Issued and fully paid share capital	Principal activity	Registered office
3i Holdings plc	England and Wales	1,000,000 shares of £1	Holding company	16 Palace Street London SW1E 5JD
3i International Holdings	England and Wales	2,715,973 shares of £10	Holding company	
3i plc	England and Wales	110,000,000 shares of £1	Services	
3i Investments plc	England and Wales	10,000,000 ordinary shares of £1	Investment manager	
3i Europe plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Nordic plc	England and Wales	500,000 ordinary shares of £1	Investment adviser	
3i Asia Pacific plc	England and Wales	140,000 ordinary shares of £1	Investment adviser	
Gardens Pension Trustees Limited	England and Wales	100 ordinary shares of £1	Pension fund trustee	
3i Corporation	USA	15,000 shares of common stock (no par value)	Investment manager	375 Park Avenue Suite 3001 New York NY 10152 USA
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	Germany	€25,564,594	Investment manager	Bockenheimer Landstrasse 55 60325 Frankfurt am Main, Germany
3i Gestion SA	France	1,762,500 shares of €10	Investment manager	3 rue Paul Cezanne Paris, 75008 France

The list above comprises the principal subsidiary undertakings as at 31 March 2009 all of which were wholly owned. They are incorporated in Great Britain and registered in England and Wales unless otherwise stated.

Each of the above subsidiary undertakings is included in the consolidated accounts of the Group.

As at 31 March 2009, the entire issued share capital of 3i Holdings plc was held by the Company. The entire issued share capital of all the other principal subsidiary undertakings listed above was held by subsidiary undertakings of the Company, save that four shares in 3i Gestion SA were held by individuals associated with the Group.

The Directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 5 to the Companies Act 1985 is such that compliance would result in information of excessive length being given. Full information will be annexed to the Company's next annual return.

Advantage has been taken of the exemption conferred by regulation 7 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993 from the requirements to deliver to the Register of Companies and publish the accounts of those limited partnerships included in the consolidated accounts of the Group.

Audit report for the year ended 31 March 2009

Independent auditors' report to the members of 3i Group plc

We have audited the Group and parent company financial statements (the "financial statements") of 3i Group plc for the year ended 31 March 2009 which comprise the Consolidated income statement, the Group and parent company Balance sheets, the Group and parent company Cash flow statements, the Group and parent company Reconciliation of movements in equity, the Group and parent company Statement of recognised income and expense and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the corporate governance information reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, and portfolio and additional information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP

Registered auditor

London

The sections entitled "Portfolio valuation – an explanation", "Risk" and "Directors Remuneration Report" are included in this Part 5 because they are referred to in the audited financial statements and/or the accompanying notes to the financial statements set out in this Part 5 and are considered part of such financial statements and accompanying notes covered by Ernst & Young's audit opinion.

Portfolio valuation – an explanation

Our policy is to value 3i's investment portfolio at fair value and achieve this by valuing individual investments on an appropriate basis using a consistent methodology across the portfolio. The following guide explains the valuation methods used.

What is fair value?

Fair value is the value of an asset or liability in an arm's-length transaction between two willing and knowledgeable parties. This generally provides the best estimate of what we would receive if we sold the investment at the date of valuation. The Group's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), many of which are based on the concept of fair value.

Does 3i follow industry guidelines?

Yes. The Group complies with all material aspects of the International Private Equity and Venture Capital ("IPEVC") valuation guidelines. The IPEVC valuation guidelines specify the valuation methodology which is most appropriate to individual investments at a particular point in time.

Is an investment valued on the same basis throughout the period 3i is invested?

3i carries out a detailed valuation of its investment portfolio twice yearly. At each valuation point the investment is valued on the most appropriate basis. For example, if a portfolio company lists its shares on a stock exchange it would be valued on a quoted basis at the next valuation.

How are quoted investments valued?

Quoted investments are valued at closing bid price at the date of valuation. No discounts are applied for illiquidity of the stock or dealing restrictions, such as lock-up periods, provided investments are traded on an active stock market.

How are unquoted investments valued?

The IPEVC valuation guidelines recommend a number of different valuation methods for unquoted investments:

- Cost;
- Earnings;
- Net assets;
- Price of recent investment; or
- Imminent sale or IPO.

With effect from 31 March 2009 3i only uses cost as the most appropriate estimate of fair value until the first update on an investment's trading performance unless there is a significant downward movement in public markets

What proportion of the portfolio is valued on each valuation basis?

The portfolio for the year ended 31 March 2009 is valued on the following basis:

What proportion of the portfolio is valued on each valuation basis?

The portfolio for the year ended 31 March 2009 is valued on the following basis:



Note: Cost includes unquoted equity investments and loans and receivables.

Under what circumstances would an investment be valued on a cost basis?

Immediately after investing 3i's cost is the best estimate of fair value. Once we receive a full set of audited accounts the investment will be valued on an earnings basis. However, if we receive a set of accounts from the company that shows worse performance, or if there is a significant downward movement in public markets, the investment will be valued on a market adjustment basis. Under the market adjustment basis, the total enterprise value at acquisition is simply adjusted for the change in multiples (no marketability discount is applied) since our initial investment and 3i's share of the enterprise value is recomputed.

What does valuing an investment on an earnings basis actually mean?

The "earnings" basis is a very common basis of valuing unquoted companies when they are being bought or sold. Essentially a multiple is applied to the earnings of the company, to calculate an enterprise value. This enterprise value is the total value of the investment, including debt, any preferred financial instruments and equity. Before calculating the value of 3i's shareholding in the company, the debt and any preferred instruments need to be deducted from the enterprise value. The total value of 3i's investment is then the value of its equity plus any debt or preferred financial instruments that are due to 3i.

How do we calculate 3i's share of the enterprise value?

We allocate the enterprise value to financial instruments which rank above 3i, such as senior loans. We generally apply a marketability discount of 10%-30% in accordance with the IPEVC valuation guidelines. We then allocate the remaining balance between 3i and other holders of equal ranking and subordinated instruments such as preference shares and equity consistent with the capital structure of the investee company.

What level of marketability discount is applied?

The marketability discount of 10% to 50% is based on the Group's influence over the exit prospects and timing for the company. A greater influence gained through a greater equity holding implies a smaller discount. In a small number of cases a greater discount may be applied if there are particular factors affecting the ability to sell. Most marketability discounts applied are either 15% or 25%.

What happens if 3i's share of the enterprise value is less than the loan amount?

This implies that there is a shortfall in the value of the loan. A decision based on the performance of the investment and the likelihood of full repayment is then taken as to whether to recognise this shortfall. Any shortfall recognised is shown as an impairment.

How do we value loans?

We value loans using the "amortised cost" method, which is in accordance with IFRS. The amortised cost represents the amount at which the loan is measured at initial recognition, less principal repayments taking into account any premium or discount on the original loan amount. Effectively, this is cost less any impairment recognised. Interest income is recognised using the effective interest rate based on all the loan's cash flows.

How are earnings defined?

The objective is to use maintainable earnings of the company in which 3i is invested. These are the "normal" earnings of the company, and are calculated by removing any ad hoc amounts included in the current year figures, such as profits on disposal of fixed assets or one-off expenses. A common measure of earnings used for this calculation is earnings before interest and tax: "EBIT". Other measures used are earnings before interest, tax, depreciation and amortisation: "EBITDA", or profit after tax. These figures are usually taken from the latest audited accounts, which cover a period of at least six months since the date of investment. We take into account more recent management accounts, and forecasts from management and 3i. Where those indicate a rapid change in performance, we may use forecast earnings as the basis for estimating fair value.

Which multiple is appropriate to use?

Multiples need to be consistent with the measure of earnings chosen. Therefore EBIT Multiples must be used with EBIT, EBITDA multiples with EBITDA and Price Earnings ("PE") multiples used with profit after tax. Similarly, multiples are selected based on actually realised or forecast earnings (historical or forward looking multiples). The multiple used can be calculated using recent transaction information, external valuations or quoted sector multiples. In general we value a company based on an average multiple from a selection of comparable companies, using a broader sector multiple as a cross check.

What happens if an investment is reporting a loss?

One of the other valuation methodologies can be used. For example the valuation can be prepared on a net asset basis.

What happens if the investment is failing?

If a company is failing or we consider that there is a 50% chance or more that it will fail within the next 12 months, the equity element is valued at nil, and any loan element is valued at the lower of cost or net recoverable amount.

When is the price of recent investment basis used?

Some investments have a number of financing rounds during the life of the investment. The last round of financing can be used as a reference point to calculate fair value. To change the value of an investment, the round of financing must have external parties investing.

What is the "other" basis of valuation?

"Other" includes DCF calculations, which estimate the present value of an investment's future cash flows. This methodology is most appropriate where cash flows over the life of an investment are relatively predictable. This basis is commonly used for infrastructure investments, which are usually held over a long period of time and generate regular and predictable cash flows. "Other" could also include investments in funds, valued based on 3i's share of net assets, or investments in sectors such as insurance where industry specific benchmarks are used.

What happens if an investment is in the process of being sold?

When an investment is in an advanced sales process, we will use the imminent sale basis of valuation, which uses the expected proceeds from the sale, applying a 10% discount until we actually receive the sale proceeds. We will consider the potential effect of completion conditions before moving an asset to this basis.

Risk

Introduction

This section sets out the main elements of 3i's risk management framework together with a description of the main inherent risks factors facing the Group, and a review of the evolution and management of the Group's key risks during the year.

Risk management framework

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

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

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

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

Risk governance

Group Risk Management Committee <ul style="list-style-type: none"> — Responsible for overall risk management process — Monitors changes in external risk environment — Reviews reports from Investment, Operational and Financial Risk Committees — Reports to Audit and Compliance Committee 	
Investment Committee <ul style="list-style-type: none"> — Takes or recommends investment decisions on individual opportunities 	Conflicts Committee Decides issues on conflicts arising in investment process and other areas Health and Safety Committee Reviews Health and Safety arrangements and policy Monitors implementation and performance Corporate Responsibility Committee Recommends socially responsible investment policy Identifies and promotes awareness of corporate responsibility and developments, opportunities and risks Regulatory Risk Forum Provides regulatory input to investment policy Identifies and promotes awareness of regulatory developments and risks
Operational Risk Committee <ul style="list-style-type: none"> — Provides input to the setting of investment policy and guidelines — Deals with all aspects of operational risk 	
Financial Risk Committee <ul style="list-style-type: none"> — Assesses financial risk including treasury and funding risk — Quarterly monitoring of portfolio composition 	

Risk categories

The table below sets out the definitions of each key risk type; the key developments for each category during the year; and a summary of the main risk mitigation processes. The principal components of each risk type are explained, and a commentary on the main changes to the Group's risk profile during the year is provided, in the remainder of this section.

Risk type	Brief description	Risk mitigation
External Risks arising from current, proposed and anticipated political, legal, regulatory, economic and competitor changes	<ul style="list-style-type: none"> – Adverse economic and market conditions impacting (i) liquidity and net debt; (ii) investment levels; (iii) portfolio performance and (iv) valuations – Regulatory developments 	<ul style="list-style-type: none"> – Regular Group Risk Management Committee and Board reviews. – Close monitoring of regulatory and fiscal developments in main markets – Diversified investment portfolio in a range of sectors, with different economic cycles, across geographical markets
Strategic Risks arising from the analysis, design and implementation of the Group's business model and key decisions on the investment levels and capital allocations.	<ul style="list-style-type: none"> – Organisational changes, including changes to senior management – Acceleration or initiation of corporate projects in context of current market 	<ul style="list-style-type: none"> – Monitoring of a range of key performance indicators, forecasts and periodic updates of plans and underlying assumptions – Regular monitoring by Group Risk Management Committee – Monitoring of key projects
Investment Risks in respect of specific asset investment decision, the subsequent performance of an investment or exposure concentration across business line portfolio.	<ul style="list-style-type: none"> – Significantly reduced investment and realisation levels – Impact of current economic environment on portfolio management processes; earnings; leverage; valuation multiples 	<ul style="list-style-type: none"> – Investment Committee approval of all significant investments – Regular asset reviews including risk assessments – Representation by a 3i investment executive on the boards of investee companies – Portfolio is subject to periodic reviews at both the business line and Group levels to monitor exposure to any one sector or geography
Treasury and funding Risks arising from (i) uncertainty in market prices and rates, (ii) an inability to raise adequate funds to meet investment needs or meet obligations as they fall due, or (iii) inappropriate capital structure	<ul style="list-style-type: none"> – Impact of market and economic turbulence on Group's financial position, in particular liquidity and net debt, and currency management 	<ul style="list-style-type: none"> – Credit risk exposure is managed on an asset-specific basis by individual investment managers – Regular Board reviews of the Group's financial resources – Regular reviews of liquidity, gearing, net debt and large currency exposures
Operational Risk arising from inadequate or failed processes, people and systems or from external factors affecting these	<ul style="list-style-type: none"> – Execution of organisational changes and other corporate initiatives 	<ul style="list-style-type: none"> – Line management at all levels is responsible for identifying, assessing, controlling and reporting operational risks – Framework of core values, global policies, a code of business conduct and delegated authorities are in place – Independent internal audit function carries out periodic reviews

External risks

Macroeconomic risks

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

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

Geopolitical risk

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

Government policy and regulation

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

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

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

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

Strategic risks

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

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

Investment risks

Investment decisions

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

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

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

Investment performance

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

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

Investment concentration

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

Investment valuations and exit opportunities

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

Treasury and funding risks

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

Credit risk

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

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

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

Liquidity risk

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

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

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

Price risk

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

Foreign exchange risk

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

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

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

Interest rate risk

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

Operational risks

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

People

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

Business processes

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

Legal and regulatory

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

Review of risks

Evolution of risks during the year

In common with many other businesses, 3i's risk profile has shifted fundamentally due to the unprecedented combination of factors including the collapse of credit markets; high market volatility; complex and unforeseen risk interdependencies; and the onset of recession in the main markets in which the Group operates. The consequences of this combination have, at times, been difficult to predict, particularly in the latter half of the year. Examples include the very significant and rapid deterioration in market multiples, and thus the portfolio valuation, driving up the gearing ratio, and the weakening of sterling resulting in the decision to close out the Group's hedging swap portfolio. In response to

this complexity, weekly special Group Risk Management Committee meetings, chaired by the Chief Executive, were set up in October 2008 at which developments in areas of higher risk are considered, together with the need for further action, with regular updates provided to the Board.

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

Risk management

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

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

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

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

A further priority is to reduce the Group's current level of financial risk, specifically the levels of net debt and unhedged currency exposures, which will partly depend on market conditions outside of 3i's control.

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

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

Finally, corporate responsibility and business sustainability are of increasing importance, particularly when trust in the financial services sector has declined significantly.

Directors' remuneration report

Remuneration Committee

Composition and terms of reference

The Remuneration Committee (the "Committee") comprises independent non-executive Directors, together with Baroness Hogg, the Chairman of the Board. Its members during the year to 31 March 2009 (the "year") were Lord Smith of Kelvin (Committee Chairman), Baroness Hogg, Mr W Mesdag, Mme C J M Morin-Postel and Mr O H J Stocken (who stepped down from the Committee on 31 March 2009). The Committee's terms of reference are available on the Company's website.

Activities during the year

The Committee held five regular scheduled meetings during the year to consider remuneration policy and to determine, on behalf of the Board, the specific remuneration packages and co-investment and carried interest arrangements for executive Directors and other members of Management Committee. Ad hoc meetings were also held to deal with various matters as they arose during the year. The table below shows the attendance of Committee members at the regular scheduled meetings during the year.

Name	Scheduled meetings attended
Lord Smith of Kelvin	5
Baroness Hogg	5
Mr W Mesdag	5
Mme C J M Morin-Postel	5
Mr O H J Stocken	5

Assistance to the Committee

Persons who materially assisted the Committee with advice on Directors' remuneration in the year were: Kepler Associates, external remuneration advisers appointed by the Committee; the Chief Executive, Mr M J Queen from his appointment on 28 January 2009; and, until his resignation from the Board on 27 January 2009, the former Chief Executive, Mr P E Yea. Mr M J Queen and Mr P E Yea did not advise the Committee on their own remuneration. Kepler Associates did not provide any other services to the Group during the year.

Remuneration policy

Executive Directors

The Company's policy is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Variable remuneration linked to performance (comprising discretionary annual cash bonuses, deferred share bonuses and long-term incentives) is intended to form a substantial component of total remuneration. For the Chief Executive and Finance Director, the policy is to provide remuneration competitive with other financial services companies of broadly comparable size, while for any other executive Directors (of which at present there are none) appropriate benchmarks are sought within the private equity industry.

The Company's defined benefit pension scheme has not been offered to new employees joining the Company since 1 April 2006, and all Management Committee members now remaining within it are either subject to the plan earnings cap (currently £123,600) or became subject to a pensionable salary cap in 2004 or 2005.

Long-term incentive arrangements for the Chief Executive and Finance Director consist of share-based schemes; for any other executives on the Board, long-term incentives have recently principally been provided by carried interest or similar plans, for which eligibility is usually determined by commitments to co-invest.

The Committee considered the guidance issued by the Financial Services Authority on remuneration and in particular its emphasis on the need to ensure that remuneration schemes do not incentivise excessive risk taking and short-termism. Most of the long-term variable incentive available within the Group consists of "carried interest", which only delivers on cash-to-cash performance. So far as short-term remuneration is concerned the Committee took the view that the economic conditions of 2008-09, which have had a significant effect on Company performance, required particular restraint with respect to remuneration in general and variable pay in particular. Looking forward, the Company has made no structural changes in remuneration for 2009-10, but will be undertaking a full review of its remuneration policies in the course of the year which may result in changes.

The Committee has also agreed that, going forward, executive Directors will be subject to share ownership and retention guidelines. These will require executive Directors to build up over time, and then maintain, a shareholding equivalent to 1.5 times salary in the Company's shares. Following the introduction of an Employee Share Investment Plan for

employees who invest in the Company's shares following the rights issue, the Committee also proposes to consider the mix of shareholding and co-investment requirements for members of the Management Committee as part of this year's review.

(a) Salaries

The Committee seeks the advice of its remuneration advisers in reviewing salary benchmarks for the Chief Executive and Finance Director (drawn from UK financial services companies of similar market capitalisation). When considering pay increases, the Committee is also sensitive to wider issues, including pay and employment conditions elsewhere in the Group.

Salary increases for the years to 31 March 2009 and 2010

The average percentage increase in base salaries for members of Management Committee (including executive Directors) granted in July 2008 was 4.2% compared with 9.4% for other executive staff. Mrs J S Wilson received an increase of 33% in base salary on her appointment to the Board as Finance Director in October 2008. Mr M J Queen received an increase of 21% on his appointment as Chief Executive in January 2009. No member of Management Committee will receive an increase in base salary in the summer of 2009, except in consequence of promotion to a new role. No executive Director will receive such an increase.

(b) Bonuses

Executive Directors are eligible for discretionary annual bonuses, which are non-pensionable. Target bonuses for each executive Director are determined by the Committee at the beginning of each year, expressed as a multiple of salary, together with the split between cash and deferred shares. The maximum bonus payable is twice the target bonus. Annual bonus awards are determined on the basis of corporate and personal performance for the Chief Executive and the Finance Director. Bonuses above target will only be given for outstanding performance. The Committee retains discretion to make adjustments to bonus arrangements in appropriate circumstances, and is able to take into account factors relating to social responsibility, governance and environmental performance.

Bonus arrangements for 2008-09 and 2009-10

For 2008-09 the target bonus for the Chief Executive was set at 125% of base salary and the maximum at 250%, whilst the Finance Director had a target bonus of 100% of base salary and a maximum of 200%. Any bonus over target would be in shares deferred for two years. The target bonus set for Mr M J Queen as Managing Partner, Infrastructure, was 125% of base salary with a maximum bonus of twice the target bonus; any bonus over 1.5 times target was to be in shares deferred for two years. The indicators to be used as a guide to the corporate performance element were set out in the 2007-08 Remuneration Report. However, in current economic and financial conditions, and following a sharp fall in 3i's share price, the Committee did not think it would be appropriate to pay any bonuses at all with respect to 2008-09 to executive Directors and other members of Management Committee, other than in fulfilment of contractual requirements.

For 2009-10 the bonus ranges for the Chief Executive and Finance Director will be the same as they were in 2008-09, and any bonus over 100% of salary will be in shares deferred for two years. The indicators to be used as a guide to the corporate performance element for 2009-10 will reflect the Company's current short term priorities and will include the level of realisations, income (fees, dividends, interest), cost control, provisions, vintage year returns (for the last three years relative to the market) and net debt. The bonus arrangements for future periods will reflect the outcome of the proposed review of remuneration policies.

(c) Long-term incentives

Long-term incentive arrangements for the Chief Executive and Finance Director consist of share options, Performance Share and Super-performance Share awards under The 3i Group Discretionary Share Plan ("the Discretionary Share Plan"). This is a shareholder-approved executive share plan, conforming with the Association of British Insurers' guidelines on dilution limits.

Share options and/or share awards may be awarded under this plan, at a level that is determined each year, taking account of market practice, individual performance, the specific circumstances facing the Company and calculations of the fair values of awards. The Company's current policy is that the annual maximum for an award of options should be an aggregate market price at the time of issue of six times salary, and for an award of Performance Shares an aggregate market price of three times salary. A further limit is that the combination of all share-based awards should not have a fair value of more than 2.5 times salary in any year.

Options under the Company's executive share option plans entitle executives to acquire ordinary shares, at an exercise price not less than market price at the date of grant, from the third until the tenth anniversaries of grant. Vesting of

such options is normally subject to the satisfaction of a performance condition, set at the time of the grant, which is calculated over a three-year performance period. Since 2005, the condition has been that no options will vest if the increase in net asset value per share, with dividends re-invested, is less than RPI + 3% per year; that 30% of options will vest if this threshold is reached; that 100% will vest if net asset value per share, with dividends re-invested, increases by RPI + 8% a year; and that options vest *pro rata* along the range of outcomes in between. (Performance conditions for options granted to Directors before 2005 are given in the notes to the table on page 154.)

For awards of Performance Shares since 1 April 2007, the extent to which they vest depends on comparison of the growth in value of a shareholding in the Company over three years (averaged over a 60 day period) with the FTSE 100 Index (both with dividends re-invested). If the growth in value for the Company is below that for the FTSE 100 Index, no shares will vest. If growth in value is the same as the index, 35% of the award will vest and if it is 8% per annum higher the full award will vest. Between these two levels of performance, the award will vest on a *pro rata* basis. (Performance conditions for Performance Shares granted to Directors before 2007 are given in the notes to the table on page 156).

Super-performance Shares are subject to particularly challenging conditions, and were introduced into the mix of long-term incentives in 2006 to enable the Committee to draw from a wider range of incentive schemes in determining incentive packages for each year. They are still subject to the overall cap on awards of a maximum fair value of 2.5 times salary. The performance condition is measured over a three year period. If annual percentage compound growth in net asset value per share with dividends re-invested is less than RPI plus 10% per annum then none of the award vests. At that level 25% of the award vests. At a level of RPI plus 13.5% per annum 50% of the award vests and at a level of RPI plus 17.5% per annum 100% of the award vests. Between those points the award vests on a pro-rata basis.

Fair values are calculated by the Committee's remuneration advisers. Performance conditions are regularly reviewed by the Committee to determine whether they are appropriate to current market, commercial and Company-specific conditions.

The Committee may also make grants of restricted shares subject only to forfeiture conditions on departure from the Company within a specified period, in order to meet recruitment or retention objectives.

3i's co-investment and carried interest schemes, comparable to those available in private equity firms with which 3i competes for talent, have been used to provide long-term incentives for senior executives other than the Chief Executive and Finance Director. (Further details are provided on pages 159 and 160). The Chief Executive and Finance Director are not eligible for these schemes, although the Chief Executive is entitled to retain certain interests in such schemes he had acquired before his appointment as Chief Executive.

Awards for the years to 31 March 2009 and 2010

In February 2009 share-based awards were made to Mr Queen on his appointment as Chief Executive with face values of approximately four times salary in share options and three times salary in Performance Shares, with a combined "fair value" calculated by the Committee's remuneration advisers amounting to 1.72 times salary. In view of the low share price at the date of grant, the options were granted "out of the money" at £3.50, approximately 50% above the market price at the time of the grant. The fair values were calculated to be 10% of face value for the share options and 44% of face value for the Performance Shares.

As Managing Partner, Infrastructure, Mr Queen was due to receive a substantial cash payment from a recent disposal. The Committee decided that instead he should receive a one-off grant of 170,000 shares, deferred for three years. Unlike the cash payment, these shares will be forfeitable if Mr Queen leaves within three years.

As part of these arrangements and to reflect his commitment to 3i, Mr Queen has undertaken that until at least 28 January 2011 he will maintain at not less than their current level his shareholdings in 3i Group plc and 3i Infrastructure plc amounting to some 240,000 3i Group plc shares and some 450,000 3i Infrastructure plc shares. He has also agreed to retain until at least that same date any shares vesting under the Group's share plans (after allowing sales to cover tax, exercise costs etc.).

In November 2008, awards were made to Mrs Wilson on her appointment as Finance Director with face values of approximately 3.55 times salary in share options and 2.47 times salary in Performance Shares. The options were granted at the exercise price of £4.81 per share. The fair value of the total award was calculated to be 1.36 times salary, at 17% of face value per option and 44% of face value per Performance Share.

Earlier awards made to the previous Chief Executive and Finance Director are detailed on pages 154, 156 to 157.

The Committee will make its judgment as to the appropriate awards for 2009-10 at the usual time, in the summer of 2009.

As part of the arrangements for the Company's rights issue announced on 8 May 2009 the Remuneration Committee has approved a specific Employee Share Investment Plan to create alignment between employees and shareholders. The

plan, which will not be open to Directors, will allow employees who have taken up their rights and who agree to subscribe for additional shares at full market price to receive an award of matching shares. The matching shares will be awarded on the basis of one matching share for every two shares purchased, subject to a performance condition. Full details of the arrangement are set out in the Circular to Shareholders dated 8 May 2009 which has already been sent to shareholders.

Full details of the interests Mr Queen was awarded during his period as Managing Partner, Infrastructure and Managing Partner, Growth Capital are given on pages 159 and 160. In considering Mr Queen's remuneration and incentive arrangements as Chief Executive the Committee believes it is important to recognise the very considerable potential financial benefits which Mr Queen would have received had he remained in his previous position as Managing Partner, Infrastructure, where he would have continued to benefit from further awards under the Infrastructure Incentive Plan as well as interests in certain carried interest and co-investment arrangements. On becoming Chief Executive Mr Queen forfeited certain of his interests in carried interest plans and became ineligible for participation in future carried interest and co-investment arrangements. Whilst it would be difficult to quantify the value of these opportunities they have significant potential value.

Performance graphs

The left hand graph on page 153 compares the Company's total shareholder return ("3i TSR") for the five financial years to 31 March 2009 with the total shareholder return of the FTSE All-Share Index. The Directors consider that since the Company invests in a broad range of industrial and commercial sectors, this continues to be the most appropriate index against which to compare the Company's total shareholder return. Additional information is provided by the right hand graph on page 153 below, which compares percentage changes in the Company's diluted net asset value per share over each of the last five financial years (with dividends re-invested) with the FTSE All-Share Index total return over the same periods. This has been included as net asset value growth is one of the tests used in the Company's long-term incentive schemes.

Chairman and non-executive Directors

The Company's policy continues to be to pay fees which are competitive with the fees paid by other financial services companies of broadly similar size. The Chairman and non-executive Directors are not eligible for bonuses, long-term incentives, pensions or performance-related remuneration. Non-executive Directors' fees are regularly reviewed and determined by the Board as a whole, within the limits set by the Company's Articles of Association from time to time, having taken advice from the Committee's remuneration advisers. The Chairman's fee is determined by the Committee.

Fees during the years to 31 March 2009 and 2010

In 2008-09, the only increases in fees were for chairing the Audit and Compliance and Remuneration Committees (which rose to £20,000 each) and an increase in the Deputy Chairman's fee of £10,000. For 2009-10, the only change follows from Mr Robert Swannell's appointment as Senior Independent Director in place of the Deputy Chairman, Mr Oliver Stocken. The Deputy Chairman's fee is therefore being reduced by £10,000 and a fee of £10,000 is being paid to the Senior Independent Director.

The table below shows the current annual fee structure.

Chairman	£260,000 plus 5,000 shares
Non-executive Directors	
Board membership	£48,000 plus 1,000 shares
Deputy Chairman	£78,000 plus 1,000 shares
Senior Independent Director	£58,000 plus 1,000 shares
Committee fees*	
Chairman	£20,000
Member	£3,000

* No fees are payable in respect of the Nominations Committee or the Valuations Committee.

3i total shareholder return versus FTSE All-Share total return
(cumulative)



3i diluted NAV versus FTSE All-Share total return
(non-cumulative)



Directors' remuneration during the year

	(note 1) Salary and fees £'000	(note 1) Salary supplements £'000	(note 1) Total salary, fees and supplements £'000	(note 2) Award deferred from prior periods £'000	(note 3) Deferred share award £'000	(note 4) Benefits in kind £'000	(note 5) Pay in lieu of notice £'000	Total remuneration year to 31 March 2009 £'000	Total remuneration year to 31 March 2008 £'000
Executive Directors (note 8)									
M J Queen	475	—	475	375	400	2	—	1,252	2,045
J S Wilson (from 1 October 2008)	206	—	206	—	—	1	—	207	—
Chairman and non-executive Directors (note 10)									
Baroness Hogg	287	—	287	—	—	—	—	287	290
O H J Stocken (note 9)	109	—	109	—	—	—	—	109	113
R H Meddings (from 1 September 2008)	32	—	32	—	—	—	—	32	—
C J M Morin-Postel	60	—	60	—	—	—	—	60	64
W Mesdag	63	—	63	—	—	—	—	63	42
Lord Smith of Kelvin	75	—	75	—	—	—	—	75	74
R W A Swannell	71	—	71	—	—	—	—	71	61
Former Directors									
F G Steingraber (until 9 July 2008)	17	—	17	—	—	—	—	17	60
S P Ball (until 30 November 2008) (note 5)	347	51	398	—	—	2	168	568	1,311
P E Yea (until 27 January 2009) (note 11)	694	226	920	—	—	7	—	927	2,576
Total	2,436	277	2,713	375	400	12	168	3,668	6,636

Notes

- Mr P E Yea and Mr S P Ball received salary supplements to enable them to make additional pension provision.
- The £375,000 award shown for Mr Queen represented the exceptional payment described in note 1 on page 160 and paid in July 2008.
- On appointment as Chief Executive, Mr Queen received a one-off award over 170,000 shares, forfeitable if employment ceases within three years. This was a deferred award, intended to compensate Mr Queen for a cash payment he would otherwise have received arising from the recent disposal of an Infrastructure investment.
- "Benefits in kind" were health insurance (Mr M J Queen, Mrs J S Wilson, Mr P E Yea and Mr S P Ball) and company car (Mr P E Yea).
- On ceasing to be a Director on 30 November 2008, Mr S P Ball received pay in lieu of notice, in respect of his unexpired contractual notice period, as shown in the table, being a sum equal to his base salary, salary supplement, pension contributions and car allowance for the period from 1 December 2008 to 8 March 2009.
- In addition to the salaries and fees shown, fees retained from outside directorships during the year were: Mr M J Queen, £4,791 (Northern Rock plc, until 1 May 2008); Mr S P Ball (until 30 November 2008), £49,167 (Cable & Wireless plc); and Mr P E Yea (until 27 January 2009), £91,667 (Vodafone Group plc). The Company's policy is that executive Directors are permitted to take a maximum of one outside directorship at a listed company and to retain the fee from such directorship.
- After ceasing to be a Director on 27 January 2009, Mr P E Yea remained an employee until 31 March 2009. During that period, in addition to the amounts shown above, Mr Yea was paid salary, salary supplements and benefits totalling approximately £201,000. Other amounts payable to former Directors in respect of the year were as follows: Dr P Mihatsch, £138,197 (Chairman of the Company's German Advisory Board); and Mr W J R Govett, £7,559 (as director of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan, until his resignation on 17 November 2008).
- As at 31 March 2009, executive Directors' salaries were as follows: Mr M J Queen, £550,000 per annum and Mrs J S Wilson, £400,000 per annum.
- The fees shown for Mr O H J Stocken include £15,000 as Chairman of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan.
- During the year, non-executive Directors (other than those based in the US) were required to take part of their basic fee in the form of ordinary shares in the Company: for the Chairman this amounted to 5,000 shares and for non-executive Directors 1,000 shares (583 on a pro-rated basis for Mr R H Meddings who was appointed during the year). Figures in the table reflect the market value at the date of receipt (6 November 2008), which was 90% above the market value at 31 March 2009.
- For the period from 31 March 2009 to 31 January 2010, in accordance with his service agreement, Mr Yea is entitled to receive monthly payments equal to his former salary and benefits less amounts earned from alternative employment.

Share options held by Directors during the year:

	Date of grant	Held at 1 April 2008 (or appointment if later)	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 March 2009 (or cessation if earlier)	Exercise Price £	Market price on date of exercise £	Earliest normal exercise date	Expiry Date
M J Queen	06.07.99	36,002	—	—	—	36,002	7.28		06.07.02	05.07.09
	28.06.00	30,795	—	—	—	30,795	13.75		28.06.03	27.06.10
	27.06.02	131,603	—	—	—	131,603	6.73		27.06.05	26.06.12
	25.06.03	57,218	—	—	—	57,218	5.68		25.06.06	24.06.13
	23.06.04	89,552	—	—	—	89,552	6.03		23.06.07	22.06.14
	21.06.05	44,733	—	—	—	44,733	6.93		21.06.08	20.06.15
	09.02.09	—	936,170	—	—	936,170 [†]	3.50*		31.03.12	08.02.19
		389,903	936,170	—	—	1,326,073				
J S Wilson (appointed 1 October 2008)										
	11.01.06	13,113**	—	—	—	13,113	8.96		11.01.09	10.01.16
	14.06.06	8,433**	—	—	—	8,433 [†]	8.36		14.06.09	13.06.16
	18.06.07	21,303**	—	—	—	21,303 [†]	11.74		18.07.10	17.06.17
	23.06.08	26,537**	—	—	—	26,537 [†]	8.29		23.06.11	22.06.18
	12.11.08	—	249,739	—	—	249,739 [†]	4.81		12.11.11	11.11.18
		69,386	249,739	—	—	319,125				
S P Ball (until 30 November 2008)										
	17.05.05	245,022	—	—	—	245,022	6.53		17.05.08	16.05.15
	21.06.05	48,100	—	—	—	48,100	6.93		21.06.08	20.06.15
	14.06.06	200,956	—	—	—	200,956 [†]	8.36		14.06.09	13.06.16
	18.06.07	230,080	—	—	—	230,080 [†]	11.74		18.06.10	17.06.17
	23.06.08	—	354,644	—	—	354,644 [†]	8.29		23.06.11	22.06.18
		724,158	354,644	—	—	1,078,802				
P E Yea (until 27 January 2009)										
	21.07.04	314,410	—	—	—	314,410	5.73		21.07.07	20.07.14
	21.06.05	259,740	—	—	—	259,740	6.93		21.06.08	20.06.15
	14.06.06	322,966	—	—	—	322,966 [†]	8.36		14.06.09	13.06.16
	18.06.07	368,129	—	—	—	368,129 [†]	11.74		18.06.10	17.06.17
	23.06.08	—	571,773	—	—	571,773 [†]	8.29		23.06.11	22.06.18
		1,265,245	571,773	—	—	1,837,018				

[†] The performance condition has not yet been met for these options.

* The exercise price of these options was set approximately 50% above the market price at the date of grant.

** Awarded before appointment as a Director.

Notes

1 Options granted before 1 April 2001 were granted under The 3i Group 1994 Executive Share Option Plan and vested provided a performance condition was met over a rolling three-year period. This required adjusted Net Asset Value per share (after adding back dividends paid during the performance period) at the end of the three-year period to equal or exceed the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

2 Options granted after 1 April 2001 were granted under The 3i Group Discretionary Share Plan. Performance conditions for awards are measured over a three-year performance period and are as set out below (NAV growth refers to annual percentage compound growth in net asset value per share with dividends re-invested, relative to the annual percentage change in RPI). For options granted after 31 March 2004 there is no opportunity for the performance condition to be re-tested after the three-year period.

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

- The fair values of awards made during 2008-09 were as follows: Mr M J Queen, £220,000; Mrs J S Wilson, £241,400; Mr S P Ball, £499,800; and Mr P E Yea, £805,800. These fair values have been calculated by the Committee's remuneration advisers using a Monte Carlo simulation based on appropriate assumptions. The fair value of the share options granted during the year (other than the premium priced options granted to Mr Queen in February 2009) was calculated as being 17% of the market value at the date of grant of the shares under option.
- The Committee determines the fulfilment of performance conditions based on calculations which are independently reviewed by the Company's auditors. These performance conditions require Net Asset Value per ordinary share at the beginning and end of the performance period to be calculated on a consistent basis using the same accounting policies. Where accounting policies have altered between the beginning and end of the period, the Committee adjusts the Net Asset Value calculations appropriately to ensure consistency. The Committee also has power to adjust the calculations to reflect circumstances including changes to the capital of the Company.
- Following the cessation of Mr Yea's and Mr Ball's employment with the Company during the year, the exercise periods of the options held by them were altered in accordance with the rules of the Discretionary Share Plan so as to expire on the later of 12 months following the cessation of employment and six months following the satisfaction of the performance conditions.
- The market price of ordinary shares in the Company at 31 March 2009 was 271p and the range during the period 1 April 2008 to 31 March 2009 was 956.5p to 176.2p. No Directors exercised share options during the year. Accordingly, no gains were made by the highest paid Director (2008: nil) or by the Directors in aggregate (2008: nil).
- As at 31 March 2009, 14.37 million ordinary shares had been issued or remained issuable in respect of share options granted under Discretionary Share Plans within the past 10 years. This was within the 5% dilution limit for such plans specified in the guidelines issued by the Association of British Insurers. As at 31 March 2009, 15.53 million ordinary shares had been issued or remained issuable in respect of awards granted under "all employee" plans within the past 10 years. This was within the 10% dilution limit for such plans specified in the above-mentioned guidelines.

Performance Shares held by Directors during the year:

Date of award	Held at 1 April 2008 (or appointment if later)		Granted/issued during the year		Vested during the year		Lapsed during the year		Held at 31 March 2009 (or cessation if earlier)		Market price on date of grant £	Date of vesting	
	Ord	B	Ord	B	Ord	B	Ord	B	Ord	B			
M J Queen													
06.02.09	—	—	702,127	—	—	—	—	—	—	702,127	—	2.35	06.02.12
	—	—	702,127	—	—	—	—	—	—	702,127	—		
J S Wilson (appointed 1 October 2008)													
23.06.08	46,988*	—	—	—	—	—	—	—	—	46,988	—	8.29	23.06.11
12.11.08	—	—	124,869	—	—	—	—	—	—	124,869	—	4.81	12.11.11
	46,988	—	124,869	—	—	—	—	—	—	171,857	—		
S P Ball (until 30 November 2008)													
14.07.05	18,076	54,376	—	—	11,351	34,147	6,725	20,229	—	—	6.98	14.07.08	
20.07.06	19,323	31,259	—	—	—	—	4,294	6,947	15,029	24,312	8.60	20.07.09	
30.07.07	77,656	—	—	—	—	—	43,143	—	34,513	—	11.01	30.07.10	
23.06.08	—	—	177,322	—	—	—	152,694	—	24,628	—	8.29	23.06.11	
	115,055	85,635	177,322	—	11,351	34,147	206,856	27,176	74,170	24,312			
P E Yea (until 27 January 2009)													
14.07.05	65,078	195,758	—	—	40,868	122,935	24,210	72,823	—	—	6.98	14.07.08	
20.07.06	31,056	50,238	—	—	—	—	—	—	31,056	50,238	8.60	20.07.09	
30.07.07	124,250	—	—	—	—	—	13,805	—	110,445	—	11.01	30.07.10	
23.06.08	—	—	285,886	—	—	—	119,119	—	166,767	—	8.29	23.06.11	
	220,384	245,996	285,886	—	40,868	122,935	157,134	72,823	308,268	50,238			

* Awarded before appointment as a Director.

Notes

- During the year awards made in 2005 lapsed, as the performance condition was not met. On Mr S P Ball and Mr P E Yea ceasing to be employees on 30 November 2008 and 31 March 2009, respectively, certain other awards held by them were forfeited as shown above. The remaining Performance Shares remain subject to the original performance condition.
- The fair values of Performance Share awards made in the year were as follows: Mr M J Queen, £726,000; Mrs J S Wilson, £435,396; Mr S P Ball, £646,800; and Mr P E Yea, £1,042,800. These fair values were calculated by the Committee's remuneration adviser using a Monte Carlo simulation based on appropriate assumptions. The fair value of the Performance Shares awarded during the year was calculated as being 44% of the market value at the date of award of the shares subject to the award.
- For Performance Share awards granted prior to 1 April 2007 (including related B shares), dividends during the year (including dividends on related B shares) were re-invested net of tax in further ordinary shares of the Company. These shares, which are in addition to the above Performance Share awards, are required to be held for the remaining vesting period to which they relate, but are not forfeitable. Such shares attributable to Directors during the year were as follows: Mr P E Yea, 872 ordinary shares; and Mr S P Ball, 482 ordinary shares.
- The performance conditions relating to awards made after 1 April 2007 are detailed on page 151. Performance Share awards made before 1 April 2007 vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group consisting of the FTSE 100 Index constituents at the grant date (adjusted for mergers, demergers and delistings during the performance period). A company's percentage rank is its rank in the comparator group divided by the number of companies in the group at the end of the performance period expressed as a percentage. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest *pro rata*.

Super-performance Shares held by Directors during the year:

	Date of award	Held at 1 April 2008		Lapsed during the year		Vested during the year		Held at 31 March 2009 (or cessation if earlier)		Market price on date of grant £	Date of vesting
		Ord	B	Ord	B	Ord	B	Ord	B		
M J Queen	29.11.06	70,175	113,518	—	—	—	—	70,175	113,518	9.69	29.11.11
		70,175	113,518	—	—	—	—	70,175	113,518		
S P Ball (until 30 November 2008)											
	29.11.06	71,624	115,863	71,624	115,863	—	—	—	—	9.69	29.11.11
	29.03.07	12,750	20,625	12,750	20,625	—	—	—	—	11.44	29.03.12
	13.11.07	52,920	—	33,810	—	—	—	19,110	—	10.19	13.11.12
		137,294	136,488	118,184	136,488	—	—	19,110	—		
P E Yea (until 27 January 2009)											
	29.11.06	113,271	183,233	113,271	183,233	—	—	—	—	9.69	29.11.11
	29.03.07	21,250	34,375	21,250	34,375	—	—	—	—	11.44	29.03.12
	13.11.07	85,321	—	16,590	—	—	—	68,731	—	10.19	13.11.12
		219,842	217,608	151,111	217,608	—	—	68,731	—		

Notes

- The performance condition relating to these awards is detailed on page 151.
- On Mr S P Ball and Mr P E Yea ceasing to be employees on 30 November 2008 and 31 March 2009, respectively, certain Super-performance Shares held by them were forfeited as shown above. The remaining Super-performance Shares remain subject to the original performance condition.

Share Incentive Plan

The HM Revenue and Customs approved Share Incentive Plan is open to eligible UK employees and is intended to encourage employees to invest in the Company's shares. Participants invest up to £125 per month from pre-tax salary in ordinary shares ("partnership shares"). For each partnership share the Company grants two free ordinary shares ("matching shares") which are normally forfeited if employment ceases (other than on retirement or other "qualifying reasons") within three years of grant. Dividends are re-invested in further ordinary shares ("dividend shares"). The extent of executive Directors' participation in the Plan is detailed below.

	Held at 1 April 2008 (or appointment if later) Partnership Shares		Held at 1 April 2008 (or appointment if later) Matching Shares		Held at 1 April 2008 (or appointment if later) Dividend Shares		Held at 31 March 2009 (or cessation if earlier) Partnership Shares		Held at 31 March 2009 (or cessation if earlier) Matching Shares		Held at 31 March 2009 (or cessation if earlier) Dividend Shares	
	Ord	B	Ord	B	Ord	B	Ord	B	Ord	B	Ord	B
M J Queen	926	2,154	1,850	4,313	281	575	1,282	1,527	2,562	3,082	415	490
J S Wilson (appointed 1 October 2008)	374	344	748	689	24	4	642	344	1,284	689	60	4
S P Ball (until 30 November 2008)	379	623	757	1,247	26	22	522	623	1,043	1,247	42	22
P E Yea (until 27 January 2009)	466	886	933	1,777	59	98	658	886	1,317	1,777	78	98

Notes

- In the period from 1 April 2009 to 1 May 2009, Mr M J Queen and Mrs J S Wilson each acquired a further 40 partnership ordinary shares and 80 matching ordinary shares.
- During the year, ordinary shares were awarded under the Plan at prices between 888.7p and 199p per share and with an average price of 433.3p per share.

Pension arrangements

The executive Directors are members of the 3i Group Pension Plan, a defined benefit contributory scheme. The Plan provides for a maximum pension of two-thirds of final pensionable salary (limited, in the case of members joining on or after 1 June 1989, to the plan earnings cap) on retirement (normally at age 60). The Plan also provides death-in-service cover of four times final pensionable salary (limited to the earnings cap where this applies), pensions payable in the event of ill health and spouses' pensions on death. Further details of the Plan are set out in note 9 to the financial statements on pages 116 and 117.

	(note 1)	(note 1)	(notes 1 & 2)	(note 3)	(note 1)	(notes 1 & 2)	(note 4)	(note 4)		
	Age at 31 March 2009	Complete years of pensionable service at 31 March 2009	Increase in accrued pension (excluding inflation) during the year to 31 March 2009 £'000 p.a.	Total accrued pension at 31 March 2009 £'000 p.a.	Director's own contributions (excluding AVCs) paid into the plan during the year to 31 March 2009 £'000 p.a.	Increase in accrued pension (including inflation) during the year to 31 March 2009 £'000 p.a.	Transfer value of the accrued benefits at 31 March 2009 £'000	Transfer value of the accrued benefits at 31 March 2008 £'000	Difference between transfer values at start and end of the accounting year, less Director's contribution £'000	Transfer value at the end of the year of the increase in accrued benefits during the year less Director's contribution £'000
M J Queen	47	21	(0.4)	232.0	20.0	10.7	3,926.3	2,916.7	989.6	(31.5)
J S Wilson (appointed 1 October 2008)	41	3	2.3	7.6	5.9	2.6	98.2	50.4	41.9	23.9
S P Ball (until 30 November 2008)	48	3	1.5	9.0	3.9	1.9	159.7	99.5	56.3	22.9
P E Yea (until 27 January 2009)	54	4	2.3	11.2	5.9	2.7	239.8	145.7	88.2	43.3

Notes

1. In the cases of Mr P E Yea and Mr S P Ball, 31 March 2009 and 30 November 2008, respectively, being the dates that they left pensionable service.
2. The increase in accrued pension shown reflects the difference between deferred pensions on leaving, payable from age 60.
3. The pensions shown are deferred pensions payable from age 60.
4. The transfer values have been calculated on the basis of actuarial advice in accordance with pensions regulations.
5. Additional voluntary contributions are excluded from the above table.
6. The pensions shown above become payable at a Normal Retirement Age of 60.

Directors' service contracts

The Chairman and the non-executive Directors hold office under the Company's Articles of Association and do not have service contracts. Their appointment letters provide that there is no entitlement to compensation or other benefits on ceasing to be a Director.

The main terms of the service contracts of the executive Directors who served in the year are shown in the following table:

Dates of contracts	Mr M J Queen:	31 March 2009
	Mrs J S Wilson:	1 October 2008
	Mr S P Ball:	19 April 2005
	Mr P E Yea:	27 July 2004
Notice period – by the Director	– Six months	
– by the Company	– 12 months	
	Company policy is that executive Directors' notice periods should not normally exceed one year. Save for these notice periods the contracts have no unexpired terms.	
Termination payments	There were no provisions for compensation of executive Directors on early termination save as follows: (a) the contracts for Mr Queen and Mr Yea contained provisions entitling the Company to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment; and (b) all Directors' contracts entitled the Company to give pay in lieu of notice.	

Arrangements relating to Mr Queen's previous responsibilities

Before his appointment as Chief Executive on 28 January 2009 Mr Queen had been awarded interests in various arrangements relating to his responsibilities as Managing Partner, Infrastructure and, before that, Managing Partner, Growth Capital.

(a) The Infrastructure Incentive Plan

The Infrastructure Incentive Plan was established to align the remuneration of infrastructure executives with both the interests of the Group and the objectives of infrastructure investors, who expect to see much of their return in the form of yield. Executives are granted a percentage interest in a bonus pool for each year, and required to invest from their own resources in shares in 3i Infrastructure plc as a condition of their award. The bonus pool comprises Advisory Fees and Performance Fees received by the Group as investment adviser to 3i Infrastructure plc. In general 50% of the participant's share of the bonus pool is paid out shortly after the end of the year to which the fees relate, 25% a year later and 25% two years later. Mr Queen undertook to invest approximately £1 million in 3i Infrastructure plc shares over three years from 13 March 2007 (and to retain these shares for a three year period) and has to date invested a total of £889,000. Mr Queen remains entitled to his existing participation in the Infrastructure Incentive Plan for periods to 31 March 2009 and will continue to receive payments in relation to that participation. However, following his appointment as Chief Executive, Mr Queen will not be eligible to receive further awards under this plan and will not be required to make the final instalment of the investment referred to above.

	Scheme interests, being the percentage of the bonus pool in which the participant is interested			End of period over which interests may vest	Amounts received in respect of scheme interests in year £'000	Amounts receivable in respect of scheme interests in future years £'000
	Award as at 1 April 2008	Awarded in year	As at 31 March 2009			
M J Queen						
Vintage year 2007-08	16.4%	5.94%	22.34%	31.03.10	1,524	1,524
Vintage year 2008-09	—	15.5%	15.5%	31.03.10	—	1,413

Note

Amounts receivable under scheme interests are payable as follows: for vintage year 2007-08, 50% was paid in July 2008 and 25% is expected to be paid in each of July 2009 and July 2010; for vintage year 2008-09, 50% will be paid in July 2009 and 25% is expected to be paid in each of July 2010 and July 2011.

(b) Co-investment plans

	Invested to 1 April 2008 £'000	Invested during the year £'000	Total invested to 31 March 2009 £'000
Global Growth Co-invest 2006-08 plans	97	—	97

	Scheme interests, being the percentage of the relevant pool of investments in which the participant is interested			End of period over which interests may vest	Amounts receivable in respect of scheme interests vested in year £'000	Accrued value of scheme interest as at 31 March 2009 £'000
	As at 1 April 2008	Acquired in year	As at 31 March 2009			
M J Queen						
Global Growth Co-invest 2006-08 plans	0.023%	—	0.023%	31.07.08	Nil	30

Notes

- Mr Queen ceased to be eligible to make any further related co-investment in the above plan with effect from 1 April 2007, following his appointment as Managing Partner, Infrastructure.
- The accrued value of the scheme interest is calculated on the basis set out in note 5 on page 112. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to an actual payment to the participant.

(c) Carried interest plans

	Scheme interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits					
	As at 1 April 2008	Awarded in year	As at 31 March 2009	End of period over which interests may vest	Amounts receivable in respect of scheme interests vested in year £'000	Accrued value of scheme interest as at 31 March 2009 £'000
M J Queen						
Pan-european Growth Capital 2005-06	0.44%	—	0.44%	31.03.10	342	642
Infrastructure 2005-06	0.69%	—	0.69%	16.05.10	Nil	469
Primary Infrastructure 2005-06	0.53%	—	0.53%	19.08.10	Nil	33
Global Growth 2006-08 plans	0.34%	—	0.34%	31.03.11	Nil	Nil

Notes

- As disclosed previously, in recognition of Mr Queen's increased focus on infrastructure investment on his appointment in 2007 as Managing Partner, Infrastructure, his level of participation in the Global Growth 2006-08 carried interest plan was cut by half, from 0.68% to 0.34% of investments. After consultation with major shareholders, it was decided that he would instead receive an exceptional payment, part of which was deferred over the three years from 2007-08 to 2009-10. The second payment as part of this arrangement, in respect of 2008-09, is set out in note 2 to the table on page 153.
- Normally, before any payment to a participant becomes due under the carried interest plans, the Group and funds under its management must first have received back the amount of their investment in the relevant vintage together with a management charge (ranging between 1% and 2.5% per annum) and a hurdle rate of 8% per annum compound on their investment.
- The accrued values of the scheme interests are calculated on the basis set out in note 5 on page 112. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to a payment to the participant.
- Total carried interest, for all executives eligible to participate, does not exceed 15% of the relevant pool of investments made over a specific period (usually two years).

(d) Combined carried interest and co-investment plans

	Scheme interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits						Amounts co-invested	Accrued value of scheme interests as at 31 March 2009 £'000	
	Invested during the year £'000	Total invested to 31 March 2009 £'000	As at 1 April 2008	Awarded in year	Forfeited in* year	As at 31 March 2009			End of period over which interests may vest
M J Queen									
Global Growth 08-10			—	0.24%	0.21%	0.03%	31.03.13	Nil	Nil
India Infrastructure 07-10			—	2.43%	1.43%	1.00%	30.09.12	Nil	418

Note

* In accordance with the provisions of the relevant plans, following his appointment as Chief Executive, Mr Queen forfeited a proportion of his interests in the Global Growth 08-10 and India Infrastructure 07-10 plans.

Audit

The tables in this report (including the notes thereto) on pages 153 to 160 have been audited by Ernst & Young LLP.
By Order of the Board

Lord Smith of Kelvin, Chairman, Remuneration Committee 7 May 2009

Part 6. Unaudited Pro Forma Financial Information

The unaudited *pro forma* financial information set out below has been prepared to illustrate the impact of the acquisition of the assets of 3i QPEP and the Rights Issue on the consolidated net assets of the Group. The *pro forma* net assets statement is based on the consolidated net assets of the Group as at 31 March 2009 and has been prepared on the basis that the acquisition of the assets of 3i QPEP and the Rights Issue took place on 31 March 2009.

Because of its nature, the pro forma information addresses hypothetical situations and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results.

	31 March 09 (Note 1)	Adjustments			Pro forma Total
		Acquisition of assets of 3i Quoted Private Equity plc (3i QPEP) (Note 2)	Sub total	Rights Issue (Note 3)	
<i>Currency: £ million</i>					
Non-current assets					
Investment portfolio	4,050	(28)	4,022	—	4,022
Carried interest receivable	44	—	44	—	44
Property, plant and equipment	22	—	22	—	22
Total non-current assets	4,116	(28)	4,088	—	4,088
Current assets					
Other current assets	70	—	70	—	70
Derivative financial instruments	10	—	10	—	10
Deposits	59	—	59	—	59
Cash and cash equivalents	675	110	785	699	1,484
Total current assets	814	110	924	699	1,623
Total assets	4,930	82	5,012	699	5,711
Non-current liabilities					
Carried interest payable	(51)	—	(51)	—	(51)
Loans and borrowings	(1,793)	—	(1,793)	—	(1,793)
B shares	(12)	—	(12)	—	(12)
Convertible bonds	(384)	—	(384)	—	(384)
Subordinated liabilities	(7)	—	(7)	—	(7)
Retirement benefit deficit	(18)	—	(18)	—	(18)
Provisions	(18)	—	(18)	—	(18)
Total non-current liabilities	(2,283)	—	(2,283)	—	(2,283)
Current liabilities					
Carried interest payable	(61)	—	(61)	—	(61)
Derivative financial instruments	(112)	—	(112)	—	(112)
Loans and borrowings	(349)	—	(349)	—	(349)
Other current liabilities	(263)	—	(263)	—	(263)
Total current liabilities	(785)	—	(785)	—	(785)
Total liabilities	(3,068)	—	(3,068)	—	(3,068)
Net assets	1,862	82	1,944	699	2,643
Equity	1,862	82	1,944	699	2,643
Net Asset Value per Ordinary Share (diluted) (Note 4)	4.96				2.77
Net Asset Value per Ordinary Share – post Rights Issue (Note 5)	3.26				2.77
Net debt (Note 6)	1,912	(110)	1,802	(699)	1,103
Gearing Ratio (Note 7)	103%				42%
Liquidity (Note 8)	1,020	110	1,130	699	1,829

Notes:

1. 3i Group's consolidated balance sheet as at 31 March 2009 has been extracted without material adjustment from the audited financial statements for the year to 31 March 2009, set out in Part 5 of this prospectus.
2. In April 2009, 3i acquired the assets of 3i QPEP. A description of this transaction is set out in paragraph 1 of Part 2. This *pro forma* adjustment reflects the impact of this transaction on the 31 March 2009 financial statements. The adjustment represents the value of the QPEP assets transferred to the Group as at 31 March 2009 (£139 million in respect of investments and £110 million in respect of cash and cash equivalents) netted off by the deconsolidation of the Group's investment in QPEP (£167 million) as a result of the liquidation of QPEP. The actual transaction took place on 28 April 2009 and the value at that date of the QPEP assets transferred to the Group was £148 million (as set out in note 34 of the annual accounts for the year ended 31 March 2009).
3. This *pro forma* adjustment reflects the impact of the estimated net proceeds of the Rights Issue, being £699 million on the 31 March 2009 financial statements.
4. The Net Asset Value per Ordinary Share (diluted) as at 31 March 2009 has been extracted without adjustment from the financial statements. The pro forma Net Asset Value per Ordinary Share (diluted) has been calculated by dividing pro forma net assets by the number of ordinary shares in issue plus the effect of dilutive potential ordinary shares after taking into account new shares as a result of the liquidation of QPEP and the Rights Issue.
5. The Net Asset Value per Ordinary Share – post Share Issue has been calculated on the same basis as Net Asset Value per Ordinary Share (diluted) (as detailed in Note 4) except that the number of ordinary shares adjusted for dilutive instruments used in the calculation has been adjusted for the inherent bonus share element in the Rights Issue as a result of issuing the shares at less than market price.
6. Net debt comprises derivative financial instruments (included within current assets and current liabilities), deposits, cash and cash equivalents, loans and borrowings (current and non-current), B shares, convertible bonds and subordinated liabilities.
7. The gearing ratio is calculated as net debt (defined in note 6) divided by equity.
8. Liquidity is calculated as the following on the 3i Group consolidated balance sheet at 31 March 2009, cash and cash equivalents £675 million, deposits £59 million and undrawn committed facilities of £286 million (as set out in note 19 of the annual accounts for the year ended 31 March 2009, resulting in liquidity of £1,020 million).

The Directors
3i Group PLC
16 Palace Street
London SW1E 5JD
8 May 2009

Dear Sirs

We report on the unaudited *pro forma* balance sheet (the "Pro Forma Financial Information") set out in Part 6 of the prospectus dated 8 May 2009 ("Prospectus"), which has been prepared on the basis that the acquisition of the assets of 3i QPEP and the Rights Issue took place on 31 March 2009, for illustrative purposes only, to provide information about how the transactions might have affected the financial information presented on the basis of the accounting policies adopted by 3i Group PLC in preparing the financial statements for the period ended 31 March 2009. This report is required by item 20.2 of Annex I of the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of 3i Group PLC to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of 3i Group PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of 3i Group PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of 3i Group PLC.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

Ernst & Young LLP

Part 7. Taxation

1. United Kingdom

The following statements do not constitute tax advice and are intended only as a general and non-exhaustive guide to current UK law and currently understood HMRC practice as at the date of this document (each of which may be subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK taxation treatment of holders of Existing Ordinary Shares and are intended to apply only, except to the extent stated below, to persons who are resident (and, in the case of individuals only, ordinarily resident and domiciled) in the UK for UK tax purposes and who are beneficial owners of Existing Ordinary Shares and any dividends paid in respect of them and hold them as investments (and not as securities to be realised in the course of a trade). The statements are not addressed to certain Shareholders, such as (i) dealers in securities, traders, broker-dealers, insurance companies and collective investment schemes; (ii) Shareholders who hold Existing Ordinary Shares as part of hedging transactions; (iii) Shareholders who are exempt from tax; and (iv) Shareholders who have (or are deemed to have) acquired their Existing Ordinary Shares by virtue of an office or employment or who acquire (or are deemed to acquire) Nil Paid Rights, Fully Paid Rights, or New Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult their own professional adviser without delay.

Taxation of chargeable gains

Rights Issue

UK Residents

For the purposes of UK tax on chargeable gains, the issue of the New Ordinary Shares to a Qualifying Shareholder should be regarded as a reorganisation of the share capital of the Company. Accordingly, a Qualifying Shareholder should not be treated as making a disposal of any of his/her Existing Ordinary Shares by reason of taking up his/her rights to New Ordinary Shares under the Rights Issue and no liability to UK tax on chargeable gains should arise for the Qualifying Shareholder to the extent that the Qualifying Shareholder takes up his/her entitlement to New Ordinary Shares.

For the purposes of UK tax on chargeable gains, New Ordinary Shares allotted to a Qualifying Shareholder should be treated as the same asset as, and as having been acquired at the same time as, the Qualifying Shareholder's Existing Ordinary Shares. The amount of subscription monies paid for the New Ordinary Shares should generally be added to the base cost of the Qualifying Shareholder's Existing Ordinary Shares when computing any gain or loss on any subsequent disposal.

In the case of a Qualifying Shareholder within the charge to UK corporation tax, indexation allowance should apply to the amount paid for the New Ordinary Shares, but only from, generally, the date on which the subscription monies for the New Ordinary Shares are paid. Indexation allowance is not available for disposals by Qualifying Shareholders who are individuals, trustees or personal representatives.

If a Qualifying Shareholder disposes of all or some of his/her rights to subscribe for New Ordinary Shares, or if he/she allows or is deemed to have allowed his/her rights to lapse and receives a cash payment in respect of them, he/she may, depending on his/her circumstances and subject to any available exemptions, reliefs or allowable losses, incur a liability to tax on any capital gain realised. However, if the proceeds resulting from the disposal or lapse of those rights are "small" as compared to the market value (on the date of the disposal or lapse) of the Existing Ordinary Shares in respect of which the rights arose, the proceeds should not generally be treated as consideration for a part disposal of the Qualifying Shareholder's Ordinary Shares but will instead be deducted from the base cost of his/her holding of Existing Ordinary Shares for the purposes of computing any capital gain or allowable loss on a subsequent disposal of Existing Ordinary Shares to which the rights related (except in a case where the base cost of the Qualifying Shareholder's Existing Ordinary Shares for the purposes of UK taxation of chargeable gains is less than the proceeds, when special rules apply). HMRC's current practice is to treat proceeds as "small" if the amount of the proceeds either does not exceed 5% of the market value of the Existing Ordinary Shares held at the date of the disposal or lapse or does not exceed £3,000 (regardless of whether the 5% test is satisfied).

Any amount received by a Qualifying Shareholder in respect of a sale of fractional entitlements, under the procedure described in Part 4 of this document, will generally be treated as if that sum represented the proceeds (or, as the case may be, additional proceeds) accruing to the Qualifying Shareholder from a disposal of rights to subscribe for New Ordinary Shares. Accordingly, the tax treatment of any such sum will be the same as described in the preceding paragraph of these statements.

Non-UK Residents

Subject to the provisions summarised below in relation to temporary non-residents, Qualifying Shareholders who are not resident or ordinarily resident in the UK for tax purposes and who are not carrying on a trade, profession or vocation in

the UK through a branch or agency or permanent establishment will not generally be subject to UK tax on chargeable gains as a consequence of receiving, taking up or letting lapse any rights to New Ordinary Shares pursuant to the Rights Issue or as a consequence of realising a gain in respect of New Ordinary Shares or rights to subscribe for New Ordinary Shares. However, a non-UK resident individual (or other non-corporate) Qualifying Shareholder may be liable to UK tax on chargeable gains if, at the time of a disposal of those New Ordinary Shares (or of those rights), that Qualifying Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and, at or before the time when any capital gain accrues, the New Ordinary Shares (or rights, as the case may be) have been used in or for the purposes of that trade, profession or vocation or have been used, held or acquired for the purposes of that branch or agency; and a non-UK resident corporate Qualifying Shareholder may be liable to UK tax on chargeable gains if, at the time of a disposal of those New Ordinary Shares (or of those rights to subscribe for New Ordinary Shares), that corporate Qualifying Shareholder carries on a trade in the UK through a permanent establishment and, at or before the time when any capital gain accrues, the New Ordinary Shares (or rights, as the case may be) have been used in or for the purposes of that trade or have been used, held or acquired for the purposes of that permanent establishment. In addition, a Qualifying Shareholder who is an individual and who is only temporarily resident outside the UK for UK tax purposes at the date of a disposal of all or part of his or her New Ordinary Shares (or, as the case may be, at the date of a disposal of all or part of his or her rights to subscribe for New Ordinary Shares) may, on becoming resident or ordinarily resident for tax purposes in the UK again, be liable to UK tax on chargeable gains in respect of disposals made while he or she was temporarily resident outside the UK, subject to any available exemption or relief.

Stamp duty and SDRT

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters. Accordingly, where New Ordinary Shares represented by such documents are registered in the name of the original shareholder entitled to such shares or New Ordinary Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid on or before the latest time for registration or renunciation) will not generally be liable to stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5% of the consideration paid.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person (rather than the purchaser) will normally account for the SDRT liability and should indicate that this has been done in any contract note issued to a purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letter or the split Provisional Allotment Letter must himself account to HMRC for the SDRT that is due on the purchase. In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or by their renounees.

It should be noted that certain categories of person, including market makers, brokers, dealers and other specified market intermediaries, are entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances. Certain other persons, being mainly those connected within depositary arrangements and clearance services, are generally liable to account for stamp duty or SDRT at a higher rate on securities issued or transferred to them.

Save as mentioned above, any subsequent dealings in New Ordinary Shares will generally be subject to stamp duty or SDRT in the normal way. The transfer on sale of Existing Ordinary Shares or New Ordinary Shares will be liable to *ad valorem* stamp duty, generally at the rate of 0.5% (rounded to the nearest multiple of £5) of the consideration paid (except that no liability to stamp duty will arise where the consideration for the sale of Ordinary Shares is £1,000 or less and the instrument of transfer is certified to that effect). An unconditional agreement to transfer such shares will be liable to SDRT, generally at the rate of 0.5% of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system provided, in the case of SDRT, the transfer is not for money or money's worth. Transfers of shares within CREST are liable to SDRT (at a rate of 0.5% of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

The comments above relating to stamp duty and SDRT apply whether or not a Shareholder is resident or ordinarily resident in the UK.

Dividends

3i will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is ordinarily resident and domiciled for tax purposes in the UK and who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of that dividend. The individual will be taxable on the total of the dividend and the tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the gross dividend, except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend (such tax being charged at the rate of 32.5% on the gross dividend, less the related tax credit, giving rise to a payment of tax equal to 22.5% of the gross dividend or 25% of the dividend received). So, for example, a dividend of £80 will carry a tax credit of £8.89 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5% of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax charge of £20. No UK tax resident Shareholder will be entitled to repayment of the tax credit, including both a UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend and UK tax resident entities which are not liable to UK tax on dividends, such as pension funds and charities.

The UK Finance Bill published on 30 April 2009 contains provisions for the introduction, with effect from 6 April 2010, of a new income tax rate of 50 per cent. for taxable income above £150,000 (the "additional rate"). The Bill also provides for dividends otherwise liable to tax at the additional rate to be taxable instead at a new rate of 42.5 per cent. If these proposals are approved by Parliament, the consequences for dividends paid by the Company will be as follows. If and to the extent that the gross dividend received (for tax purposes) by a UK resident individual Shareholder on or after 6 April 2010 falls above the threshold for income tax at the additional rate, that individual will be liable to tax on the gross dividend at the rate of 42.5 per cent. In computing the amount of tax payable by the individual in respect of that gross dividend, a set-off will be available for the tax credit comprised in the gross dividend, as in the case of a dividend received by an individual liable to income tax at the higher rate, discussed above. For example, in the case of a gross dividend of £100, comprising a net dividend of £90 and a tax credit of £10, the income tax payable on the dividend by a UK tax resident individual liable to income tax at the additional rate would be 42.5 per cent. of £100, namely £42.50, less the tax credit of £10, leaving a net tax charge of £32.50.

Shareholders who are within the charge to UK corporation tax will generally not (under current law) be subject to corporation tax on dividends paid by the Company and will not be entitled to repayment of the tax credit attaching to dividends paid by the Company. However, the UK Finance Bill published on 30 April 2009 contains provisions which would, if enacted in their current form, change the rules governing the tax treatment of dividends received by Shareholders within the charge to UK corporation tax in respect of dividends paid on or after 1 July 2009. Those provisions would, amongst other matters, remove the current blanket exemption from corporation tax which generally applies to a dividend paid by one UK resident company to another. Based on the draft legislation in its current form, however, it appears that dividends paid by the Company to Shareholders within the charge to UK corporation tax may fall within one of the exemptions from the charge to tax that are included in the draft provisions. It should be noted that there may be changes to the draft legislation before it is given Royal Assent. Shareholders within the charge to UK corporation tax are advised to consult their own independent professional tax advisers in relation to the implications of the legislation, once finally enacted.

The right of a Shareholder who is resident for tax purposes in any jurisdiction other than the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the UK and the jurisdiction in which the holder is resident. Shareholders who are resident for tax purposes in any jurisdiction other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any party of the tax credit and, if so, the procedure for doing so.

2. United States

This disclosure is limited to the US federal income tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the US federal income tax treatment of the Nil Paid Rights, Fully Paid Rights (together, "Rights") and Ordinary Shares. This tax disclosure was written in connection with the promotion or marketing by us of the Rights and New Ordinary Shares, and it cannot be used by any person for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986 as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a discussion of certain US federal income tax consequences of the Rights Issue and of the purchase, ownership and disposition of Ordinary Shares by holders of Existing Ordinary Shares, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to acquire such securities. The discussion applies only to US Holders (as defined below) that hold Ordinary Shares as capital assets for tax purposes.

This discussion does not describe all of the US federal income tax consequences that may be relevant to US Holders in light of their particular circumstances or to US Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and certain traders in securities or foreign currencies;
- persons holding Ordinary Shares as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for US federal income tax purposes is not the US Dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organisations;
- persons holding Ordinary Shares that own or are deemed to own 10.0% or more of any class of the Company's stock; or
- persons who acquired Ordinary Shares pursuant to the exercise of an employee stock option or otherwise as compensation.

This discussion is based on the Code administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. Prospective purchasers should consult their own tax advisers concerning the US federal, state, local and non-US tax consequences of the Rights Issue and of owning and disposing of Ordinary Shares in their particular circumstances.

As used herein, the term "**US Holder**" means a beneficial owner of Ordinary Shares that is, for US federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States or any political subdivision thereof; or (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

2.1 Taxation of Rights

The tax consequences of the receipt of Rights by US Holders are not clear. In particular, it is not clear whether any cash received by a holder in respect of entitlements not taken up pursuant to the procedures described in Part 4 Section 6 (Procedures in respect of rights not taken up) will be treated as a cash distribution from the Company or as a distribution of Rights from the Company and a subsequent disposition of those Rights by the relevant holders. US Holders should consult their own tax advisers with respect to whether the receipt of Rights will be taxable to such holders.

Because certain holders may receive cash in respect of entitlements not taken up and such receipt may be treated as a distribution from the Company, the receipt of Nil Paid Rights may be treated as a distribution that is taxable to US Holders in the manner described in paragraph 2.2 of this Part 7 (Taxation). The amount of the distribution would be equal to the fair market value of the Rights on the date of receipt. A US Holder would have a tax basis in such Rights equal to their fair market value.

However, if any such cash is treated as proceeds of a disposition of Rights by the US Holder receiving cash, US Holders should not be required to include any amount in income for US federal income tax purposes as a result of the receipt of the Rights. In such case, if the fair market value of Rights when received is less than 15.0% of the fair market value of the Existing Ordinary Shares with respect to which the Rights are received, the Rights generally will have no tax basis. However, a US Holder may affirmatively elect to allocate its adjusted tax basis in its Existing Ordinary Shares between the Existing Ordinary Shares and the Rights in proportion to the relative fair market values of the Existing Ordinary Shares and the Rights received (determined on the date the Rights are received). This election is irrevocable, and must be made on the US holder's timely filed tax return for the taxable year in which the Rights are received. On the other hand, if the fair market value of Rights when received is 15.0% or greater of the fair market value of the Existing Ordinary Shares with respect to which Rights are received, a US Holder's adjusted tax basis in its Existing Ordinary Shares must be allocated between the Existing Ordinary Shares and the Nil Paid Rights in proportion to their relative fair market values. However, no basis will be allocated to Rights that expire unexercised.

A US Holder who exercises its Rights should have a basis in each New Ordinary Share received equal to the US Holder's tax basis in the Rights exercised to receive such New Ordinary Share (if any) plus the Issue Price. The US Holder's holding period for each New Ordinary Share received will commence on the date of exercise.

2.2 Taxation of distributions

Subject to the discussion of PFIC considerations below, distributions received by a US Holder of Ordinary Shares, other than certain *pro rata* distributions of Ordinary Shares to all Shareholders, will constitute foreign source dividend income to the extent paid out of the Company's current or accumulated earnings and profits (as determined for US federal income tax purposes). The amount of the dividend a US Holder will be required to include in income will equal the US Dollar value of the Pounds Sterling distribution, calculated by reference to the exchange rate in effect on the date the payment is received by the holder, regardless of whether the payment is converted into US Dollars on the date of receipt. If the dividend is converted into US Dollars on the date of receipt the US Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend income. A US Holder may have foreign currency gain or loss if the holder does not convert the amount of the dividend into US Dollars on the date of its receipt. If a US Holder realises gain or loss on a sale or other disposition of Pounds Sterling, it will be US source ordinary income or loss. Corporate US Holders will not be entitled to claim the dividends-received deduction with respect to dividends paid by the Company.

2.3 Sale and other disposition of Ordinary Shares

Subject to the discussion of PFIC considerations below, for US federal income tax purposes, gain or loss realised on the sale or other disposition of Ordinary Shares or Rights will be capital gain or loss, and will be long-term capital gain or loss if the US Holder held the Ordinary Shares for more than one year. The amount of the gain or loss will equal the difference between the US Holder's tax basis in the Ordinary Shares or Rights disposed of and the amount realised on the disposition, in each case as determined in US Dollars. This gain or loss will generally be US-source gain or loss for foreign tax credit purposes.

2.4 Passive foreign investment company considerations

Based on the nature of its business and the amount of cash and other potentially passive assets that the Company has held and expects to hold, the Company believes that it has been a PFIC in the past and expects that it is likely to be a PFIC for the current taxable year and in the future. In addition, the Company holds direct and indirect equity interests in entities that may be PFICs ("Lower-tier PFICs"). A company's PFIC status for any taxable year is only determinable after the close of such taxable year. In general, a non-US corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-US corporation that directly or indirectly owns at least 25% by value of the Ordinary Shares of another corporation is treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains.

Whether or not the Company is a PFIC for any particular taxable year will therefore depend upon the composition of the 3i Group's income and assets and the value of the 3i Group's assets for such taxable year. The Company does not intend to assess its PFIC status or that of any entity in which it invests, for any taxable year.

Under certain attribution rules, if the Company is a PFIC, US Holders will be deemed to own their proportionate share of Lower-tier PFICs, and will be subject to US federal income tax on (i) certain distributions on the Ordinary Shares of a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, both as if the holder directly held the shares of such Lower-tier PFIC.

If a company is a PFIC for any taxable year during which a US Holder holds (or, as discussed in the previous paragraph, is deemed to hold) its shares, or, under certain proposed regulations, rights to acquire shares, such US Holder is subject to adverse US federal income tax rules. Unless a US holder makes a timely "mark-to-market" election, as described below, gain recognised upon a disposition (including, under certain circumstances, a pledge) of Ordinary Shares (or, under certain proposed regulations, Rights) by such US Holder, or upon an indirect disposition of shares of a Lower-tier PFIC, will be allocated rateably over the US Holder's holding period for such shares (or Rights). The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for such taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the tax attributable to such allocated amounts. Any loss recognised will be capital loss, the deductibility of which is subject to limitations. Further, to the extent that any distribution received by a US Holder on its Ordinary Shares (or a distribution by a Lower-tier PFIC to its shareholder that is deemed to be received by a US Holder) exceeds 125% of the average of

the annual distributions on such shares received during the preceding three years or the US Holder's holding period, whichever is shorter, such distribution will be subject to taxation as described above. If the Company were a PFIC for any year during which a US Holder held Ordinary Shares, it generally would continue to be treated as a PFIC with respect to that holder for all succeeding years during which the U.S. Holder held Ordinary Shares, even if the Company ceased to meet the threshold requirements for PFIC status. U.S. Holders should consult their tax advisers regarding the potential availability of a "deemed sale" election that would allow them to eliminate this continuing PFIC status under certain circumstances.

To avoid the foregoing rules, a US Holder may be able to make a mark-to-market election with respect to the Ordinary Shares (but not with respect to the shares of any Lower-tier PFICs or with respect to the Rights) if the Ordinary Shares are "regularly traded" on a "qualified exchange." In general, the Ordinary Shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of Ordinary Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. The Ordinary Shares are listed and traded on the London Stock Exchange, which the Company believes to be a qualified exchange. If a US Holder has held any Ordinary Shares for any taxable year in which the Company was a PFIC prior to the taxable year in which such holder makes a mark-to-market election, the rules in the paragraph above (the "excess distribution rules") will apply to any distributions with respect to, or any disposition of, Ordinary Shares in the taxable year such holder makes the mark-to-market election. The excess distribution rules will also apply to the amount of the excess, if any, of the fair market value of the Ordinary Shares on the last day of the US Holder's taxable year during which such holder makes the mark-to-market election over its adjusted basis, as if such amount were gain recognized from the disposition of stock on the last day of such taxable year. The US Holder's basis in his Ordinary Shares will be increased by the amount of such excess. The mark-to-market rules will apply to taxable years following the taxable year in which the mark-to-market election is made.

If a US Holder makes the mark-to-market election, for each year in which the Company is a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of the Ordinary Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Ordinary Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a US Holder makes the election, the holder's tax basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. Any gain recognised on the sale or other disposition of Ordinary Shares will be treated as ordinary income. US Holders should consult their own tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

A qualified electing fund election (a "QEF Election") which would result in an alternative treatment will not be available to US Holders because the Company does not intend to provide information necessary for US Holders to make such an election.

If a US Holder owns Ordinary Shares during any year in which the Company is a PFIC, the holder must file IRS Forms 8621 with respect to the Company and any Lower-tier PFICs.

US Holders should consult their own tax advisers concerning the Company's PFIC status and the tax considerations relevant to an investment in a PFIC.

2.5 Certain reporting obligations

If a US Holder subscribes for Ordinary Shares for a total Issue Price in excess of \$100,000 (or the equivalent in foreign currency), the holder may be required to file Internal Revenue Service ("IRS") Form 926 for the holder's taxable year in which the subscription occurs. US Holders should consult their own tax advisers to determine whether they are subject to any Form 926 filing requirements.

2.6 Backup withholding and information reporting

Payment of dividends and sales proceeds that are made within the United States or through certain US related financial intermediaries are generally subject to information reporting and may be subject to backup withholding unless (i) the US Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against such holder's US federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the United States Internal Revenue Service.

Part 8. Additional Information

1. Responsibility

The Company and the Directors, whose names are set out on page 174 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information about the Company

- 2.1** The Company was incorporated in England and Wales as a private company limited by shares (registered number 1142830) on 1 November 1973 under the name of Finance for Industry Limited. The Company was formed to acquire the whole of the issued share capital of Finance Corporation for Industry Limited ("FCI") and of Industrial and Commercial Finance Corporation ("ICFC"). Both ICFC and FCI were formed in 1945 at the request of the United Kingdom Government to supply long-term and medium-term capital respectively to British industry and commerce. 3i re-registered as a public limited company in 1981 and adopted the name Investors in Industry Group plc in 1983. It adopted its present legal and commercial name, 3i Group plc, in 1988.
- 2.2** The Company is incorporated in England and Wales under the Companies Acts 1948 to 1967 as a public limited company. The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be created, are the Companies Acts and regulations made thereunder.
- 2.3** The Company is the parent company of the 3i Group. The Company's interest in the shares of the significant majority of its subsidiaries is held by its wholly-owned subsidiary, 3i Holdings plc. 3i Investments, an indirect wholly-owned subsidiary of 3i, acts as investment manager to the Company and is authorised and regulated by the FSA. More information on 3i Investments is set out in paragraph 6 of Part 2. 3i plc provides secretarial and administrative services to the Group.
- 2.4** The Company is registered and domiciled in England and Wales and its registered and head office is at 16 Palace Street, London SW1E 5JD. The telephone number of the Company's registered office is +44(0)20 7928 3131.

3. Information on the share capital of 3i Group plc

- 3.1** The authorised and issued Ordinary Share capital of the Company (i) as at 5 May 2009, being the latest practicable date prior to the date of this document, and (ii) as it will be following the proposed increase in the share capital of the Company and immediately following the Rights Issue (ignoring any Ordinary Shares which may be issued on the exercise of options under the 3i Share Plans and the effect of not allotting fractional entitlements to New Ordinary Shares under the Rights Issue) is as follows:

Ordinary Share capital as at 5 May 2009:

	Authorised		Issued and fully paid	
	Number	Amount (£)	Number	Amount (£)
Ordinary Shares of 73 ¹⁹ / ₂₂ p each	555,076,720	409,999,850	421,602,526	311,410,957

Note: amount of share capital rounded up to the nearest Pound

Ordinary Share capital immediately following the Rights Issue:

	Authorised		Issued and fully paid	
	Number	Amount (£)	Number	Amount (£)
Ordinary Shares of 73 ¹⁹ / ₂₂ p each	1,102,899,402	814,641,604	973,906,990	719,363,118

Note: amount of share capital rounded up to the nearest Pound. The figures in this table are calculated taking into account the share options which could be exercised between the date of this document and the Record Time which would lead to a maximum of 547,822,682 New Ordinary Shares being issued under the Rights Issue.

- 3.2** Subject to the passing of the Rights Issue Resolutions at the General Meeting and Admission up to 547,822,682 New Ordinary Shares will be issued at a price of 135p per New Ordinary Share pursuant to the Rights Issue. This will result in the issued Ordinary Share capital of the Company increasing by approximately 131%. If a Qualifying Shareholder does not take up in full the offer of New Ordinary Shares under the Rights Issue, such Qualifying Shareholder will suffer an immediate dilution, as a result of the Rights Issue, of up to 56.3% in the proportion of the issued share capital of the Company which they hold. Qualifying Shareholders who take up their rights in full will suffer no dilution to their interests in the Company.

3.3 As at 31 March 2009, being the date of the most recent balance sheet included in the historical financial information in Part 5 (Historical Financial Information), the amount of share capital issued by the Company was £283,707,914.

3.4 The table below sets out, for each class of shares in the capital of the Company, the number of authorised shares and the number of issued fully paid shares, in each case as at 31 March 2009, together with a reconciliation with the number of shares in issue at the beginning of the last financial year:

Class of shares	Number of authorised shares	Number of shares issued and fully paid	Number of shares issued and fully paid as at 1 April 2008
Ordinary Shares of 73 ¹⁹ / ₂₂ p each	555,076,720	383,970,880	382,741,094
Cumulative Preference Shares of 1p each (" B shares ")	660,000,000	9,305,993	16,566,194
Unclassified Shares of 10p each	1,000,000	0	0

3.5 Save as disclosed in paragraphs 4.2 and 4.3 below, since 31 March 2009, there has been no issue of share capital by 3i, fully or partly paid, either in cash or for other consideration and (other than in connection with the Rights Issue and the exercise of options under the 3i Share Plans) no such issues are proposed. Other than in connection with the 3i Share Plans, no share capital of 3i or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option

4. History of share capital

4.1 As at 1 April 2006, being the first day covered by the historical financial information contained in or incorporated by reference into, this document, the share capital of the Company was as follows:

Class of shares	Number of authorised shares	Number of shares issued
Ordinary shares of 53 ¹ / ₈ p each	771,764,704	550,556,502
Unclassified shares of 10p each	1,000,000	0

Since 1 April 2006, there have been the following changes to the issued share capital of the Company:

Class of shares	Reason for change in issued share capital	Number of shares issued, bought back, cancelled or consolidated
ordinary shares of 53 ¹ / ₈ p each	Balance at 1 April 2006	550,556,502
	Shares issued on exercise of share options or under 3i Group Share Incentive Plan	603,757
	Share consolidation ¹	(551,160,259)
	Balance at 17 July 2006	0
ordinary shares of 62 ⁶⁹ / ₈₈ p each	Shares issued on 17 July 2006 ¹	466,366,373
	Shares issued on exercise of share options or under 3i Group Share Incentive Plan	3,964,367
	Shares bought back and cancelled	(7,430,000)
	Share consolidation ²	(462,900,740)
	Balance at 16 July 2007	0
Ordinary Shares of 73 ¹⁹ / ₂₂ p each	Shares issued on 16 July 2007 ²	393,465,629
	Shares issued on exercise of share options, under 3i Group Share Incentive Plan, or under the 1.375% convertible bonds due 2008	2,505,251
	Shares bought back and cancelled	(12,000,000)
	Balance as at 31 March 2009	383,970,880
Cumulative Preference Shares of 1p each (" B Shares ")	Bonus issue of B Shares on 17 July 2006 ¹	551,160,259
	Bonus issue of B Shares on 16 July 2007 ²	636,473,739
	B Shares bought back and cancelled between 17 July 2006 and 31 March 2009	(1,178,328,005)
	Balance as at 31 March 2009	9,305,993

1 On 17 July 2006, the Company: (i) issued B Shares, on the basis of one B Share for each ordinary share of 53 $\frac{1}{8}$ p each held on 14 July 2006; and (ii) consolidated its issued share capital on the basis of 11 new ordinary shares of 62 $\frac{69}{88}$ p each for every 13 ordinary shares of 53 $\frac{1}{8}$ p each held on 14 July 2006.

2 On 16 July 2007, the Company: (i) issued B Shares, on the basis of 11 B Shares for every 8 ordinary shares of 62 $\frac{69}{88}$ p each held on 13 July 2007; and (ii) consolidated its issued share capital on the basis of 17 new Ordinary Shares of 73 $\frac{19}{22}$ p each for every 20 ordinary shares of 62 $\frac{69}{88}$ p each held on 13 July 2007.

4.2 On 28 April 2009, 3i issued 37,604,945 Ordinary Shares to the shareholders of 3i QPEP (excluding the Company) in partial consideration for the transfer of the cash and assets of 3i QPEP to 3i in the course of a scheme for the solvent winding up of 3i QPEP. A more detailed description of this transaction is set out in paragraph 1 of Part 2 of this document.

4.3 On 30 April 2009, 3i issued 26,701 Ordinary Shares to employees under The 3i Share Incentive Plan.

4.4 On 15 May 2008, the Company announced that it had launched an offering of £430 million 3.625% convertible bonds due 2011 (the "**Convertible Bonds**"). The Convertible Bonds were issued principally to refinance the €550 million convertible bonds issued by the Company in 2003, which were due for redemption on 1 August 2008.

The conversion rights of the holders of the Convertible Bonds are to be settled entirely in cash and not by an issue of Ordinary Shares. However, the Company has also entered into certain agreements with Dresdner Kleinwort and Deutsche Bank London in order to offset the Company's exposure in relation to the Convertible Bonds and to increase the effective conversion premium inherent in the issue of the Convertible Bonds. Further details of these agreements are set out in paragraph 19 of this Part 8. Under these agreements, the Company will be required to settle certain option arrangements (if exercised) by issuing Ordinary Shares. The number of Ordinary Shares to be issued under such option arrangements may, in accordance with their terms, be adjusted to take account of the Rights Issue.

The Convertible Bonds are listed on the Official List of the UKLA and admitted to trading on the Professional Securities Market of the London Stock Exchange plc. The Convertible Bonds constitute direct unsecured obligations and holders of the Convertible Bonds rank *pari passu* with all other unsecured creditors of the Company. Further information on the Convertible Bonds is set out in paragraph 19 of this Part 8.

4.5 The New Ordinary Shares will have a nominal value of 73 $\frac{19}{22}$ p each. Following the Rights Issue, the Company will continue to have one class of Ordinary Shares. Details of the rights attached to Ordinary Shares in relation to attendance and voting at extraordinary general meetings, entitlements on a winding-up of the Company and transferability of shares are set out in the summary of the Articles of Association in paragraph 16.2 of this Part 8.

4.6 The ISIN of the New Ordinary Shares once issued will be ISIN: GB00B1YW4409, being the same ISIN as the Existing Ordinary Shares. The New Ordinary Shares will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form. Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company).

5. Dividend policy

The Board's current policy is to pay two dividends on the Ordinary Shares in respect of the Company's financial year, typically in January (an interim dividend) and in July (a final dividend). For further information on the Company's dividend policy, please see paragraph 6 of Part 1 of this document.

In order to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988, the Company is prohibited by its Articles of Association from paying dividends or distributions from capital profits and surpluses arising on the realisation of investments save by way of redemption or purchase of any of its shares in accordance with the Companies Acts. In addition, the tax legislation specifies the maximum amount of its revenue profit that an investment trust is able to retain in respect of each accounting period in order to continue to qualify as an investment trust.

The following table sets out the dividend per Ordinary Share paid in each of the financial years to 31 March 2007, 2008 and 2009:

Year to	Dividend per Ordinary Share (in p)	
	Reported ¹	Adjusted to reflect the effect of the Rights Issue ²
31 March 2007	16.1p	8.4p
31 March 2008	17.0p	5.8p
31 March 2009	6.3p	N/A

Notes:

1. The reported dividends per Ordinary Share have not been adjusted to reverse the effect of the share consolidations undertaken by the Company in 2006 and 2007. Further information on the share consolidations is set out in paragraph 4.1 of Part 8.
2. The adjusted dividend per Ordinary Share shows the reported dividend in each year as adjusted to reflect the effect of the issue of New Ordinary Shares pursuant to the Rights Issue.

6. The Resolutions

The Rights Issue is conditional, amongst other things, upon the Shareholders of 3i passing the Rights Issue Resolutions at the General Meeting. Set out below is a summary of the Resolutions to be proposed at the General Meeting. The full text of the Resolutions is set out in the Circular.

- (1) Under the first Resolution, it is proposed that the authorised share capital of the Company be increased from £409,999,850 to £814,641,604 by the creation of an additional 547,822,682 Ordinary Shares of 73¹⁹/₂₂p each. If passed, this would result in an increase of 98.7% in the authorised share capital of the Company. The Resolution is being proposed to enable 3i to issue the New Ordinary Shares.
- (2) Under the second Resolution, it is proposed that the Directors be authorised to allot the New Ordinary Shares for the purposes of the Rights Issue. This resolution will authorise the Directors to allot Ordinary Share capital up to an aggregate amount of £404,641,755, representing 130% of the total issued Ordinary Share capital of the Company as at 5 May 2009 (being the latest practicable date prior to the publication of this document). The Directors at present, intend to pass a Board resolution to allot 547,822,682 Ordinary Shares in connection with the Rights Issue on 27 May 2008 but save as required under the 3i Share Plans or the Convertible Bond do not, at present, intend to allot any further Ordinary Shares.

As at 5 May 2009 (being the latest practicable date prior to the publication of this document) the Company held no shares in treasury.

The authority which is proposed to be granted under this Resolution will expire (unless renewed, varied or revoked by the Company in general meeting) on the date being 15 months from the passing of the resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2010.

- (3) Under the third Resolution, it is proposed that the Directors be authorised to allot Ordinary Shares up to an aggregate nominal amount of £404,641,755 as if section 89 of the Companies Act 1985 did not apply to them. The aggregate nominal amount of £404,641,755 represents 130% of the Company's issued Ordinary Share capital as at 5 May 2009 (being the latest practicable date prior to the publication of this document). Under section 89 of the Companies Act 1985, if the Board wishes to allot any equity securities for cash (other than in connection with an employee share scheme) it must first offer them to existing shareholders in proportion to their existing shareholdings. The purpose of this Resolution is to permit the Company to provide the Company with flexibility to deal with legal or other difficulties in making the Rights Issue available to certain Restricted Shareholders.
- (4) In addition to the Resolutions set out above, a fourth resolution is to be proposed at the General Meeting. However, the Rights Issue is not conditional upon the passing of this resolution. Under the fourth resolution, it is proposed that the Directors be authorised to amend the terms of The 3i Group Discretionary Share Plan to authorise the allotment of Ordinary Shares to participants wishing to participate in the proposal described in paragraph 10 of Part 1.

As explained in that paragraph, the Matching Awards will be granted in accordance with, and subject to, the terms of the Plan, to those individuals who elect to purchase Investment Shares. Whilst it would be possible for the Investment Shares to be acquired in the market without amending the Plan, the Board believes that it is more appropriate in the present circumstances for the Company to have the use of the funds and therefore wishes to be able to issue new Ordinary Shares as Investment Shares.

7. Directors of the Company

7.1 The Directors of the Company and their principal functions in respect of 3i are as follows:

Name	Position
Baroness Hogg	Chairman and Non-executive Director
Oliver Stocken	Deputy Chairman
Michael Queen	Chief Executive
Julia Wilson	Finance Director
Robert Swannell	Non-executive Director and Senior Independent Director
Richard Meddings	Non-executive Director
Willem Mesdag	Non-executive Director
Christine Morin-Postel	Non-executive Director
Lord Smith of Kelvin	Non-executive Director

The business address of each of the Directors is 16 Palace Street, London SW1E 5JD.

7.2 The names, business experience and principal business activities outside the 3i Group of the Directors, as well as the dates of their initial appointment as Directors, are set out below together with a list of any current and/or previous directorships or partnerships held by each Director in the five years prior to the date of this document.

Baroness Hogg

Chairman of 3i since 2002 and a non-executive director since 1997. Chairman of the Nominations Committee and the Valuations Committee and a member of the Remuneration Committee. Chairman of Frontier Economics Limited. A director of BG Group plc and Cadbury plc. Deputy chairman of the Financial Reporting Council Limited and a governor of the London Business School. From 1995 to 2002 chairman of Foreign & Colonial Smaller Companies PLC. From 2003 to 2006 deputy chairman of GKN plc. Formerly head of the Prime Minister's Policy Unit.

In addition to her directorship of 3i and any directorship(s) of subsidiaries of 3i, Baroness Hogg holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
BG Group plc	Current
Cadbury plc	Current
Carnival Corporation	Previous
Carnival plc (formerly P&O Princess Cruises plc)	Previous
Frontier Economics Limited (Chairman)	Current
GKN plc (Deputy Chairman)	Previous
The Financial Reporting Council Limited (Deputy Chairman)	Current

Oliver Stocken

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

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Oliver Stocken holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
GUS plc	Previous
Home Retail Group Plc (previously ARG Holdings (UK) PLC) (Chairman)	Current
Hoyle Barn Limited	Current
Oval Limited	Current
Novar plc (previously Caradon plc)	Previous
Pilkington plc	Previous
The Rank Group plc	Previous
River and Rowing Museum Foundation (Trustee Board Appointment)	Current
Rutland Trust PLC (in liquidation)	Previous
Searchspace Group Limited	Previous
Standard Chartered PLC	Current
Stanhope Group Holdings Limited	Current
Stanhope Limited (previously Stanhope plc)	Previous
The Natural History Museum Trading Company Limited	Current
The Royal College of Art Design Group Limited	Previous
Felsted School Trustees Limited	Current

Michael Queen

Chief Executive of 3i since January 2009 and an executive director since 1997. Managing Partner of the Infrastructure business line from July 2008 to January 2009. Joined 3i in 1987. From 1994 to 1996 seconded to HM Treasury. Appointed Group financial controller in 1996 and Finance Director in 1997. A member of the Management Committee and the Group's Investment Committee since 1997. Ceased to be Finance Director on assuming responsibility for Growth Capital investment in 2005. A former non-executive director of Northern Rock plc and past chairman of the British Venture Capital Association.

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Michael Queen holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
British Venture Capital Association	Previous
Northern Rock plc	Previous
Osprey Acquisitions Limited	Current
Osprey Holdco Limited	Current
Osprey Jersey Holdco Limited	Current
Pencilweight Limited	Current

Julia Wilson

Joined the 3i Group in 2006 and became Group Finance Director with effect from December 2008. Appointed to the Board of 3i Group plc and joined Management Committee in October 2008. A member of the Valuations Committee. Formerly group director of corporate finance at Cable & Wireless plc.

As announced by the Company on 7 April 2009, Julia Wilson is currently on a leave of absence due to maternity. During her leave of absence, she will continue as a Director but, pending her return, her operational responsibilities will be assumed by Ian Nolan, the Company's chief investment officer, and by Stephen Halliwell, the chief financial officer of 3i's Infrastructure business.

In addition to her directorship of 3i and any directorship(s) of subsidiaries of 3i, Julia Wilson holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
Anthracite Holdings	Previous
Bulldog Communications Limited	Previous
C&W Cable Limited (dissolved)	Previous
Cable & Wireless (Far East) Holding Limited (dissolved)	Previous
Cable & Wireless Asia & Pacific Limited	Previous
Cable & Wireless Aspac Holdings Limited	Previous
Cable & Wireless Australia & Pacific (dissolved)	Previous
Cable & Wireless Central Holding Limited	Previous
Cable & Wireless DI Holdings Limited	Previous
Cable & Wireless Eastern Hemisphere UK Limited	Previous
Cable & Wireless Eastern Holdings Limited	Previous
Cable & Wireless Europe Holdings Limited	Previous
Cable & Wireless Funding No. 2 Limited (dissolved)	Previous
Cable & Wireless HK Finance	Previous
Cable & Wireless Holdings, Inc	Previous
Cable & Wireless Jersey (Finance) Limited (dissolved)	Previous
Cable & Wireless UK Finance	Previous
Cable & Wireless UK Finance No. 1 Limited	Previous
Cable & Wireless UK Finance No. 3	Previous
Cable & Wireless UK Finance No. 4 (dissolved)	Previous
Cable & Wireless US Holdings Limited (dissolved)	Previous
Cable & Wireless US Investments	Previous
Cable & Wireless (Investments) Limited	Previous
Cable & Wireless (West Indies) Limited	Previous
Cable & Wireless European Investments Limited	Previous
Cable & Wireless Pension Trustee Limited	Previous
Sable Holdings Limited	Previous
The Eastern Leasing Company Limited	Previous
U.S. Financial Investments LLC	Previous

Robert Swannell

Non-executive director of 3i since 2006 and Senior Independent Director since April 2009. Chairman of the Audit and Compliance Committee and a member of the Nominations Committee and the Valuations Committee. Senior adviser to Citi Europe and formerly chairman of Citi's European Investment Bank and Vice-Chairman of Citi Europe. Chairman of HMV Group plc and a non-executive director of The British Land Company PLC. A member of the Takeover Panel Appeal Board, and a trustee of the Career Academies UK.

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Robert Swannell holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
Ashley Gardens Freeholds Limited	Previous
HMV Group plc	Current
The Arnold Foundation for Rugby School	Current
The British Land Company PLC	Current
The UK Career Academy Foundation	Current

Richard Meddings

Non-executive director of 3i since September 2008. A member of the Audit and Compliance Committee and the Nominations Committee. Group finance director of Standard Chartered PLC since 2006, having joined the board of

Standard Chartered PLC as a group executive Director in November 2002. A member of the Governing Council of the International Chamber of Commerce, United Kingdom. Formerly chief operating officer, Barclays Private Clients, group financial controller at Barclays PLC and group finance director of Woolwich PLC.

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Richard Meddings holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
Standard Chartered Bank	Current
Standard Chartered Holdings Limited	Current
Standard Chartered plc	Current
UK-India Business Council	Previous
Woolwich PLC	Previous

Willem Mesdag

Non-executive director of 3i since 2007. A member of the Remuneration Committee and the Nominations Committee. Managing partner of Red Mountain Capital Partners LLC. Formerly a partner and managing director of Goldman Sachs & Co, and a director of Skandia Life Insurance Company.

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Willem Mesdag holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
Cost Plus, Inc (US)	Current
Davis Petroleum Corporation	Current
Encore Capital Group, Inc (US)	Current
Red Mountain Capital Partners LLC	Current

Christine Morin-Postel

Non-executive director of 3i since 2002. A member of the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee. A director of British American Tobacco Plc, EXOR and Royal Dutch Shell Plc. 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.

In addition to her directorship of 3i and any directorship(s) of subsidiaries of 3i, Christine Morin-Postel holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
ALCAN Inc (Canada)	Previous
Arlington Capital Investors (Europe) (in Guernsey)	Previous
British American Tobacco p.l.c.	Current
EXOR S.p.A.	Current
N.V. Koninklijke Nederlandsche Petroleum Maatschappij (a subsidiary of Royal Dutch Petroleum Company)	Previous
Pechiney (subsidiary of Alcan Inc. Canada)	Previous
Pilkington plc	Previous
Royal Dutch Shell Plc	Current

Lord Smith of Kelvin

Non-executive director of 3i since 2004. Chairman of the Remuneration Committee and a member of the Audit and Compliance Committee and the Nominations Committee. Chairman of Weir Group plc and Scottish & Southern Energy plc. A non-executive director of Aegon UK plc and Standard Bank Group Limited. Formerly a non-executive director of the Financial Services Authority and Bank of Scotland plc, chief executive of Morgan Grenfell Asset Management and a member of the Financial Reporting Council.

In addition to his directorship of 3i and any directorship(s) of subsidiaries of 3i, Lord Smith of Kelvin holds, or has held in the past five years, the following directorships or partnerships:

Company	Status (Current/Previous)
Aegon Asset Management UK Limited	Current
Aegon Investment Management UK Limited	Current
Aegon UK plc	Current
Chanteclair Estate Pty Limited	Current
China-Britain Business Council	Previous
Glasgow 2014 Ltd ¹	Current
Inchmarnock Estate Pty Limited	Current
Inchmarnock Limited	Current
Inchmarnock Marine Limited	Current
Scottish and Southern Energy plc	Current
Standard Bank Group Limited	Current
The Standard Bank of South Africa Ltd	Current
The Weir Group plc	Current

¹ Lord Smith of Kelvin is a director of this company as a result of him being chairman of the 2014 Commonwealth Games organising committee.

7.3 Save as set out below, no Director:

- (A) has any unspent convictions relating to fraudulent offences for at least the previous five years;
- (B) has been bankrupt or the subject of an individual voluntary arrangement;
- (C) has: (i) been director of any company; or (ii) been partner of any partnership, which has been the subject of any bankruptcy, receivership or liquidation at any time in the previous five years;
- (D) has received any public criticisms or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company; and
- (E) has any conflicts of interest between his or her duties to the Company and his or her private interests and/or other duties he or she may also have.

As set out in paragraph 7.2, in the previous five years, Julia Wilson was director of the following companies which are now dissolved: C&W Cable Limited, Cable & Wireless (Far East) Holding Limited, Cable & Wireless Australia & Pacific, Cable & Wireless Funding No. 2 Limited, Cable & Wireless Jersey (Finance) Limited, Cable & Wireless (UK) Finance No. 4, Cable & Wireless US Holdings Limited. In each case a resolution of the company's members was passed that the company be wound up voluntarily and liquidators appointed. As set out in paragraph 7.2, in the previous five years, Oliver Stocken was a director of Rutland Trust Plc which is in liquidation following a resolution of its members that the company be wound up voluntarily and liquidators appointed.

8. Directors' interests in Ordinary Shares

Save as disclosed in sub-paragraphs (A) and (B) below, no Director holds any voting rights, directly or indirectly, in respect of the share capital of the Company or any of its subsidiaries as at 5 May 2009 (being the latest practicable date prior to the publication of this document).

8.1 Issued share capital

As at 5 May 2009 (being the latest practicable date prior to the publication of this document), the Directors and their connected persons (within the meaning of the Disclosure and Transparency Rules) had interests in the issued share capital of the Company as set out below. The table also sets out the interests of the Directors in the issued share capital of the Company assuming full acceptance by the Directors of their rights under the Rights Issue. The following is based on the interests of the Directors in the issued share capital of the Company which (i) have been notified by each Director to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules on or before 5 May 2009 or (ii) are interests of a connected person (within the meaning of the Disclosure and Transparency Rules) of a Director which have been notified to the Company by each connected person (within the meaning of the Disclosure and Transparency Rules) pursuant to Chapter 3 of the Disclosure and Transparency Rules on or before 5 May 2009.

Director	Ordinary Shares as at 5 May 2009		Number of Ordinary Shares immediately following the Rights Issue	
	Number of Ordinary Shares	Percentage of issued share capital of 3i	Number of Ordinary Shares	Percentage of issued share capital of 3i
Director	Ordinary Shares as at 5 May 2009		Number of Ordinary Shares immediately following the Rights Issue	
	Number of Ordinary Shares	Percentage of issued share capital of 3i	Number of Ordinary Shares	Percentage of issued share capital of 3i
Baroness Hogg	32,956	0.0078	75,328	0.0078]
Oliver Stocken	30,714	0.0073	70,203	0.0073
Michael Queen	420,573	0.0998	961,310	0.0998
Julia Wilson	2,106	0.0005	4,814	0.0005
Robert Swannell	15,350	0.0036	35,086	0.0036
Richard Meddings	5,583	0.0013	12,761	0.0013
Willem Mesdag	50,000	0.0119	114,286	0.0119
Christine Morin-Postel	7,985	0.0019	18,251	0.0019
Lord Smith of Kelvin	14,186	0.0034	32,425	0.0034

Note: The numbers and percentages in the table above include Ordinary Shares issued under the Group's Share Incentive Plan. Directors' entitlements to share options and awards are set out below.

8.2 Share options and awards

As at 5 May 2009, being the latest practicable date prior to the publication of this document, the Directors held the options and awards over shares in the Company as are set out below. Those options and awards are not included in the interests of the Directors shown in the table in paragraph 7.1 (A) above.

The number of Ordinary Shares subject to options and/or the subscription price per share will be subject to adjustment following the Rights Issue in accordance with the rules of the 3i Share Plans.

Award holder	Share plan/scheme	Date of grant/award	No. of Ordinary Shares	Vested/Unvested	Exercise price (pence)	Lapse date
Michael Queen	1994 Unapproved	06/07/1999	36,002	Vested	728	05/07/2009
	1994 Unapproved	28/06/2000	30,795	Vested	1375	27/06/2010
	GDSP Approved	23/06/2004	2,883	Vested	603	22/06/2014
	GDSP Unapproved	27/06/2002	131,603	Vested	673	26/06/2012
	GDSP Unapproved	25/06/2003	57,218	Vested	568	24/06/2013
	GDSP Unapproved	23/06/2004	89,558	Vested	603	22/06/2014
	GDSP Unapproved	21/06/2005	44,733	Vested	693	20/06/2015
	GDSP Unapproved	09/02/2009	936,170	Unvested	350	08/02/2019
	GDSP Performance Shares	06/02/2009	702,127	Unvested	0	N/A
	GDSP Super Performance Shares	29/11/2006	70,175	Unvested	0	N/A
	Deferred Bonus Plan	30/07/2007	34,250	Unvested	0	N/A
	Deferred Bonus Plan	23/06/2008	41,785	Unvested	0	N/A
Deferred Bonus Plan	06/02/2009	170,000	Unvested	0	N/A	
Julia Wilson	GDSP Approved	11/01/2006	3,348	Vested	896	10/01/2016
	GDSP Unapproved	11/01/2006	9,765	Vested	896	10/01/2016
	GDSP Unapproved	14/06/2006	8,433	Unvested	836	13/06/2016
	GDSP Unapproved	18/06/2007	21,303	Unvested	1174	17/06/2017
	GDSP Unapproved	23/06/2008	26,537	Unvested	829	22/06/2018
	GDSP Unapproved	12/11/2008	249,739	Unvested	481	11/11/2018

Award holder	Share plan/scheme	Date of grant/award	No. of Ordinary Shares	Vested/Unvested	Exercise price (pence)	Lapse date
	GDSP Performance Shares (PS)*	23/06/2008	46,988	Unvested	0	N/A
	GDSP Performance Shares	12/11/2008	124,869	Unvested	0	N/A

*Note: (PS) refers to Professional Services awards, the rules for which vary slightly compared to the other awards.

9. Executive Directors' service contracts and emoluments

9.1 Service contracts

Details of the executive Directors' service contracts are summarised in the table below:

Name	Date of Contract	Notice period by Company	Notice period by Director	Period of Service
Michael Queen	31/03/09	12 months	6 months	From 22/06/87 ¹
Julia Wilson	05/09/08	12 months	6 months	From 03/01/06 ²

Notes:

1. Michael Queen joined 3i in June 1987, has been an executive Director since July 1997 and Chief Executive since January 2009.
2. Julia Wilson joined 3i in January 2006 and has been an executive Director since December 2008.

In addition to their service contracts, Michael Queen and Julia Wilson hold office as Directors under the Company's Articles of Association. Their appointments as Directors, which are separate from their employment contracts, are not for fixed terms but in accordance with the Articles of Association each Director is required to retire from office at every third Annual General Meeting and may offer him or herself for reappointment by Shareholders.

9.2 Emoluments

Set out below are details of the remuneration and other emoluments paid to the executive Directors in the financial year to 31 March 2009:

	Basic salary/fees £000	Salary supplement in lieu of pension £000	Benefits-in-kind £000	Award deferred from prior periods £000	Deferred share award £000	Total £000
Michael Queen	475	–	2	375	400	1,252
Julia Wilson	206	–	1	–	–	207

Benefits-in-kind comprised health insurance.

9.3 There is no existing service contract between any executive Director and any member of the Group which provides for benefits upon termination of employment, save that Mr Queen's contract contains provisions entitling the Company to terminate employment without notice subject to making twelve monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment.

9.4 The total amount set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits to the Directors is £4,024,500 as at 31 March 2009.

10. Non-executive Directors' letters of appointment and fees

10.1 Set out below are the dates of the non-executive Directors' letters of appointment, together with details of remuneration and other emoluments paid to the non-executive Directors in the financial year to 31 March 2009:

	Date of letter of appointment	Total salary/fees (year to 31 March 2009) £000
Baroness Hogg	03/06/2004	287
Oliver Stocken	05/05/2004	109
Christine Morin-Postel	05/05/2004	60
Willem Mesdag	11/07/2007	63
Lord Smith of Kelvin	28/07/2004	75
Robert Swannell	12/07/2006	71

	Date of letter of appointment	Total salary/fees (year to 31 March 2009) £000
Richard Meddings	01/09/2008	32

Note: amounts are rounded up or down to the nearest thousand.

10.2 The non-executive Directors hold office in accordance with the Company's Articles of Association. Letters of appointment confirm various matters relating to their appointment but non-executive Directors are not employees, are not entitled to any notice period and are not entitled to any compensation for loss of office if the directorship terminates for any reason. Non-executive Directors are not appointed for fixed terms but in accordance with the Articles of Association each Director is required to retire from office at every third Annual General Meeting or if, not being the Chairman, he or she has held a non-executive office with the Company for a continuous period of nine years or more at the date of the meeting and, in accordance with the Articles of Association, the Director may offer him or herself for reappointment by Shareholders.

11. Board committees and corporate governance

11.1 The Company complies with the provisions of section 1 of the Combined Code on corporate governance published by the Financial Reporting Council in June 2006 (the "**Combined Code**"). The Company complied with the Combined Code for the financial year to 31 March 2009.

11.2 The Board is assisted by the following standing committees which report regularly to the Board:

(A) Audit and Compliance Committee ("**Audit Committee**")

The current members of the Company's Audit Committee are Robert Swannell (Chairman), Richard Meddings, Christine Morin-Postel and Lord Smith of Kelvin.

Role of the Audit Committee

The responsibilities of the Audit Committee include:

- reviewing the Company's internal financial controls and, subject to any Board arrangements to the contrary, reviewing its internal control and risk management systems;
- monitoring and reviewing the effectiveness of the internal audit function;
- monitoring and reviewing the financial reporting practices;
- overseeing the external audit process;
- reviewing whistle-blowing arrangements;
- obtaining satisfaction that Group compliance policies fulfil the requirements of the FSA and, where relevant, equivalent overseas regulators; and
- reviewing the possible effects of proposed changes in applicable accounting standards, tax status or legislation.

(B) Remuneration Committee

The current members of the Company's Remuneration Committee are Lord Smith of Kelvin (Chairman), Baroness Hogg, Willem Mesdag and Christine Morin-Postel.

Role of the Remuneration Committee

The Remuneration Committee is constituted in accordance with the recommendations of the Combined Code. Its remit includes:

- determining the remuneration of the Chairman of the Board, each of the executive Directors and all other members of the Chief Executive's Management Committee, including any termination arrangements;
- monitoring the level and structure of remuneration for senior management; and
- determining employee share plan arrangements and principal commercial terms for any long term incentive plans.

(C) Nominations Committee

The current members of the Company's Nominations Committee are Baroness Hogg (Chairman), Oliver Stocken, Michael Queen, Richard Meddings, Willem Mesdag, Christine Morin-Postel, Lord Smith of Kelvin and Robert Swannell.

Role of the Nominations Committee

The responsibilities of the Nominations Committee include:

- at the Board's request, making recommendations on the size, balance and composition of the Board;
- overseeing the succession planning process for the Board and senior management; and
- at the Board's request, making recommendations on proposed Board appointments and retirements.

(D) Valuations Committee

The current members of the Company's Valuations Committee are Baroness Hogg (Chairman), Oliver Stocken, Michael Queen, Julia Wilson and Robert Swannell.

Role of the Valuations Committee

The Valuations Committee's terms of reference are to: review the valuation policies of the Company and, if appropriate, recommend changes to the Board; and to implement the valuation policies adopted by the Board.

12 Employees

The number of employees in the Group, as at 31 March 2009, was as follows:

	UK	Continental Europe	USA	Asia	Total
Investment professionals	99	96	17	32	244
Other employees	256	77	11	19	363
Total	355	173	28	51	607

The total number of employees in the Group as at 31 March 2008 was 761 and as at 31 March 2007 it was 799.

As at 30 April 2009, being the latest practicable date before publication of this document, the total number of employees in the Group was 570.

13. Major Shareholders

13.1 As at 5 May 2009 (being the latest practicable date prior to the publication of this document) and as expected to be held immediately following completion of the Rights Issue (assuming full take up by each person described below of their rights to New Ordinary Shares under the Rights Issue), and so far as is known to the Company by virtue of the notifications made to it pursuant to the Companies Acts and/or Chapter 5 of the Disclosure Rules and Transparency Rules, the name of each person (other than any Director) who, directly or indirectly, is interested in 3% or more of the voting rights in the Company, and the amount of such person's interest, is as follows:

Name	Number of Ordinary Shares as at 5 May 2009	Per cent. ¹ (%)	Number of Ordinary Shares immediately following the Rights Issue	Per cent. immediately following the Rights Issue (%)
AXA S.A. and its group of companies	15,580,556	4.06	35,612,699	3.70
BlackRock, Inc	19,653,461	5.11	44,922,197	4.66
Deutsche Bank AG	22,407,866	5.84	51,217,979	5.31
The Goldman Sachs Group, Inc.	22,865,000	5.97	52,262,857	5.42
Legal & General Group plc	25,253,140	5.98	57,721,463	5.99
Lehman Brothers International (Europe)	11,550,096	3.01	26,400,219	2.74
Lloyds Banking Group Plc	22,216,838	5.27	50,781,344	5.27
Schroder Plc	19,370,309	5.05	44,274,992	4.59

***Note:** 1. The percentages shown are as at the date of notification of the relevant interest by the major shareholder.

13.2 None of the major Shareholders in the Company has different voting rights.

13.3 Save as disclosed above, as at 5 May 2009 (being the latest practicable date prior to the publication of this Prospectus), 3i is not aware of any person who is, or will be, immediately following the Rights Issue, directly or indirectly, interested in 3% or more of the voting rights in the Company.

13.4 As at 5 May 2009, being the latest practicable date prior to the publication of this Prospectus, 3i is not aware of any person who, as at the date of this Prospectus, directly or indirectly, acting jointly or with others or acting alone, could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

14. Related party transactions

Other than as discussed in the financial information set out in Part 5 of this document or incorporated by reference into this document (as explained in Part 9 (Documentation Incorporated by Reference) of this document) for the financial years to 31 March 2007, 2008 and 2009 and the scheme for the solvent winding up of 3i QPEP described in paragraph 1 of Part 2, there are no related party transactions between the Company and members of the Group that were entered into during the financial years to 31 March 2007, 2008 and 2009 or during the period between 1 April 2009 and 5 May 2009 (the latest practicable date prior to the publication of this document). Related party transactions for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002.

15. Subsidiaries

15.1 The following is a list of the Company's significant subsidiaries as at 5 May 2009 (being the latest practicable date prior to the publication of this document):

Subsidiary	Country of incorporation	Principal activities	Percentage held by 3i or its subsidiary undertakings
3i Holdings plc	England and Wales	Holding Company	100
3i International Holdings	England and Wales	Holding Company	100
3i plc	England and Wales	Services	100
3i Investments plc	England and Wales	Investment Manager	100
3i Europe plc	England and Wales	Investment Advisory Services	100
3i Nordic plc	England and Wales	Investment Advisory Services	100
3i Asia Pacific plc	England and Wales	Investment Advisory Services	100
3i Asia Limited	Mauritius	Investment Advisory Services	100
3i India Private Limited	India	Investment Advisory Services	100
Gardens Pension Trustees Limited	England and Wales	Pension Fund Trustee	100
3i Corporation	US	Investment Manager	100
3i Deutschland Gesellschaft für Industriebeteiligungen mbH	Germany	Investment Manager	100
3i Gestion SA	France	Investment Manager	100

16. Memorandum and articles of association

The following is a summary of the Memorandum of Association and Articles of Association, both of which are available for inspection as set out in paragraph 26 of this Part 8.

16.1 Memorandum of Association

The Company's principal objects are to carry on business as an investment holding company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association, which is available for inspection at the Company's registered address.

16.2 Articles of Association

The Articles of Association which were adopted by special resolution of the Company on 9 July 2008, contain (amongst others) provisions to the following effect.

(A) Share Capital

The authorised share capital of the Company is £416,699,850 divided into 555,076,720 Ordinary Shares of 73¹⁹/_{22p} each, 660,000,000 cumulative preference shares of 1p each (the "**B Shares**") and 1,000,000 unclassified shares of 10p each.

(B) Share Rights

Subject to the Companies Acts, any resolution passed by the Company under the Companies Acts and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Redeemable shares may be issued. Subject to the Articles, the Companies Acts and other shareholders' rights, unissued shares are at the disposal of the Board.

(C) Voting Rights

Subject to any rights or restrictions attaching to any class of shares, every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him.

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

(D) Restrictions

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

(E) Dividends and Other Distributions

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Acts, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares.

The Board may withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Except insofar as the rights attaching to, or the terms of issue of any share, otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid. Except as set out above, dividends may be declared or paid in any currency.

The Board may if authorised by an ordinary resolution of the Company offer ordinary shareholders (excluding any member holding shares as treasury shares) in respect of any dividend the right to elect to receive ordinary shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company.

The Company may stop sending cheques, warrants or similar financial instruments in payment of dividends by post in respect of any shares or may cease to employ any other means of payment, including payment by means of a relevant system, for dividends if either (i) at least two consecutive payments have remained uncashed or are returned undelivered or that means of payment has failed, or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable inquiries have failed to establish any new postal address or account of the holder. The Company may resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

(F) Capital Reserve

The Board shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time, or apply in providing for depreciation or contingencies, all capital profits arising on the sale, transfer, conversion, payment off, or realisation of any investments or other capital assets of the Company in excess of the book value thereof, all other capital profits, and all unrealised appreciation of investments or other assets representing or in the nature of accretion to capital assets. Any losses realised on the sale, transfer, conversion, payment off or realisation of any investments or other capital assets and provisions in respect of the

diminution in value or depreciation in the value of capital assets shall be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company.

The Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the company or any interest charge) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other having regard, amongst other things, to the investment objectives of the company, and to the extent the board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital the Board may debit or charge the same to the capital reserve.

All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any reserve under the provisions of the Declaration of Dividends by Company article are applicable, except and provided that no part of the capital reserve or any other moneys in the nature of accretion to capital shall in any event be transferred to revenue account or be regarded or treated as profits of the company available for distribution (save for distribution by way of redemption or purchase by the company of any of its shares in accordance with the Companies Acts) or be applied in paying dividends on any shares in the company's capital.

(G) Variation of Rights

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

(H) Transfer of Shares

The shares are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

The Board can decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:-

- (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
- (ii) is in respect of only one class of share; and
- (iii) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

(I) Compulsory Transfer of Shares

If at any time (a) the holding or beneficial ownership of shares in the Company might, in the opinion of the directors, cause a pecuniary or tax disadvantage to the Company or any other holder of shares or cause or be likely to cause the assets of the Company to be considered "plan assets" within the meaning of regulations adopted under the United States Employee Retirement Income Security Act of 1974, or (b) the aggregate number of US residents (as defined in the Articles) who are holders or beneficial owners of shares or any other securities (other than short-term paper) of the Company is or may be more than 75, or (c) shares in the Company are owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might, in the opinion of the directors, require registration of the Company as an investment company under the US Investment Company Act, then any shares which the Board decides are shares which are held or beneficially owned by US residents who are in excess of the maximum of 75 or are held or beneficially owned as referred to in (a) and (c) above (together "**Relevant Shares**") may be dealt with in accordance with the Transfer Notice Procedure as defined and set out below.

The directors may serve a transfer notice upon the holder (or any one of the joint holders) of Relevant Shares requiring him to transfer (and/or procure the disposal of interests in) the shares within 21 days (or such extended time as in all the circumstances the directors consider reasonable) to another person so that, in the opinion of the directors, they cease to be Relevant Shares (the "**Transfer Notice Procedure**"). On and after the date of such transfer notice, and until registration of a transfer of the Relevant Shares, the rights and privileges attaching to the Relevant Shares shall be suspended and not capable of exercise.

If the notice is not complied with to the satisfaction of the directors within 21 days (or such extended time), the Company may sell such shares on behalf of the holder or holders by instructing a member of the London Stock Exchange to sell them in accordance with the best practice then obtaining so that the shares will cease to be Relevant Shares. The Company will become indebted to the former holder or holders of the Relevant Shares for an amount equal to the net proceeds of transfer upon surrender by him or them of the certificate for the Relevant Shares. No trust will be created in respect of the debt and no interest will be payable in respect of it and the Company will not be required to account for any moneys earned from the net proceeds of transfer which may be employed in the business of the Company or as it thinks fit.

If a person becomes aware that he is, or is likely to be, holding (directly or beneficially) Relevant Shares and that person has not received a transfer notice, he must transfer the shares so that they cease to be Relevant Shares or give a request in writing (accompanied by the certificate(s) for the shares to which it relates) to the directors for the issue of a transfer notice.

The directors shall, unless any director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares of the Company are Relevant Shares. The directors may, however, call upon any holder (or any one of joint holders) of shares by notice in writing to provide such information and evidence as they shall require upon any matter connected with the shares. In the event of such information not being so provided within a reasonable period (not less than 21 days after service of the notice) as specified by the directors in said notice, the directors may treat any share held by such a holder (or joint holders) as being a Relevant Share.

The directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this article.

(J) Alteration of Share Capital

The Company may by ordinary resolution increase, consolidate, consolidate and then divide, or (subject to the Companies Acts) sub-divide its shares or any of them. The Company may, subject to the Companies Acts, by special resolution reduce its share capital, share premium account, capital redemption reserve or any other undistributable reserve.

(K) General Meetings

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meetings. The Companies Act 2006 provides that a general meeting (other than an adjourned meeting) must be called by notice of at least 21 days in the case of an annual general meeting and at least 14 days in any other case. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting.

(L) Rights attaching to B Shares

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 reorganisation) holders of B shares are entitled to receive in priority to any payment to holders of Ordinary Shares payment of the Return Amount together with any accrued but unpaid dividends but are not entitled to any further right of participation in the profits or assets of the Company.

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

(M) Directors

(i) *Number of directors*

The directors shall be not less than two and not more than 20 in number. The Company may by ordinary resolution vary the minimum and/or maximum number of directors.

(ii) *Directors' shareholding qualification*

A director shall not be required to hold any shares in the Company.

(iii) *Appointment of directors*

Directors may be appointed by the Company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next following annual general meeting of the Company and is then eligible for reappointment.

The Board or any committee authorised by the Board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

(iv) *Retirement of directors*

At every annual general meeting of the Company any director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for reappointment by the members.

(v) *Removal of directors by special resolution*

The Company may by special resolution remove any director before the expiration of his period of office.

(vi) *Vacation of office*

The office of a director shall be vacated if:

- (a) he resigns or offers to resign and the Board resolves to accept such offer;
- (b) he is or has been suffering from mental ill health or he becomes a patient for the purposes of any statutes relating to mental health and the Board resolves that his office be vacated;
- (c) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for 12 consecutive months and the Board resolves that his office is vacated;
- (d) he becomes bankrupt or compounds with his creditors generally;
- (e) he is prohibited by law from being a director;
- (f) he ceases to be a director by virtue of the Companies Acts; or
- (g) he is removed from office pursuant to the Articles.

If the office of a director is vacated for any reason, he must cease to be a member of any committee or sub-committee of the Board.

(vii) *Alternate director*

Any director may appoint any person to be his alternate and may at his discretion remove such an alternate director. If the alternate director is not already a director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to being so approved.

(viii) *Proceedings of the Board*

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board.

The Board may appoint a director to be the chairman or a deputy chairman and may at any time remove him from that office. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

All or any of the members of the Board may participate in a meeting of the Board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

(ix) *Remuneration of directors*

Each of the directors shall be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the directors shall not exceed £1,000,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his remuneration as a director. In addition, any director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of the Company or any other meeting which as a director he is entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a director. The Company may also fund a director's expenditure and that of a director of any holding company of the Company for the purposes permitted under the Companies Acts and may do anything to enable a director or a director of any holding company of the Company to avoid incurring such expenditure as provided in the Companies Acts.

(x) *Pensions and gratuities for directors*

The Board or any committee authorised by the Board may exercise the powers of the Company to provide benefits either by the payment of gratuities or pensions or by insurance or in any other manner for any director or former director or his relations, dependants or persons connected to him, but no benefits (except those provided for by the Articles) may be granted to or in respect of a director or former director who has not been employed by or held an executive office or place of profit under the Company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the Company.

(xi) *Permitted interests of directors*

Subject to the provisions of the Companies Acts and the Listing Rules (where applicable), and provided he has declared the nature of his interest to the Board as required by the Companies Acts, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he

is interested liable to be avoided, and any director who is so interested is not liable to account to the Company or the members for any benefit realised by the contract by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may be paid such extra remuneration for so doing as the Board may decide, either in addition to or in lieu of any remuneration provided for by other articles. A director may also be or become a director or other officer of, or otherwise interested in, or contract with, any company promoted by the Company or in which the Company may be interested and shall not be liable to account to the Company or the members for any benefit received by him, nor shall any such contract be liable to be avoided.

A director may act by himself or his firm in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services.

(xii) *Restrictions on voting*

No director may vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested save to the extent permitted specifically in the Articles.

Except as mentioned below, no director may vote on, or be counted in a quorum in relation to, any resolution of the Board in respect of any contract in which he is to his knowledge materially interested and, if he does so, his vote shall not be counted. These prohibitions do not apply to a director in relation to:-

- (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, indemnity or security to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings which he has himself guaranteed, indemnified or secured in whole or in part;
- (c) the giving to him of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;
- (d) the subscription or purchase by him of shares, debentures or other securities of the Company or of any of the subsidiary undertakings pursuant to any offer or invitation in which the director is or may be entitled to participate as a holder of securities;
- (e) the underwriting by him of any shares, debentures or other securities of the Company or any of its subsidiary undertakings;
- (f) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (g) any contract concerning any other company (not being a company in which the director owns 1% or more (as defined in the Articles)) in which he is interested directly or indirectly;
- (h) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme, or retirement, death or disability benefits scheme which relates to both the directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates;
- (i) any contract for the benefit of employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the relevant employees; and
- (j) any contract for the purchase or maintenance for any director of insurance against any liability.

Subject to the Companies Acts, the Company may by ordinary resolution suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(xiii) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

(xiv) *Indemnity of directors*

To the extent permitted by the Companies Acts, the Company may indemnify any director of the Company or any associated company against any liability and may purchase and maintain for any director of the Company or any associated company insurance against any liability.

17. Takeover offers*Mandatory bids*

- 17.1** The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to an interest in Ordinary Shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for the Ordinary Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30% to 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Squeeze-out

- 17.2** Under the Companies Act 2006, if an offeror were to acquire or unconditionally contract to acquire, 90% of the shares to which the offer relates and 90% of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10%. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out

- 17.3** The Companies Act 2006 would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the Ordinary Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.
- 17.4** The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

Takeover bids

- 17.5** No public takeover bid has been made in relation to the Company during the last financial year to 31 March 2009 or, as at the date of this document.

18. Legal and arbitration proceedings

No member of the Group is or has been engaged in, nor (as far as the Company is aware) has pending or threatened any governmental, legal or arbitration proceedings which may have or have had in the recent past (covering 12 months immediately preceding the date of this document) a significant effect on the Group's financial position or profitability.

19. Material contracts

Set out below is a summary of:

- each material contract, other than contracts entered into in the ordinary course of business, to which any member of the Group is a party, for the two years immediately preceding publication of this document; and
- any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document.

€1,000 million euro commercial paper programme

The Company and 3i Holdings plc (together the "**Issuers**") entered into a dealer agreement dated 27 October 2005 with Barclays Bank PLC, and The Royal Bank of Scotland plc and UBS Limited (together the "**Dealers**") in connection with the €1,000 million multicurrency commercial paper programme. Under the terms of the dealer agreement, the Company unconditionally guarantees the obligations of 3i Holdings plc. Subject to the terms of the agreement, either Issuer may issue and sell notes to any of the Dealers from time to time at such prices and upon such terms as that Issuer and the relevant Dealer may agree. The tenure of the notes shall not be less than one day or more than 364 days from and including the date of issue. The notes are traded on an "over the counter" market but are not listed on any stock exchange.

The aggregate amount of notes outstanding at any time must not exceed the maximum amount of €1,000 million.

Under the terms of the programme documentation, there are limited recurring positive undertakings and covenants, which are mainly administrative, and no events of default. Each Dealer has agreed that it will not directly or indirectly offer, sell, resell, re-offer or deliver notes or distribute any offering material in any country or jurisdiction except under circumstances that will not result in the breach of certain specified selling restrictions.

The Issuers and 3i as guarantor give certain warranties to the Dealers in connection with each issuance of notes and give certain indemnities in favour of the Dealers relating to the issuance of notes and the operation of the programme.

The obligations of any Dealer in respect of any agreement for a note transaction is conditional upon, amongst other things, on: (a) the representations and warranties of the Issuers being true and correct on each date upon which an agreement for a note transaction is made and each date on which notes are issued; and (b) there being no breach as at the issue date in the performance of the obligations of the Issuers, or of the Company as guarantor, under any of the programme agreements or any note.

£2,000 million note issuance programme

3i (the "**Issuer**") has entered into an amended and restated programme agreement dated 30 August 2007 (as amended) with Barclays Bank PLC, Citigroup Global Markets, Deutsche Bank AG London Branch, Dresdner Bank AG London Branch, Société Générale, Goldman Sachs International, HSBC Bank plc, Lehman Brothers International (Europe), Mizuho International plc, The Royal Bank of Scotland plc and UBS Limited (together the "**Dealers**"). A trust deed dated 30 August 2007 between 3i, 3i Holdings plc and The Law Debenture Trust Corporation plc (the "**Trustee**") and an agency agreement with Citibank, N.A., in connection with the £2,000 million note issuance programme have also been entered into.

Subject to the terms and conditions of the programme agreement, 3i may from time to time agree with any Dealer to issue, and any Dealer may agree to purchase, notes. Unless otherwise agreed between 3i and the relevant Dealers, where more than one Dealer has agreed with 3i to purchase a particular tranche of notes, the obligations of such Dealers to purchase the notes are joint and several.

Under the programme agreement, 3i gives certain warranties and indemnities to the Dealers and the Trustee in connection with each issue of notes under the programme and in respect of the programme generally.

The obligations of a Dealer under any agreement for the issue and purchase of notes are conditional upon, amongst other things, the following:

- (ii) the representations and warranties, being true and correct on the proposed issue date;
- (iii) there being no outstanding breach of any of the obligations of 3i under any of the programme documentation;
- (iv) the aggregate nominal amount of the notes to be issued, when added to the aggregate nominal amount of all notes outstanding on the proposed issue date (excluding for this purpose notes due to be redeemed on such issue date) not exceeding £2,000 million;

- (v) there having been, between the relevant agreement date and the issue date for such notes, no change in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the opinion of the relevant Dealer, be likely to prejudice materially the sale by such Dealer of the notes to be issued;
- (vi) there having been, between the relevant agreement date and the issue date, no downgrading in the rating of any of 3i's debt;
- (vii) any calculations or determinations which are required by the relevant conditions to have been made prior to the issue date having been duly made; and
- (viii) in the case of notes which are intended to be listed on a European Economic Area Stock Exchange or offered to the public in a European Economic Area Member State, the publication of a prospectus under the Prospectus Directive, where required.

If any of the conditions are not satisfied, the relevant Dealer shall be entitled (but not bound) by notice to 3i to be released and discharged from its obligations under the programme.

3i shall pay all expenses incidental to the performance of its obligations under the programme documentation and the cost of listing and maintaining the listing of the notes incurred by Citibank, N.A. (as agent) and any paying agents. 3i must also reimburse any Dealer for its costs and expenses reasonably incurred in protecting or enforcing its rights under this Agreement. 3i has also agreed to pay to UBS Limited any costs and expenses separately agreed between itself and UBS Limited in connection with the creation of the programme, the related documentation and the listing.

The programme agreement does not set out the amount of commission to be paid by 3i to its counterparties. 3i will pay any stamp, documentary, registration or similar duty or tax (including any stamp duty reservation tax) imposed by the jurisdiction of incorporation of 3i or the jurisdiction where any relevant clearing system is established or any taxing authority thereof.

Under the terms of the programme agreement, there are limited recurring positive undertakings and covenants (including a negative pledge) which are mainly administrative, and limited events of default, which give a right to early redemption of the notes in circumstances including non-payment (after grace periods) of interest or principal, cross-acceleration under 3i's other borrowing documentation and certain insolvency events.

Revolving credit facilities

3i has entered into two committed revolving credit facility ("**RCF**") agreements. The first is a £486m RCF dated 20 September 2005 (with 3i and 3i Holdings plc (as borrowers) and 3i (as guarantor); 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 and WestLB AG London Branch (as lenders) and Lloyds TSB Bank plc (as agent)). The second is a £150m RCF dated 24 November 2005 (with 3i and 3i Holdings plc (as borrowers) and 3i (as guarantor); and Nordea Bank AB (as mandated lead arranger, lender and agent)). The £486m RCF has a final maturity date of 20 September 2010 and the £150m RCF has a final maturity date of 24 November 2010.

Under the terms of each of the facilities there are limited recurring positive undertakings and covenants (including a negative pledge), which are mainly administrative, and limited events of default, which give a right to early redemption of the relevant facility in circumstances including non-payment (after grace periods) of interest or principal, cross-acceleration in the event of default under 3i's other borrowing documentation and certain insolvency events. Early pre-payment can be requested following a change of control of 3i, subject to the parties being unable to negotiate a solution within 50 days.

Eurofund V Co-investment agreement

3i has entered into a co-investment agreement dated 12 July 2006 with 3i Europartners Va LP, 3i Europartners Vb LP and 3i Investments in connection with the formation of its current €5 billion buyout fund, Eurofund V. Under the co-investment agreement, 3i has agreed to co-invest in parallel with 3i Europartners Va LP and 3i Europartners Vb LP on buyout transactions identified by 3i Investments as suitable for Eurofund V. Under the agreement, 3i is committed to provide 55.6% of the total amount of the fund. As at 5 May 2009, being the latest practicable date before the date of this document, the fund was approximately 56.25% drawn. The investment period ends on 15 November 2011, unless extended or terminated in accordance with the constitutional documents of Eurofund V.

Each of the co-investors shall acquire an investment in each portfolio company carrying substantially similar rights, interests and restrictions as the investments made by the other co-investors.

Convertible Bonds

In May 2008 3i entered into arrangements for the issue of £430 million 3.625% convertible bonds due 2011 (the "**Convertible Bonds**"). The key documents relating to the Convertible Bonds are described below.

Convertible Bond Subscription Agreement

On 15 May 2008 3i (the issuer) entered into a Subscription Agreement with Dresdner Bank AG London Branch and Lehman Brothers International (Europe) for the offering of £430 million 3.625% convertible bonds due 2011 (the "**Convertible Bonds**"). The Convertible Bonds are listed on the Official List of the UKLA and admitted to trading on the Professional Securities Market of the London Stock Exchange plc. The initial conversion price of the Convertible Bonds is £11.3181 and the notional number of Ordinary Shares underlying the Convertible Bond is 37,992,244. The terms of the Convertible Bond provide market standard anti-dilution protections in favour of the Bondholders to protect them from the dilutive impact of certain capital transactions and equity issuance, including rights issues. These provisions are likely to lead to an adjustment to the conversion price of the Convertible Bonds. The terms are such that each Convertible Bond in respect of which a conversion notice is issued is only ever settled in cash. The Convertible Bonds also contain a negative pledge. The Convertible Bonds constitute direct unsecured obligations and holders of the Convertible Bonds rank *pari passu* with all other unsecured indebtedness of 3i.

Trust deed

3i entered into a trust deed dated 29 May 2008 with The Law Debenture Trust Corporation plc (the "**Trustee**") in connection with the issue of the Convertible Bonds. Under the deed, the Trustee has full power to determine any questions arising between the parties and its decisions are final and binding. The Trustee may without the consent of the noteholders agree to the substitution of any subsidiary in place of 3i, or the substitution of another company as the issuer of notes, provided sufficient undertakings are given by the substitute company. No noteholder shall be entitled to enforce its rights against 3i unless the Trustee, having become bound to act, fails to do so within a reasonable period of time.

All moneys received by the Trustee are paid firstly in meeting all costs, expenses and payments made by the Trustee, secondly, in meeting all arrears of interest remaining unpaid in respect of the notes and thirdly, in payment of the balance (if any) to 3i. 3i pays an amount to the Trustee to be agreed between the parties, in addition to reimbursing the Trustee for any costs or expenses reasonably incurred whilst performing its duties.

Under the terms of the trust deed, there are limited recurring positive undertakings, covenants and indemnities, which are mainly administrative, and limited events of default, which give a right to early redemption of the bonds in circumstances including non-payment (after grace periods) of interest or principal, cross-acceleration and certain insolvency events. Early redemption may also be triggered by a change of control of 3i.

Hedging agreements in connection with the Convertible Bonds

The Company has entered into certain agreements with Dresdner Kleinwort and Deutsche Bank London (the "**Hedge Managers**"), in order to offset the Company's exposure in relation to the Convertible Bonds and to increase the effective conversion premium inherent in the issue of the Convertible Bonds. These agreements comprised:

- (i) the purchase by the Company of cash-settled call options at the conversion price of the Convertible Bonds (£11.3181 per share) from the Hedge Managers relating to 37,992,243 ordinary shares in the Company (the "**Lower Call Options**"); and
- (ii) the sale to the Hedge Managers of call options over 37,992,244 ordinary shares in the Company (the "**Upper Call Options**").

The Upper Call Options are divided between options (the "**First Upper Call Options**") which are to be physically settled by the issue of 9,498,061 ordinary shares by the Company on exercise at a price of £14.0926 per share and options (the "**Second Upper Call Options**") which are initially to be cash settled but entitle the Company to elect that they will be physically settled by the issue of 28,494,183 ordinary shares on exercise at a price of £14.0926 per share. The conversion premium above the reference share price under the Convertible Bonds is 28.5%. However, the result of the Lower Call Options and the Upper Call Options is that the effective conversion premium of the transaction as a whole is raised to 60%, thus reducing the potential for dilution of shareholders' interests when compared to the effect of a normal convertible bond.

In entering into the First Upper Call Options, the power conferred upon the Board at the Annual General Meeting held in 2007 to issue equity securities for cash other than *pro rata* to existing shareholders up to an aggregate nominal amount of £14,475,000 was utilised. The election by the Company under the Second Upper Call Options that those options will be physically settled by the issue of ordinary shares would utilise the authority of the Board to allot shares up to an aggregate nominal amount of £14,135,000.

3i agreed to pay a combined management commission of 1.50% of the aggregate principal amount of the Convertible Bonds and a performance related fee of up to 0.25% of the aggregate principal amount of the Convertible Bonds.

3i also agreed to pay all relevant costs and expenses and any unrecoverable VAT in association with the offering, incurred by, the trustee and agents appointed under the agency agreement and to reimburse the parties to the Subscription Agreement for any costs or expenses, subject to a cap.

Underwriting Agreement

The Company, the Underwriters and J.P. Morgan Cazenove entered into the Underwriting Agreement, dated 8 May 2009, pursuant to which J.P. Morgan Cazenove and Merrill Lynch have agreed severally, subject to certain conditions, to procure subscribers for the New Ordinary Shares not taken up by Qualified Shareholders in the Rights Issue, or failing which, the Underwriters shall subscribe in the Due underwriting proportions for, the Underwritten Shares to the extent not taken up by Qualifying Shareholders under the Rights Issue or for which no subscribers were procured, in each case at the Rights Issue Price.

Under the Underwriting Agreement, the Company has also appointed J.P. Morgan Cazenove and Merrill Lynch as Joint Bookrunners in relation to the Rights Issue and as Joint Sponsors.

In consideration of their services under the Underwriting Agreement, and subject to their obligations becoming unconditional and the Underwriting Agreement not having been terminated, the Company has agreed to pay the Underwriters and J.P. Morgan Cazenove a commission of 3.25 per cent. of the value at the Rights Issue Price of the maximum number of Underwritten Shares and to reimburse them for their out-of-pocket expenses. Out of the commissions, the Joint Bookrunners will pay commissions to sub-underwriters.

J.P. Morgan Cazenove and the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment and commercial banking and other services for 3i and its affiliates and portfolio companies, for which they received or will receive fees and expenses. In connection with the Rights Issue, the Company has agreed to pay J.P. Morgan Cazenove an advisory fee which is included in the expenses of this transaction.

The obligations of the Underwriters and J.P. Morgan Cazenove under the Underwriting Agreement are subject to certain conditions including, amongst others:

The obligations of the Underwriters to procure subscribers and underwrite the Rights Issue are conditional upon, among other things:-

- (a) the passing of the Rights Issue Resolutions at the General Meeting;
- (b) compliance by the Company with its material obligations under the Underwriting Agreement so far as the same fall to be performed prior to Admission;
- (c) the warranties given by the Company being, and remaining as at Admission, true and accurate in all material respects; and
- (d) Admission becoming effective at 8 a.m. on 28 May 2009 (or such later time and/or date (not later than 8 a.m. on 2 June 2009 as the Company and the Joint Sponsors may agree).

Either of the Joint Sponsors may terminate the Underwriting Agreement at any time before Admission becomes effective in certain limited circumstances including if there is a material adverse change in the condition of the Company or a material adverse change in financial markets.

The Company has given certain customary warranties as to the accuracy of this document and other matters and customary indemnities to the Underwriters and J.P. Morgan Cazenove.

Each Joint Bookrunner has agreed with the Company that it will (i) solicit offers to purchase Nil Paid Rights, Provisional Allotment Letters or New Ordinary Shares in the United States from, and offer and sell Nil Paid Rights, Provisional Allotment Letters or New Ordinary Shares to, only those persons that it reasonably believes to be Qualified Institutional Buyers and Qualified Purchasers and (ii) it will solicit offers to purchase Nil Paid Rights, Provisional Allotment Letters or New Ordinary Shares and offer and sell Nil Paid Rights, Provisional Allotment Letters or New Ordinary Shares, only outside the United States in an "offshore transaction" in accordance with Regulation S.

20. Custody of 3i's assets

The majority of 3i's investments are in unquoted companies. Typically titles to unquoted investments are recorded by way of legal agreements and/or the issue of paper certificates. 3i Investments acts as custodian of the Company's documents of title as part of the investment management services that it provides. There is no separate custodian agreement between the Company and 3i Investments.

In most jurisdictions, 3i Investments performs its obligations as custodian through the appointment of sub-custodians. Broadly the approach taken is as follows:

- For investments made in the UK, documents are stored by 3i Investments in its secure facility in Trinity Park, Birmingham, West Midlands.
- For investments made in Continental Europe, 3i Investments (or the relevant local investment manager) typically appoints a local law firm to act as its sub-custodian in respect of documentation which records title to the investments. Each law firm is regulated under local bar rules.
- For investments made in Asia, most share certificates and similar documents of title are held by HSBC or DBS as sub-custodian. Certain legal documentation is retained by 3i Investments in its Singapore branch office.
- For investments made in the US, investments by the Company are made via Jersey limited partnerships which are managed by indirect wholly-owned subsidiaries of the Company. These subsidiaries have appointed 3i Corporation, another indirect wholly-owned subsidiary of the Company, to hold their respective documents of title in 3i Corporation's New York office.
- For quoted investments, 3i Investments appoints a sub-custodian to hold quoted shares. Most of 3i's quoted investments are held on its behalf by Bank of New York Mellon as sub-custodian.

Generally the custody and sub-custodian agreements provide for the custodian to hold the relevant documents or securities on behalf of the owner and to deliver them on request. Companies within the Group provide custodian services without additional charge. 3i Investments agrees fees with external providers of custodian services from time to time.

Further information on 3i Investments is set out in paragraph 6 of Part 2 of this document.

21. Profile of a typical investor

Investment in the Company has not been designed for the purposes of any single type of investor, but rather to accommodate the purposes of a broad spectrum of investors, including both institutional and retail investors, and both sophisticated investors and less sophisticated investors, in each case with or without the benefit of professional advice.

A common factor among such investors in respect of which investment in the Company is designed is a shared objective of obtaining a relatively liquid exposure to private equity investment across a range of geographies, sectors and investment types.

22. Working capital

In the opinion of the Company, taking into account the net proceeds of the Rights Issue and the Company's existing debt facilities, the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

23. Significant change

Save as described below, there has been no significant change in the trading or financial position of the Group since 31 March 2009 (the date to which the latest annual audited financial statements of the Group were prepared):

- On 23 February 2009, 3i announced a recommended acquisition of the assets of 3i QPEP by way of a scheme for the solvent winding up of 3i QPEP. 3i QPEP was placed in liquidation on 28 April 2009. The terms of the acquisition provided 3i QPEP shareholders with 50p in cash (£110 million in total) plus 0.1706 of an Ordinary Share for every share they held. In order to achieve this, 3i issued 37.6 million Ordinary Shares representing 8.9% of 3i's post transaction issued share capital. In return, 3i QPEP transferred to 3i the five investments which it held and £221 million of cash representing virtually all of 3i QPEP's assets.
- In relation to 3i's defined benefit pension plan, as mentioned on pages 18 and 19 of this document, the plan's most recent triennial valuation as at 30 June 2007, which was completed in September 2008, showed the actuarial pension deficit to be £86.3 million and, at that time, 3i put in place an agreed plan to repay the

deficit. The deficit is likely to have increased since the last triennial valuation on account of the negative return on the plan assets and the decrease in yields on index-linked gilts which has led to an increase in technical provisions. Recognising this, since 31 March 2009 3i has agreed with the trustees that it will pay additional contributions of £25 million per annum in respect of the two financial years to 31 March 2011. These contributions are additional to regular on-going contributions in respect of employees' pension benefits as they accrue.

24. Sources of information

The sources and bases of statements relating to the market position of 3i and the private equity industry are set out in this document where the statement is made. Certain information has been obtained from external publications and is sourced in this document where the information is included. 3i confirms that this information has been accurately reproduced and, so far as 3i is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

25. General

- 25.1** 3i will make an appropriate announcement to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of New Ordinary Shares not taken up by Qualifying Shareholders on or about 8.00 a.m. on 12 June 2009.
- 25.2** Ernst & Young has given and has not withdrawn its consent to the inclusion in this document of its name and references to it in the form and context in which they are included and to the inclusion of its report (as reproduced in Part 6 of this document) and the references thereto in the form and context in which it is included and has authorised, and takes responsibility for, the contents of that part of this document which comprises its report (as reproduced in Part 6 of this document) for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the US Securities Act. As the Ordinary Shares have not been and will not be, registered under the US Securities Act, Ernst & Young has not filed a consent under Section 7 of the US Securities Act.
- 25.3** The registrar of the Company and receiving agent in respect of the Rights Issue is Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
- 25.4** The auditors of the Company for each of the financial years ended 31 March 2007, 2008 and 2009 was Ernst & Young LLP, of 1 More London Place, London SE1 2AF, United Kingdom, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
- 25.5** The total costs, charges and expenses of the Rights Issue are estimated to amount to approximately £32.5 million (including any amounts in respect of value added tax thereon). The net proceeds of the Rights Issue are expected to amount to approximately £699.3 million.
- 25.6** The impact on earnings for the year to 31 March 2009 had the Rights Issue taken place on 1 April 2009 would have been positive.
- 25.7** The New Ordinary Shares are not being marketed or made available to the public in whole or in part other than in connection with the Rights Issue.

26. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 16 Palace Street, London SW1E 5JD, and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, up to and including 11 June 2009:

- (A) the Memorandum and Articles of Association of the Company;
- (B) the Circular;
- (C) the audited consolidated accounts of the Company for the three years to 31 March 2007, 2008 and 2009;
- (D) the report prepared by Ernst & Young on the unaudited *pro forma* financial information set out in Part 6;
- (E) the letter of consent from Ernst & Young referred to in paragraph 25.2 of this Part 8;
- (F) the rules of The 3i Group Discretionary Share Plan incorporating the proposed amendment; and
- (G) this document.

Part 9. Documentation Incorporated by Reference

The table below sets out a cross reference list of the information which is incorporated by reference into this document, to enable Shareholders to identify easily specific items of information:

Document	Section incorporated by reference	Page number(s) in the Prospectus
Annual report and accounts of 3i Group plc for the year to 31 March 2007	• the sixth to ninth paragraphs (inclusive) of the "Business Review" on page 8;	59
	• "Financial review" on pages 32 to 39 (inclusive); and	59
	• the audited consolidated annual financial statements for the financial year to 31 March 2007 together with the audit report thereon.	102
Annual report and accounts of 3i Group plc for the year to 31 March 2008	• the five paragraphs under the heading "Market conditions" of the "Business Review" on pages 8 to 9;	59
	• "Financial review" on pages 28 to 37 (inclusive); and	59
	• the audited consolidated annual financial statements for the financial year to 31 March 2008 together with the audit report thereon.	102

No information incorporated by reference into the above documents is incorporated into this Prospectus.

All of the information incorporated by reference into this Prospectus has been previously published and approved by the FSA or filed with it and is available for inspection in accordance with paragraph 26 of Part 8 and is also available on the Company's website at www.3igroup.com (please note US Shareholders can access the documents on the Company's website at www.3i-usinvestors.com). No other information included on such websites is incorporated by reference or is otherwise part of this Prospectus.

Definitions

The definitions set out below apply throughout this document, unless the context requires otherwise.

"3i" or "the Company"	3i Group plc, a public limited company incorporated in England and Wales with registered number 1142830, whose registered office is at 16 Palace Street, London SW1E 5JD;
"3i Group" or "the Group"	the Company together with its subsidiaries and subsidiary undertakings;
"3i India Infrastructure Fund"	the \$1.2 billion unquoted infrastructure fund, further details of which are set out in paragraph 1 of Part 2 of this document;
"3i Infrastructure"	3i Infrastructure plc, a public limited company incorporated in Jersey, Channel Islands with registered number 95682, whose registered office is at 22 Grenville Street, St Helier, Jersey, Channel Islands JE4 8PX;
"3i Investments"	3i Investments plc, a public limited company incorporated in England and Wales with registered number 3975789, whose registered office is at 16 Palace Street, London SW1E 5JD;
"3i QPEP"	3i Quoted Private Equity plc, a public limited company incorporated in Jersey, Channel Islands with registered number 96272, whose registered office is at 22 Grenville Street, St Helier, Jersey, Channel Islands JE4 8PX;
"3i Share Plans"	the 3i Group Deferred Bonus Plan, the 3i Group Share Incentive Plan, the 3i Group 1994 Executive Share Option Plan, the 3i Group Management Equity Investment Plan and the 3i Group Discretionary Share Plan;
"Admission"	admission of the New Ordinary Shares, nil paid, to the Official List and to trading on the main market for listed securities of the London Stock Exchange;
"Articles of Association" or "Articles"	the articles of association of the Company, a summary of which is set out in paragraph 16.2 of Part 8 of this document;
"Business Day"	any day on which banks are generally open in London for the transaction of normal banking business other than a Saturday or Sunday or public holiday;
"Buyouts"	the buyouts business line of the 3i Group, details of which are set out in paragraph 1 of Part 2 of this document;
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST);
"Circular"	the shareholder circular sent to all Shareholders and dated the same date as this document;
"Citi"	Citigroup Global Markets U.K. Equity Limited;
"City Code"	the UK City Code on Takeovers and Mergers;
"Closing Price"	the closing, middle market quotation of an Ordinary Share, as published in the Daily Official List;
"Combined Code"	the Combined Code on Corporate Governance of the Financial Reporting Council published in June 2008;
"Companies Act 1985"	the Companies Act of England and Wales 1985, as amended;
"Companies Act 2006"	the Companies Act of England and Wales 2006, as amended;
"Companies Acts"	has the meaning given thereto by section 2 of the Companies Act 2006 but shall extend only to such provisions as may be from time to time in force;
"Convertible Bonds"	means the 3.625% convertible bonds due 2011 issued by the Company and further described in paragraph 19 of Part 8 of this document;
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear UK;
"CREST Manual"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and

	CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996, as amended);
"CREST member"	a person who has been admitted by Euroclear UK as a system-member (as defined in the CREST Regulations);
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor;
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member;
"Daily Official List"	the daily official list of the London Stock Exchange;
"Directors" or "Board"	the directors of the Company whose names are set out in paragraph 7 of Part 8 of this document;
"Disclosure Rules and Transparency Rules"	the disclosure rules and transparency rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended;
"Due Underwriting Proportions"	35% in the case of each of J.P. Morgan Securities and Merrill Lynch; 10% in the case of each of RBS Hoare Govett and Citi, 6% in the case of Société Générale Corporate & Investment Banking; and 4% in the case of Lloyds TSB Corporate Markets;
"EBIT"	earnings before interest and tax;
"EBITDA"	earnings before interest, tax, depreciation and amortisation;
"EEA State"	a state which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being;
"Enlarged Share Capital"	the issued share capital of the Company, as enlarged by the issue of New Ordinary Shares;
"Ernst & Young"	Ernst & Young LLP of 1 More London Place, London SE1 2AF;
"Equiniti"	Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA in its capacities as 3i's registrar and receiving agent in respect of the Rights Issue;
"EU"	the European Union first established by the treaty made at Maastricht on 7 February 1992;
"euro" or "€"	the single currency of the member states of the European Communities that adopt or have adopted the euro as their lawful currency under the legislation of the EU or European Monetary Union;
"Euroclear UK"	Euroclear UK & Ireland Limited (formerly named CRESTCo Limited), the operator of CREST;
"ERISA"	US Employee Retirement Income Security Act of 1974, as amended;
"Exchange Act"	the US Securities Exchange Act of 1934, as amended;
"Exchange Information"	certain business and financial information which the Company is required to publish in accordance with the rules and practices of the UK Listing Authority and the London Stock Exchange;
"Excluded Territories"	Australia, Canada, Japan, New Zealand, South Africa and the United States and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law;
"Existing Ordinary Shares"	means Ordinary Shares in issue and fully paid as at the date of this document;
"Ex-Rights Date"	28 May 2009, being the date on which the Ordinary Shares start trading "ex-rights";
"FSA" or "Financial Services Authority"	the Financial Services Authority of the United Kingdom;
"FSMA"	the Financial Services and Markets Act 2000, as amended;
"Fully Paid Rights"	rights to acquire New Ordinary Shares, fully paid;

"General Meeting"	the general meeting of the Company to be convened pursuant to the notice set out in the Circular (including any adjournment thereof);
"Growth Capital" or "Growth"	the growth capital business line of the 3i Group, details of which are set out in paragraph 1 of Part 2 of this document;
"HMRC"	HM Revenue and Customs;
"IFRS"	International Financial Reporting Standards;
"Infrastructure"	the infrastructure business line of the 3i Group, details of which are set out in paragraph 1 of Part 2 of this document;
"IPEVC"	International Private Equity and Venture Capital;
"IRS"	the United States Internal Revenue Service;
"Joint Bookrunners"	J.P. Morgan Cazenove Limited and Merrill Lynch International;
"Joint Sponsors"	J.P. Morgan Cazenove Limited and Merrill Lynch International;
"J.P. Morgan Cazenove"	J.P. Morgan Cazenove Limited;
"J.P. Morgan Securities"	J.P. Morgan Securities Ltd;
"Listing Rules"	the listing rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended;
"Lloyds TSB Corporate Markets"	Lloyds TSB Bank plc
"London Stock Exchange"	London Stock Exchange plc or its successor(s);
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company, a summary of which is set out in paragraph 19 of Part 8 of this document;
"Merrill Lynch"	Merrill Lynch International;
"Money Laundering Regulations"	the Money Laundering Regulations 2007 (SI 2007 No. 2157);
"MTM"	Many to Many;
"Net Debt"	the Company's short-term deposits plus cash, less current and non-current borrowings;
"New Ordinary Shares"	the ordinary shares of 73 ¹⁹ /22p each in the capital of the Company to be issued by the Company pursuant to the Rights Issue;
"Nil Paid Rights"	rights to acquire New Ordinary Shares, nil paid;
"Official List"	the official list of the UK Listing Authority;
"Ordinary Shares"	ordinary shares of 73 ¹⁹ /22p each in the capital of the Company including, where the context requires, the New Ordinary Shares;
"Overseas Shareholders"	Shareholders with registered addresses outside the UK or who are citizens of, incorporated in, registered or otherwise resident in countries outside the UK;
"Plan Assets Regulation"	means the regulation issued by the US Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA;
"Plan Investors"	(i) an "employee benefits plan" that is subject to Title 1 of ERISA; (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Tax Code, (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US Plan or other investor whose purchase or holding of Securities would be subject to any state, local, non-US or other laws or regulations similar to Title 1 of ERISA or section 4975 of the US Tax Code or that would have the effect of the Plan Asset Regulation issued by the US Department of Labor;
"Prospectus" or "this document"	this document dated 8 May 2009, comprising a prospectus relating to the Company for the purpose of the Rights Issue and the listing of the New Ordinary Shares on the London Stock Exchange (together with any supplements or amendments thereto);

"Prospectus Directive"	Directive EC2003/71/EC and includes any relevant implementing measures in each Member State of the European Economic Area that has implemented Directive EC2003/71/EC;
"Prospectus Rules"	the prospectus rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended;
"Provisional Allotment Letter"	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders in connection with the Rights Issue;
"Proxy Form"	the form of proxy for use at the General Meeting which accompanies the Circular;
"Qualified Institutional Buyer"	has the meaning ascribed to it by Rule 144A;
"Qualified Purchaser"	has the meaning ascribed to it in section 2(a)(51) of the US Investment Company Act;
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares in certificated form;
"Qualifying Shareholders"	holders of Ordinary Shares on the register of members of the Company at the Record Time;
"RBS Hoare Govett"	RBS Hoare Govett Limited;
"Record Time"	close of business on 26 May 2009;
"Regulation S"	Regulation S under the US Securities Act;
"Regulatory Information Service"	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information from listed companies;
"Resolutions"	the resolutions to be proposed at the General Meeting as set out in the notice of General Meeting contained in the Circular;
"Restricted Shareholders"	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, any of the Excluded Territories;
"Rights Issue"	the offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter;
"Rights Issue Price"	135p per New Ordinary Share;
"Rights Issue Resolutions"	the Resolutions with the exception of resolution numbered 4 in the notice of General Meeting set out in the Circular;
"Rothschild"	N M Rothschild and Sons Limited;
"Rule 144A"	Rule 144A under the US Securities Act;
"SDRT"	stamp duty reserve tax;
"SEC"	United States Securities and Exchange Commission, the government agency having primary responsibility for enforcing US federal securities laws and regulating the securities industry/stock market of the United States;
"Shareholder(s)"	holder(s) of Ordinary Shares;
"Smaller Minority" or "SMi"	the Group's smaller minority investments portfolio;
"Société Générale Corporate & Investment Banking"	Société Générale SA;
"Sterling" or "£"	the lawful currency of the United Kingdom;
"stock account"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
"subsidiary"	a subsidiary as that term is defined in Section 736 of the Companies Act 1985;
"subsidiary undertaking"	a subsidiary undertaking as that term is defined in section 258 of the Companies Act 1985;

"UK Listing Authority" or "UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission of securities to the Official List other than in accordance with Part VI of FSMA;
"uncertificated" or "in uncertificated form"	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"Underwriters"	J.P. Morgan Securities Ltd, Merrill Lynch International, Citigroup Global Markets U.K. Equity Limited, RBS Hoare Govett Limited, Lloyds TSB Bank Plc and Société Générale SA;
"Underwriting Agreement"	the conditional underwriting agreement dated 8 May 2009 between the Company, J.P. Morgan Cazenove and the Underwriters relating to the Rights Issue and described in paragraph 19 of Part 8 of this document;
"Underwritten Shares"	The New Ordinary Shares offered under the Rights Issue but excluding any New Ordinary Shares which are issued after the date of the Underwriting Agreement but before the Record Time as a result of the exercise of options under the Company's share option schemes;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"US dollars" or "\$"	the lawful currency of the United States;
"US Investment Company Act"	the United States Investment Company Act of 1940, as amended;
"US Person"	has the meaning ascribed to it by Regulation S of the Securities Act;
"US Securities Act"	the United States Securities Act of 1933, as amended;
"US Tax Code"	the United States Internal Revenue Code of 1986, as amended; and
"Venture Capital" or "Venture Portfolio"	the 3i Group's portfolio of venture capital investments, details of which are set out in paragraph 1 of Part 2 of this document.

Appendix. US Purchaser's Letter

To:

3i Group plc
16 Palace Street
London
SW1E 5JD

J.P. Morgan Cazenove Limited
20 Moorgate
London,
EC2R 6DA

J.P. Morgan Securities Ltd
125 London Wall
London
EC2Y 5AJ

Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ

(collectively the "**Banks**")

on behalf of themselves and the other Underwriters named in the Prospectus.

Ladies and Gentlemen:

This letter (a "**US Purchaser's Letter**") relates either (a) to the issuance of New Ordinary Shares (the "**Securities**") of 3i Group plc (the "**Company**") acquired on exercise of Nil Paid Rights or Provisional Allotment Letters (b) the acquisition of Securities from the Banks (or their affiliates) or (c) to the subsequent transfer of such Securities. In either case, this letter is to be delivered on behalf of the person acquiring beneficial ownership of the Securities by the investor named below or the accounts listed on the attachment hereto (each an "**Investor**"). Unless otherwise stated, or the content otherwise requires, capitalized terms in this letter shall have the same meaning as is given to them in the prospectus published by the Company on 8 May 2009.

The Investor agrees, acknowledges, represents and warrants, on its own behalf or on behalf of each account for which it is acting.

1. The Investor has received a copy of the prospectus relating to the offering of the Securities described therein (the "**Prospectus**"). The Investor understands and agrees that the Prospectus speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.
2. The Investor hereby confirms that:
 - (i) The Investor is a "Qualified Institutional Buyer" ("**Qualified Institutional Buyer**") as defined in Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**US Securities Act**") and a "Qualified Purchaser" ("**Qualified Purchaser**") as defined in section 2(a)(51) and related rules of the US Investment Company Act of 1940, as amended (the "**US Investment Company Act**");
 - (ii) The Investor is not a broker-dealer which owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers;
 - (iii) The Investor is not a participant-director employee plan, such as a plan described in subsection (a)(1)(i)(D), (E) or (F) of Rule 144A; and
 - (iv) no portion of the assets used by us to purchase, and no portion of the assets used by us to hold, the Securities or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" that is subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Internal Revenue Code of 1986, as amended (the "**US Tax Code**"), (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US Plan or other investor whose purchase or holding of Securities would be subject to any state, local, non-US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA (each entity described in preceding clause (i), (ii), (iii) or (iv), a "**Plan Investor**").

TRANSFER RESTRICTIONS

3. The Investor understands and agrees that the Securities are being offered in a transaction not involving any public offering within the United States within the meaning of the US Securities Act and that the Securities have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, that the Company has not been and will not be registered as an investment company under the US Investment Company Act pursuant to sections 7(d) and 3(c)(7) thereof, and that the Securities may not be offered, sold, pledged or otherwise transferred except as permitted in this Section 4. The Investor agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer such Securities, such Securities will be offered, resold, transferred, assigned, pledged or otherwise disposed only:
 - (i) outside the United States in an offshore transaction complying with the provisions of Regulation S under the US Securities Act ("**Regulation S**") to a person outside the United States and not known by the transferor to be a US person, by pre-arrangement or otherwise and under circumstances which will not require the Company to register under the US Investment Company Act, in each case in accordance with all applicable securities laws, upon surrender of the Securities and delivery of a written certification that such transferor is in compliance with the requirements of this clause (1) (a "**Regulation S Transfer**"); or
 - (ii) to the Company or a subsidiary thereof.

Each of the foregoing restrictions is subject to any requirement of law that the disposition of the Investor's property or the property of such investor account or accounts on behalf of which the Investor holds the Securities be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws.

4. Notwithstanding anything to the contrary in this letter, the securities may not be deposited into any unrestricted depository receipt facility in respect of the Company's securities, established or maintained by a depository bank.
5. The Investor agrees that, prior to transferring the Investor's Securities or any interest therein, in the case of a Regulation S Transfer, the Investor must sign and deliver to the Company an Offshore Transaction Letter in the form of Annex I hereto (or in a form otherwise acceptable to the Company).
6. The Investor understands that, subject to certain exceptions, to be a Qualified Purchaser, entities must have US\$25 million in "investments" as defined in Rule 2a51-1 of the US Investment Company Act.
7. The Investor is knowledgeable, sophisticated and experienced in business and financial matters and it fully understands the limitations on ownership and transfer and the restrictions on sales of such securities. The Investor is able to bear the economic risk of its investment in the Securities and is currently able to afford the complete loss of such investment. The Investor is aware that there are substantial risks incidental to the purchase of the Securities, including those summarized under "Risk Factors" in the Prospectus.

US INVESTMENT COMPANY ACT

8. The Investor understands and acknowledges that the Company has not registered, and does not intend to register, as an "investment company" (as such term is defined in the US Investment Company Act and related rules) and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and US persons described herein so that the Company will have no obligation to register as an investment company under the US Investment Company Act.
9. The Investor understands and acknowledges that (i) the Company will not be required to accept for registration of transfer any Securities acquired by the Investor that are not being acquired by a Qualified Purchaser, except as provided in Section 3 of this letter, (ii) the Company may require any US person or any person within the United States who was not a Qualified Purchaser at the time it acquired any Securities or any beneficial interest therein to transfer the Securities or any such beneficial interest immediately in a manner consistent with the restrictions set forth in this US Purchaser's Letter, and (iii) if the obligation to transfer is not met, the Company is irrevocably authorised, without any obligation, to transfer the Securities, as applicable, in a manner consistent with the restrictions set forth in this US Purchaser's Letter and, if such Securities are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

ERISA

10. The Investor understands and acknowledges that (i) no transfers of the Securities or any interest therein to a person using assets of a Plan Investor to purchase or hold such securities or any interest therein will be permitted and (ii) if the ownership of Securities by an investor will or may result in the Company's assets being deemed to constitute "plan assets" under the Plan Asset Regulations, the Directors may serve a notice upon the holder of

such Securities requiring the holder to transfer the Securities to an eligible transferee within 21 days. If within 21 days, the transfer notice has not been complied with, the Company may sell the relevant Securities on behalf of the holder by instructing a member of the London Stock Exchange to sell them to an eligible transferee.

THE RIGHTS ISSUE OR RUMP PLACEMENT

11. The Investor is not purchasing or subscribing to the Securities with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the US Securities Act) that would be in violation of the securities laws of the United States or any state thereof.
12. The party signing this US Purchaser's Letter is acquiring the Securities for its own account or for the account of one or more Investors (each of which is a Qualified Institutional Buyer and a Qualified Purchaser) which the party signing this US Purchaser's Letter is authorized to make the acknowledgments, representations and warranties, and enter into the agreements, contained in this US Purchaser's Letter.
13. The Investor became aware of the offering of the Securities by the Company and the Securities were offered to the Investor (i) solely by means of the Prospectus, (ii) by direct contact between the Investor and the Company or (iii) by direct contact between the Investor and one or more Banks. The Investor did not become aware of, nor were the Securities offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase or subscribe to the Securities, the Investor relied solely on the information set forth in the Prospectus and other information obtained by the Investor directly from the Company or from one or more Banks as a result of any enquiries by the Investor or one or more of the Investor's advisers.
14. The Investor acknowledges that the Banks have acted as agents for the Company in connection with the sale of the Securities.

The Investor consents to the actions of each of such Banks, in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any of such Banks in connection with any alleged conflict of interest arising from the engagement of each of the Banks as agents of the Company with respect to the sale by the applicable Bank of the Securities to the Investor.
15. The Investor acknowledges that (i) none of the Banks the Underwriters or their affiliates have made or will make any representation or warranty as to the accuracy or completeness of the information in the Prospectus, which is the sole responsibility of the Company and the Directors, or any other information provided by the Company; (ii) the Investor has not relied and will not rely on any investigation by any Bank, their affiliates or any person acting on its or their behalf may have conducted with respect to the Company, or the Securities; and (iii) none of the Banks makes any representation as to the availability of an exemption from the US Securities Act for the transfer of the Securities.
16. The Investor agrees, upon a proposed transfer of the Securities, to notify any purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Securities being sold.
17. The Investor agrees that neither the Investor, nor any of the Investor's affiliates, nor any person acting on the Investor's or their behalf, will make any "directed selling efforts" as defined in Regulation S under the US Securities Act in the United States with respect to the Securities.

GENERAL

18. The Investor acknowledges that each of the Banks, the Company and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this US Purchaser's Letter as a basis for exemption of the sale of the Securities under the US Securities Act, the US Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and for other purposes. The party signing this US Purchaser's Letter agrees to notify promptly to the Company if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.
19. The Investor understands and acknowledges that any New Ordinary Shares issued to the Investor in certificated form will bear an appropriate legend setting forth, among other things, the transfer restrictions applicable to the New Ordinary Shares. In addition, the Investor understands that the legend shall not be removed from the New Ordinary Shares unless the Company agrees, in its sole discretion, to remove the legend.
20. Each of the Banks, the Company and their respective affiliates are irrevocably authorized to produce this US Purchaser's Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

21. **This US Purchaser's Letter shall be governed by and construed in accordance with the laws of the State of New York.**
22. The Investor understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Securities.
23. The Investor agrees to provide, together with this completed and signed US Purchaser's Letter, a completed and signed Substitute IRS Form W-9. The Substitute IRS Form W-9 is attached as Annex II.

Where there are joint applicants, each must sign this US Purchaser's Letter. Applications from a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Very truly yours,

NAME OF PURCHASER: _____

By:

Name:

Title:

Address:

Date:

Annex I to Appendix. Offshore Transaction Letter

To:

3i Group plc
16 Palace Street
London
SW1E 5JD

Ladies and Gentlemen:

This letter (an "**Offshore Transaction Letter**") relates to the sale or other transfer by us of New Ordinary Shares (the "**Securities**") of 3i Group plc (the "**Company**") in an offshore transaction pursuant to Regulation S ("**Regulation S**") under the US Securities Act of 1933, as amended (the "**US Securities Act**").

Terms used in this Offshore Transaction Letter are used as defined in Regulation S, except as otherwise stated herein.

The undersigned acknowledges (or if the undersigned is acting for the account of another person, such person has confirmed that it acknowledges) that the Securities have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that the Company has not registered as an investment company under the US Investment Company Act of 1940, as amended (the "**US Investment Company Act**") pursuant to sections 7(d) and 3(c)(7) thereof.

The undersigned hereby certifies:

1. The offer and sale of the Securities was not and will not be made to a person in the United States or to a person known by us to be a US Person.
2. Either (a) at the time the buy order for the Securities was originated, the buyer was outside the United States or the undersigned and any person acting on the undersigned's behalf reasonably believed that the buyer was outside the United States, or (b) the transaction in the Securities was executed in, on or through the facilities of a designated offshore securities market as defined in Regulation S (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange plc main market for listed securities), and neither the undersigned nor any person acting on the undersigned's behalf knows that the transaction was pre arranged with a buyer in the United States.
3. The undersigned has no reason to believe that any portion of the assets used by the person to whom the undersigned is transferring the Securities to purchase, and no portion of the assets used by such purchaser to hold, the Securities or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" that is subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Internal Revenue Code of 1986, as amended (the "**US Tax Code**"), (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US Plan or other investor whose purchase or holding of Securities would be subject to any state, local, non-US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA.
4. Neither the undersigned, nor any of the undersigned's affiliates, nor any person acting on the undersigned's or their behalf, has made any directed selling efforts in the United States with respect to the Securities.
5. The proposed transfer of the Securities is not part of a plan or scheme to evade the registration requirements of the US Securities Act or the US Investment Company Act.
6. Neither the Company nor any of its agents participated in the sale of the Securities.
7. The undersigned confirms that, prior to the sale of the Securities, the undersigned notified the purchaser of such Securities or the executing broker, as applicable, of any transfer restrictions that are applicable to the Securities being sold.

The undersigned agrees that the Company and its agents and their respective affiliates may rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. Where there are joint transferors, each must sign this Offshore Transaction Letter. An Offshore Transaction Letter of a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Very truly yours,

NAME OF TRANSFEROR: _____

By:

Name:

Title:

Address:

Date:

Annex II to Appendix. SUBSTITUTE IRS FORM W-9

PAYOR'S NAME: 3i Group plc		
PAYEE'S NAME: PAYEE'S ADDRESS:	
SUBSTITUTE FORM W-9 Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer Identification Number (TIN) and Certification	Part I — Taxpayer Identification Number (TIN)	Part II: For Payees Exempt from Backup Withholding For Payees Exempt from Backup withholding, see the Guidelines below and complete as instructed therein.
	Social Security Number OR	
	Employer Identification Number (If awaiting TIN write "Applied For" and complete Part III and the Certificate of Awaiting Taxpayer Identification Number).	
	Part III: — Certification	
Under penalties of perjury, I certify that:		
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and		
(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and		
(3) I am a US person (including a US resident alien).		
Certification Instructions – You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2).		
	Signature of US person	Date

NOTE:FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INFORMATION.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" IN THE APPROPRIATE LINE IN PART I OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office; or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable payments made to me pursuant to the tender offer will be withheld.

Signature

Date

Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payor. – Social security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payor. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

For this type of account:	Give the SOCIAL SECURITY number of –	For this type of account:	Give the EMPLOYER IDENTIFICATION number of –
1. Individual	The individual	6. Sole proprietorship	The owner (3)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)	7. A valid trust, estate, or pension trust	The legal entity (4)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)	8. Corporate or LLC election corporate status on Form 8832	The corporation
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor trustee (1)	9. Association, club, religious, charitable, educational, or other tax-exempt organisation	The organisation
b. So called trust account that is not a legal or valid trust under state law	The actual owner (1)	10. Partnership or multi member LLC	The partnership
5. Sole proprietorship	The owner (3)	11. A broker or registered nominee	The broker or nominee
		12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).
- (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Security Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from withholding include:

- An organisation exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing.
- An international organisation or any agency or instrumentality thereof.
- A foreign government and any political subdivision, agency or instrumentality thereof.

Payees that may be exempt from backup withholding include:

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the US Investment Company Act of 1940.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

Payments of dividends and patronage dividends generally exempt from backup withholding include:

- Payments to non resident aliens subject to withholding under Section 1441.
- Payments to Companies not engaged in a trade or business in the United States and that have at least one non resident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organisations.
- Section 404(k) payments made by an ESOP.

Payments of interest generally exempt from backup withholding include:

- Payments of interest on obligations issued by individuals. However, if you pay \$600 or more of interest in the course of your trade or business to a payee, you must report the payment. Backup withholding applies to the reportable payment if you have not provided your correct taxpayer identification number to the payor.
- Payments of tax exempt interest (including exempt interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to non resident aliens.
- Payments on tax free covenant bonds under Section 1451.
- Payments made by certain foreign organisations.
- Mortgage or student loan interest paid to you.

Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under Sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYOR, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART II OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYOR.

Privacy Act Notice – Section 6109 requires you to provide your correct taxpayer identification number to payors, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payors must be given the numbers whether or not recipients are required to file tax returns. Payors must generally withhold 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to the payor. Certain penalties may also apply.

Penalties

- (1) **Failure to Furnish Taxpayer Identification Number** – If you fail to furnish your taxpayer identification number to a payor, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- (2) **Civil Penalty for False Information With Respect to Withholding** – If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.
- (3) **Criminal Penalty for Falsifying Information** – Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

