



*The world is yours*

3i Group plc  
Notice of Annual General Meeting 2004



# Letter from the Chairman

Dear Shareholder

I have pleasure in sending to you your copy of the Annual Report and Accounts of 3i Group plc ("the Company") for the year to 31 March 2004, together with this booklet containing the Notice of Annual General Meeting and a map showing the location of the Meeting. The Meeting will be held at The Institution of Electrical Engineers, Savoy Place, London WC2R 0BL on Wednesday 7 July 2004, at 11.00 am.

The Directors are recommending a final dividend of 8.9p per share net. Subject to approval at the Annual General Meeting on 7 July 2004, this dividend will be paid to shareholders on 16 July 2004.

In the Report you will find detailed information on 3i's performance during the year, the key elements of 3i's strategy, detailed information about our buy-out, growth capital and venture capital businesses, and our view of the outlook. In addition to the Operating and Financial Review, and our Corporate Responsibility Report, we have included some illustrative examples of our portfolio. I hope this information will give you a useful overview of the Company and its marketplace.

On 14 May 2004, we were delighted to announce the appointment of Mr Philip Yea as Chief Executive in succession to Mr Brian Larcombe. (This was after the Report and Accounts were approved and is not therefore covered in the Report.) Mr Yea is currently a Managing Director at Investcorp in its private equity business. He has been a non-executive director of HBOS plc since 1999 and a non-executive director of Manchester United plc since 2000. He was Group Finance Director of Diageo plc from 1997 to 1999. A resolution to appoint Mr Yea as a Director is included in the Notice of Annual General Meeting.

If you have access to the internet, our investor relations website at [www.3igroup.com](http://www.3igroup.com) includes news and other information about 3i which we hope will be of interest to shareholders. At [www.3i.com](http://www.3i.com) you can now also find information about 900 of the companies in which we are invested.

Please do not hesitate to write to me or to our Group Communications Director, at 91 Waterloo Road, London SE1 8XP, if you have any comments or questions. Or you can e-mail us at [ir@3igroup.com](mailto:ir@3igroup.com).

Yours sincerely



**Baroness Hogg**  
14 May 2004

# Notice of Annual General Meeting

Notice is hereby given that the thirty-first Annual General Meeting of 3i Group plc ("the Company") will be held at The Institution of Electrical Engineers, Savoy Place, London WC2R 0BL on Wednesday 7 July 2004 at 11.00 am to transact the business set out below.

In accordance with the Listing Rules of the UK Listing Authority, Resolution 2 (Remuneration report) and Resolution 8 (Directors' participation in incentive arrangements) are special business. The remaining resolutions are ordinary business.

**To consider and, if thought fit, pass the following as ordinary resolutions:**

- 1 To receive and consider the Company's Accounts for the year ended 31 March 2004 and the Directors' report and Auditors' report thereon.
- 2 To approve the Directors' Remuneration report for the year ended 31 March 2004.
- 3 To declare a final dividend of 8.9p per share net, payable to those shareholders whose names appear on the Register of Members at close of business on 18 June 2004.
- 4 To reappoint Baroness Hogg as a Director of the Company.
- 5 To appoint Mr P E Yea as a Director of the Company.
- 6 To reappoint Ernst & Young LLP as Auditors of the Company to hold office until the conclusion of the next General Meeting at which Accounts are laid before the Members.
- 7 To authorise the Board to fix the Auditors' remuneration.
- 8 THAT executive Directors be and they are hereby authorised to participate in the incentive arrangements described in the notes relating to this Resolution 8 set out in the Notice of Annual General Meeting dated 14 May 2004.
- 9 THAT, in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £102,257,000 PROVIDED THAT this authority shall expire on the earlier of 6 July 2009 and the conclusion of the Annual General Meeting of the Company to be held in 2009 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

**To consider and, if thought fit, pass the following as special resolutions:**

- 10 THAT, subject to the passing of Resolution 9 above and in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by Resolution 9 above as if subsection (1) of section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to the allotment of equity securities:
  - (a) in connection with an offer of such securities by way of rights, or other pre-emptive offer, to holders of ordinary shares in proportion to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or otherwise howsoever; and
  - (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £15,338,000, and shall expire on the earlier of 6 July 2009 and the conclusion of the Annual General Meeting of the Company to be held in 2009 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
- 11 To authorise the Company, in accordance with Article 7 of the Company's Articles of Association, generally and unconditionally to make market purchases (as defined in section 163(3) of the Companies Act 1985) of ordinary shares of 50p each in the Company ("Ordinary shares") PROVIDED THAT:
  - (a) the Company does not purchase under this authority more than 61,353,706 Ordinary shares (representing 10% of the Company's issued share capital as at 10 May 2004);
  - (b) the Company does not pay less than 50p for each such Ordinary share; and
  - (c) the Company does not pay for each such Ordinary share more than 5% over the average of the closing mid-market price of the Ordinary shares for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned, based on the share prices published in the Daily Official List of the London Stock Exchange.

This authority shall continue for the period ending on the date of the Annual General Meeting of the Company to be held in 2005 provided that if the Company has agreed before this date to purchase Ordinary shares where these purchases will or may be executed after the authority terminates (either wholly or in part), the Company may complete such a purchase as if the authority confirmed hereby had not expired.

By order of the Board

**A W W Brierley**  
Secretary

14 May 2004

# Notes

The Annual General Meeting is a meeting of Members (that is to say, shareholders) which the Company must hold each year.

A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy need not be a member. To be effective, instruments appointing a proxy should be lodged with the Company's Registrars (Lloyds TSB Registrars, The Causeway, Worthing BN99 6LY) at least 48 hours before the appointed time of the Meeting (that is to say, no later than 11.00 am on 5 July 2004). Alternatively, proxies may be lodged using the CREST proxy voting service (see the note on page 4 headed "Electronic proxy appointment through CREST").

In order to attend or vote at the Meeting, a member must be entered on the Company's Register of Members at 6.00 pm on 5 July 2004. A member will only be entitled to vote in respect of those shares registered in the name of the member at that time. This time has been specified pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Changes to entries on the Company's Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

Please note that the Annual General Meeting is a private meeting for shareholders, proxies and duly authorised representatives. Non-shareholders, including spouses and partners, are not entitled to admission to the Meeting. Any disabled shareholder may, however, be accompanied and the person accompanying them need not be a shareholder.

Copies of the executive Directors' employment contracts and the non-executive Directors' letters of appointment, are available for inspection at the Company's Registered Office during normal business hours on each business day and will be at the place of the Annual General Meeting for one hour before, and until the conclusion of, the Meeting.

At this year's Annual General Meeting, there are 11 resolutions which the Members are asked to approve. An explanation of these resolutions is given below.

**Resolution 1 (Report and Accounts)** The Directors must lay the Company's Accounts, the Directors' report and the Auditors' report before the Members at a General Meeting. This is a legal requirement after the Directors have approved the Accounts and the Directors' report, and the Auditors have prepared their report.

**Resolution 2 (Remuneration report)** Listed companies are required to prepare a Directors' Remuneration report and put a resolution to approve the report to the shareholders at the Annual General Meeting. Shareholders are being asked to approve the Directors' Remuneration report, a copy of which is set out on pages 38 to 45 of the 2004 Report and Accounts.

**Resolution 3 (Declaration of dividend)** The Board may, in accordance with the Company's Articles of Association, authorise the payment of interim dividends. This authority was exercised for the interim dividend of 5.1p per share paid on 7 January 2004 in respect of the year ended 31 March 2004.

Any final dividend must be approved by Members. The amount to be declared as a final dividend may not exceed the amount recommended by the Directors. The Directors are recommending that the Members declare a final dividend of 8.9p per share in respect of the year ended 31 March 2004. If approved, the final dividend will be paid on 16 July 2004 to shareholders who were on the Register of Members at close of business on 18 June 2004.

**Resolution 4 (Reappointment of Director)** Under the Company's Articles of Association, any Director appointed by the Board during the year and before the date of the Notice of the relevant Annual General Meeting must retire. There are at present no Directors to whom this provision applies. In addition, a proportion of the Directors must retire by rotation at the Annual General Meeting each year. Each Director must seek reappointment at least every three years.

Three Directors, Baroness Hogg, Dr J R Forrest and Mr B P Larcombe, retire under these provisions. Baroness Hogg is eligible for, and seeks, reappointment. Dr Forrest and Mr Larcombe do not seek reappointment.

Biographical details of Baroness Hogg are set out on page 30 of the 2004 Report and Accounts. Baroness Hogg is a non-executive Director and serves as Chairman of the Board. She was first appointed by the Board in 1997 and brings wide experience of corporate governance, international affairs and business issues to the Board. The Board is satisfied that on her appointment as Chairman in 2002 Baroness Hogg was independent for the purposes of the Combined Code. The Directors (other than the Chairman) confirm that, following the formal Board performance evaluation process carried out during the year to 31 March 2004, they consider Baroness Hogg to be a highly effective and committed Chairman.

**Resolution 5 (Appointment of Director)** The Company has announced that it is proposed that Mr P E Yea be appointed Chief Executive of the Company in succession to Mr B P Larcombe who is retiring at the Annual General Meeting and not seeking reappointment as a Director.

Mr Yea (aged 49) is currently a Managing Director at Investcorp in its private equity business. He has been a non-executive director of HBOS plc since 1999 and a non-executive director of Manchester United plc since 2000. He was Group Finance Director of Diageo plc from 1997 to 1999.

The Board recommends Mr Yea's appointment as a Director.

**Resolutions 6 and 7 (Reappointment and Remuneration of Auditors)** At each Meeting at which Accounts are laid before the Members, the Company is required to appoint Auditors to serve until the next such Meeting. The Company's present Auditors, Ernst & Young LLP, have confirmed that they are willing to continue in office for a further year. Resolution 6 proposes that Ernst & Young LLP be reappointed. Resolution 7 gives authority to the Board to determine the Auditors' remuneration. The remuneration will then be disclosed in the next Accounts of the Company.

**Resolution 8 (Directors' participation in incentive arrangements)** This resolution is to approve the participation of executive Directors who are directly responsible for specific investment businesses in the carried interest plan, the rules of which are summarised in Appendix 1, and the participation of Mr M M Gagen in the investment performance plan summarised in Appendix 2. The Chief Executive and the Finance Director will not be eligible to participate in these plans.

**Background** Long-term incentives are a key feature of remuneration packages within the private equity and venture capital industry as well as for many of the Group's employees. For these staff, variable compensation (including long-term incentives) is intended to form a significant proportion of total reward.

Most of the Company's private equity and venture capital competitors offer senior employees carried interest or co-investment arrangements under which participants share directly in the profits on investments which they manage. Investors in private equity funds (such as the unquoted funds managed by the Group) often expect the executives responsible for those funds to be incentivised with arrangements giving them a direct interest in the financial performance of the fund thereby aligning their interests with those of the investors.

The Group has operated carried interest plans in the United States since 1999 when the Group's current US business was established. At the Annual General Meeting in July 2002, shareholders approved the participation in these arrangements of Mr M M Gagen, the executive Director responsible for the US business. Those arrangements are now coming to an end and do not apply to new investments made after 31 March 2004.

The Company has also operated arrangements in continental Europe and the UK allowing executives to share in profits realised on investments. However, these arrangements have not previously been open to participation by executive Directors.

The Remuneration Committee believes that it is desirable that the Company has the flexibility to offer benefits to executive Directors which are:

- comparable to the benefits available elsewhere in the private equity and venture capital industry; and
- structured in a similar way to those available to staff below Board level.

If it is not able to do this, the Remuneration Committee considers that, over time, the Company will find it increasingly difficult to fill executive Director positions with suitable internal or external candidates, all of whom will be likely to enjoy carried interest benefits and have an expectation of continuing to do so.

**Proposal for participation in carried interest plan** Accordingly, shareholders' approval is sought, by this resolution, to allow executive Directors who are directly responsible for specific investment businesses to participate in The 3i Carry Plan ("the Plan"), a summary of the rules of which is set out in Appendix 1 to this Notice. The Plan sets out the structure under which the Group's principal existing, and new, carried interest arrangements relating to new investments made after 31 March 2004 are co-ordinated.

This year, the Remuneration Committee does not intend to extend participation in the Plan to any members of the Board other than Mr M M Gagen.

**Proposed Participation of Mr M M Gagen** It is intended that Mr M M Gagen should participate in the carried interest arrangements appropriate to his current responsibilities for the US and Asia Pacific as well as his involvement in technology investment. Accordingly, it is proposed that this year he will participate in the US Technology 2004-06, Asia Pacific 2004-06 and Global Technology 2004-06 carried interest arrangements under the Plan.

In addition, in order to provide alignment between his long-term incentives and his Asia Pacific responsibilities, the Remuneration Committee believes that it is appropriate for him to participate in The 3i Investment Performance Plan 2004 – Asia Pacific. This will provide him with an interest in the profits on investments made in Asia Pacific in the period 1 April 2003 to 31 March 2004 subject to a performance hurdle. A summary of this Plan is set out in Appendix 2.

**Resolution 9 (Renewal of authority to allot shares)** This resolution renews the Directors' power to allot shares. The Directors have no present intention of exercising the authority conferred by this resolution.

Section 80 of the Companies Act 1985 provides that the Board may not allot new shares (other than for employee share schemes) without shareholder approval. Resolution 9 empowers the Board to allot shares with a nominal value of up to £102,257,000 being approximately one third of the Company's issued ordinary share capital as at 10 May 2004. The authority would last until the earlier of 6 July 2009 and the Annual General Meeting in 2009.

**Resolution 10 (Renewal of section 89 Authority)** 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 shareholdings. Resolution 10 allows the Directors to allot shares for cash other than in accordance with section 89 in connection with rights issues and other pre-emptive offers, or otherwise up to a maximum nominal amount of £15,338,000, representing approximately 5% of the Company's issued share capital as at 10 May 2004. The Board considers this authority appropriate in order to have the flexibility to issue shares, for example to finance business opportunities. The authority would last until the earlier of 6 July 2009 and the Annual General Meeting in 2009.

**Resolution 11 (Renewal of authority to purchase own shares)** In certain circumstances, it may be advantageous for the Company to purchase its own shares. Resolution 11 renews the authority granted at the Annual General Meeting in 2003.

The Directors have no present intention of exercising this authority. However, to bring the Company in line with many other investment trusts which have this authority, the Directors would like the flexibility to be able to exercise this authority in the future in appropriate circumstances. The Directors only intend to use the authority if they believe such purchases would be in the best interests of Members generally and would result in an increase in net asset value per share. Save to the extent purchased pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly. These regulations permit the Company, following a repurchase of its own shares as an alternative to cancelling the shares, to hold up to 10% of its issued share capital in treasury and to deal with such shares (including selling them subject to certain limitations for cash or transferring them for the purposes of employee share schemes or cancelling them).

The total number of options to subscribe for equity shares outstanding at 10 May 2004 is 22,862,058. This represents 3.73% of the issued share capital at that date. If the Company bought back the maximum number of shares permitted pursuant to the passing of this resolution, the total number of options to subscribe for equity shares outstanding at that date would represent 4.14% of the issued share capital as reduced following those repurchases.

There are no warrants to subscribe for shares outstanding at 10 May 2004. A warrant is a binding agreement by a company to issue shares to the person who holds the warrant.

**Recommendation** The Directors believe that the proposals set out in the Notice of Meeting are in the interests of the Company. Accordingly, they (other than, in the case of Resolution 8, the executive Directors who are interested in that Resolution) unanimously recommend that Members vote in favour of each resolution.

**Electronic proxy appointment through CREST** CREST members who wish to appoint a proxy or proxies may do so by utilising the CREST electronic proxy appointment service in accordance with the procedures described in the CREST manual. To be valid such an appointment must be received at least 48 hours before the time of the Meeting (that is to say, no later than 11.00 am on 5 July 2004).

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications, must contain the information required for such instructions, as described in the CREST Manual, and, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must be transmitted so as to be received by the Company's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) at which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

# Appendix 1

**A summary of the rules of The 3i Carry Plan** 3i Group plc ("the Company") and its subsidiaries (together "the Group") have established or are in the course of establishing various arrangements approved by the Remuneration Committee to provide carried interest benefits to certain of their staff whereby such staff are able to share in the profits achieved in respect of investments made in the period 1 April 2004 to 31 March 2006. A list of these arrangements and a brief summary of their main features is set out at the end of this Appendix.

The 3i Carry Plan ("the Plan") governs and provides for the future administration of these carried interest arrangements and provides for the establishment of future carried interest arrangements which may from time-to-time be required (each a "Carry Arrangement").

## 1 Governance of the Plan

Decisions in relation to the participation of any executive Director of the Company shall be taken by the Remuneration Committee which consists of independent non-executive Directors. Decisions in relation to the participation of any other employee shall be taken by the Chief Executive.

## 2 Eligible participants

All employees of the Group (other than the Chief Executive and the Finance Director) are eligible to participate in a Carry Arrangement save that executive Directors of the Company are not eligible to participate in a Carry Arrangement unless and until the approval of the shareholders of the Company in General Meeting has been obtained to their participation in the Plan.

In addition, an executive Director of the Company will not be eligible to participate in a Carry Arrangement that starts within six months of the executive Director's anticipated retirement date or, without the approval of the shareholders of the Company in General Meeting, in any Carry Arrangement which starts after 7 July 2014.

## 3 Purpose

The purpose of the Plan is to provide a structure for setting up incentive arrangements comparable to those available elsewhere in the private equity and venture capital industry so as to enable the Group to recruit and retain quality investment professionals. The Plan is intended to be flexible to respond to changing market norms.

## 4 Structure

The Plan is implemented through each relevant Carry Arrangement.

Each Carry Arrangement comprises an English limited partnership or a similar vehicle in other jurisdictions (each an "Invest Partnership") through which a portion of the private equity and venture capital investments made by the Group over a specified investment period (a "vintage" or a "vintage period") is made.

Each Invest Partnership is managed by a subsidiary of the Company.

A subsidiary of the Company is the general partner of each Invest Partnership. The limited partners of the Invest Partnership are the Company and one or more limited partnerships (and/or other appropriate structures in respect of some non-UK jurisdictions) (each such partnership or vehicle being a "Carry Partnership"). The selected eligible employees who make a capital contribution become limited partners or members ("Participants") in these Carry Partnerships. This gives them a proportionate interest (subject to the performance conditions (see below)) in all proceeds arising in respect of the particular pool of investments.

In jurisdictions where, from time-to-time, it is not considered practicable or desirable to establish such structures, the Remuneration Committee may approve variations to such structures or alternative arrangements intended to have a similar economic effect.

## 5 Relevant pools and vintages

Each Carry Arrangement reflects a separate pool of investments.

A pool represents the investments made during a vintage period in a particular geographic location or by a specific team or product area or may be a combination of these or other factors.

The Remuneration Committee determines the relevant pools and vintage periods from time-to-time.

## 6 Term

Each Invest Partnership has an initial term of 10 years (subject to earlier termination by the Company) to enable the investments made by the Invest Partnership during the vintage period to be realised in their normal course.

If, at the end of the life of an Invest Partnership, all of the investments have not been realised then, unless the term of the partnership is extended with the consent of the Company, a liquidating trustee will be appointed in place of the manager to realise all the remaining assets of the partnership and distribute the proceeds to its partners (the Company and the Carry Partnership(s)). It is likely that the liquidating trustee would also be a member of the Group. The proceeds of such realisations would be distributed in accordance with the terms of the relevant limited partnership agreement (see "performance conditions" below).

## 7 Carried interest rate

Subject to the achievement of the applicable performance condition (see below), a Carry Partnership(s) will be entitled to a specified percentage of the profits of the relevant Invest Partnership ("the Carried Interest Rate"). Where the Invest Partnership only invests a portion of the aggregate investment made by the Group and (where applicable) external funds managed by the Group, the effective percentage of profits to which the Carry Partnership will be entitled will be lower ("the Effective Rate"). In these cases, the Effective Rate will be the product of the Carried Interest Rate and the percentage of the investment made by that Invest Partnership relative to the total invested by that Invest Partnership, the Group and external funds managed by the Group.

The relevant Effective Rate applying to each vintage and pool is set by the Remuneration Committee and may vary as between vintages and pools.

**8 Performance conditions**

Participation in the profits of each Invest Partnership will be subject to a performance condition under which initial distributions from the Invest Partnership will first be made to the Group. This performance condition will be determined in advance for each vintage and pool by the Remuneration Committee in line with relevant market conditions at the time. A summary of the performance condition applying to the 2004-06 vintage is set out at the end of this Appendix.

Once the condition has been met, the Carry Partnership will be entitled to a "catch-up" until it has received its relevant carry percentage (equal to the Carried Interest Rate) of all profits of the Invest Partnership to date. Thereafter all proceeds received by the Invest Partnership will be distributed to the Group and the Carry Partnership reflecting the relevant Carried Interest Rate.

The frequency of distributions to the Carry Partnership will be determined by the Remuneration Committee.

A Carry Arrangement may be established on the basis that the Carry Partnership will receive interim distributions on account of its profit share. However, should the performance condition not be met, any interim distributions will be repayable.

In any event, no distributions will be made to a Carry Partnership during the vintage period of the relevant Invest Partnership.

**9 Termination of employment**

The interest of a Participant in a Carry Arrangement who ceases to be an employee of the Group will be reduced in accordance with rules applicable to such Carry Arrangement depending on the time and circumstances of the Participant's departure. Similarly, if a Participant ceases to work in relation to a particular investment pool during its vintage period, the Participant's interest will also be reduced.

In respect of some Carry Arrangements, Participants may (as determined by the Remuneration Committee) be entitled to a capped interest on their leaving date or to a capped interest on a specified date thereafter. The capped interest will be funded from future Carry Partnership distributions (if any). In other instances, the Participant may be entitled to retain a percentage of their interest in the Carry Partnership which may, where the Participant has been involved in the pool for at least eight years, be 100% in certain circumstances.

**10 Trust**

An employee benefit trust ("the Trust") has been established for the benefit of Group employees (other than any Director of the Company or his/her family pending approval by shareholders in General Meeting of the participation of Directors in the Plan) and will also be a participant in each Carry Partnership. The Trust forms part of the mechanism for the implementation of the Plan.

The Trust has an interest in each Carry Arrangement (and is therefore a limited partner or equivalent in each Carry Partnership). It may, in effect, transfer all or part of its interest in any Carry Arrangement to a new recruit or to someone who is to have an increased interest at any time. Whenever a Participant leaves the Group, his/her divested interest will also be, in effect, transferred to the Trust and the Trust will accordingly make a payment to such ex-Participant of the lower of cost or market value, as provided for in the constitutional documents in respect of the relevant Carry Arrangement, of the divested interest.

The Trust will also be able to make discretionary distributions to Group employees out of proceeds it receives from time-to-time.

**11 Documents**

The Plan consists of its Rules (of which this Appendix is a summary) and is implemented through the Deed constituting the Trust, together with the constituting documents of the Carry Arrangements.

**12 Variation**

The limited partnership agreements (or similar) constituting each Invest Partnership and each Carry Partnership will contain provisions as to their amendment which mean that their terms may not be amended in a way which prejudices the Group without its consent.

The Plan may be amended by the Board or the Remuneration Committee of the Company. However, no provision of the Plan or of any Carry Arrangement relating to:

- (a) the persons to whom, or for whom, benefits are provided;
- (b) limitations on the benefits subject to the Plan;
- (c) the maximum entitlement for any Participant; or
- (d) the basis for determining a Participant's entitlement to, and the terms of, benefits to be provided and for the adjustment thereof;

will be altered to the advantage of any Director of the Company without the prior approval of shareholders in General Meeting (except for minor amendments to benefit the administration of the Plan or any Carry Arrangement and for amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan, the Company or other members of the Group).

**13 Non-pensionable**

Benefits under the Plan and under the Carry Arrangements are non-pensionable.

**Summary of the existing and intended Carry Arrangements**

Pool	Vintage
<i>Carry arrangements already established</i>	
UK Private Equity	2004-06
Nordic Private Equity	2004-06
Global Technology	2004-06
Pan European Buy-outs	2004-06
Spanish Private Equity	2004-06
German Private Equity	2004-06
Pan European Technology	2004-06
US Technology	2004-06
<i>Carry arrangements in course of being established</i>	
Asia Pacific 2004-06	
Italy (Private Equity and Buyouts)	2004-06
France Private Equity	2004-06

The Effective Rates for these vintages and pools will vary but in no case will exceed 15%.

The performance condition applying to the vintages and pools listed above is that before the relevant Carry Partnership participates in the profits of the pool the Group must first have received from the relevant Invest Partnership:

- (a) its invested capital (including amounts advanced by the Group to fund a management charge which is, in essence, based on 1.5% per annum of the acquisition cost of unrealised investments made by the relevant Invest Partnership and is used to pay a management fee to the Group); and
- (b) a hurdle rate of return equivalent to 8% per annum ("the Hurdle") on the amount advanced and outstanding from time-to-time compounded annually.

The Carry Partnership shall then be entitled to a "catch-up" on the Hurdle until it has received its relevant carry percentage (equal to the Carried Interest Rate) of all profits of the Invest Partnership to date. Thereafter, all proceeds received by the Invest Partnership will be distributed to the Group and the Carry Partnership reflecting the relevant Carried Interest Rate.

Distributions to the Carry Partnership in respect of these vintages will be made twice-yearly whilst distributions to the Group will be made as soon as practicable after each realisation.

In respect of certain of the arrangements, there is provision for the Carry Partnership to receive interim distributions on account of its profit share. These interim distributions will not exceed 30% of the relevant Carried Interest Rate calculated on the capital profits of each realised investment after the initial two year investment period. They will only be paid if the total proceeds received by the Carry Partnership at that time exceed the acquisition cost of all investments which have been realised, together with writedowns or write-offs and a proportion of the fees and management charge incurred to date, plus a return equal to 8% on sums drawn down from time-to-time to finance such investments and related fees. Should the Hurdle never be achieved, any interim distributions will be repayable.

**Documents on display** A copy of the Rules of the Plan, the Deed constituting the Trust and the principal documents in respect of the Carry Arrangements listed above as having already been established under the Plan will be available for inspection at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on weekdays (Saturdays and public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting itself for not less than 15 minutes prior to and during the Meeting.

## Appendix 2

### **A summary of the principal features of The 3i Investment Performance Plan 2004 – Asia Pacific (the “AP 2004 Plan”)**

The AP 2004 Plan forms part of the 3i Investment Performance Plan 2004. All decisions relating to the level of benefits receivable by Mr M M Gagen and any discretions in relation to his participation will be taken by the Remuneration Committee which consists of independent non-executive Directors.

The operation of the AP 2004 Plan is summarised below.

#### **1 Scope of the AP 2004 Plan**

The AP 2004 Plan relates to new investments made in Asia Pacific between 1 April 2003 and 31 March 2004. Where further advances or further investments are made in the same investment in subsequent years, they are treated as belonging to the investment period in which the first investment was made.

#### **2 The agreed percentage**

The AP 2004 Plan operates on the basis of an “agreed percentage”. This is the percentage of the total investments made in respect of which all the net realised capital profit will be treated as falling under the Plan. The agreed percentage, covering all participants, is 10%.

#### **3 Points**

Points are used to allocate the interest in capital profits between different participants.

#### **4 Points allocation**

Points are awarded to participants after the end of the investment period.

#### **5 Payments under the Plan**

Payments will be made under the AP 2004 Plan if and to the extent:

- (a) net capital profits are realised on investments within the AP 2004 Plan; and
- (b) at that time the value of the investments covered by the AP 2004 Plan exceeds 125% of the original investment cost of such investments. (For this purpose, investments which have been realised are valued on the basis of disposal proceeds, investments held at zero value are treated as realised at zero value and other investments still held are valued at book value. In addition, for the purposes of this calculation, any profits previously taken into account and the profit in respect of which payment is then being made are also deducted.)

To the extent these conditions are met, the agreed percentage of the realised capital profits on the investments within the AP 2004 Plan is available to be paid out. The payment is distributed to participants in proportion to their points. Payments are made once each year. Ten years after the end of the investment period, a final calculation is made and payments are made on the basis of both realised gains and unrealised gains (based on book values discounted by 30%). This end date may be extended.

#### **6 Termination of employment**

Save as mentioned below, a participant who leaves employment with the Group ceases to be entitled to any further payments under the AP 2004 Plan. Where a participant's employment terminates through death, disability, redundancy, retirement at normal retirement age or early retirement by agreement with the Group, the Company may, at its absolute discretion, either make a final one-off payment in respect of the participant's interest or continue making payments to the participant or his personal representative under the AP 2004 Plan.

#### **7 Status of the AP 2004 Plan**

The AP 2004 Plan is expressed to be non-contractual and is not intended to create a legally enforceable agreement between the participant and the Group. A participant's benefits are not transferable.

#### **8 Benefits non-pensionable**

Benefits under the AP 2004 Plan do not form part of a participant's pensionable remuneration.

#### **9 Amendments**

No change (other than minor amendments to benefit the administration of the AP 2004 Plan or amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or relevant companies in the Group) will be made to the AP 2004 Plan insofar as it relates to Mr M M Gagen which is to the advantage of Mr Gagen without the prior approval of the Company in General Meeting.

**Documents on display** A copy of the Rules of the 3i Investment Performance Plan 2004 as they relate to the AP 2004 Plan will be available for inspection at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on weekdays (Saturdays and public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting itself for not less than 15 minutes prior to and during the Meeting.

# How to find the Annual General Meeting venue

## The Institution of Electrical Engineers

Savoy Place  
London WC2R 0BL

Telephone +44 (0)20 7240 1871  
Fax +44 (0)20 7344 5707

If you have any queries or concerns regarding finding the Annual General Meeting venue, please telephone 3i on +44 (0)20 7975 3225 for assistance.

**By train** The nearest train stations are at Charing Cross and Waterloo.

From Charing Cross: turn right along the Strand and keep walking until you reach the Savoy Hotel on your right. The first road on your right, after the Savoy Hotel, is Savoy Street. Turn right down Savoy Street, and at the bottom of Savoy Street turn right into Savoy Place. The Institution is the first building on your right.

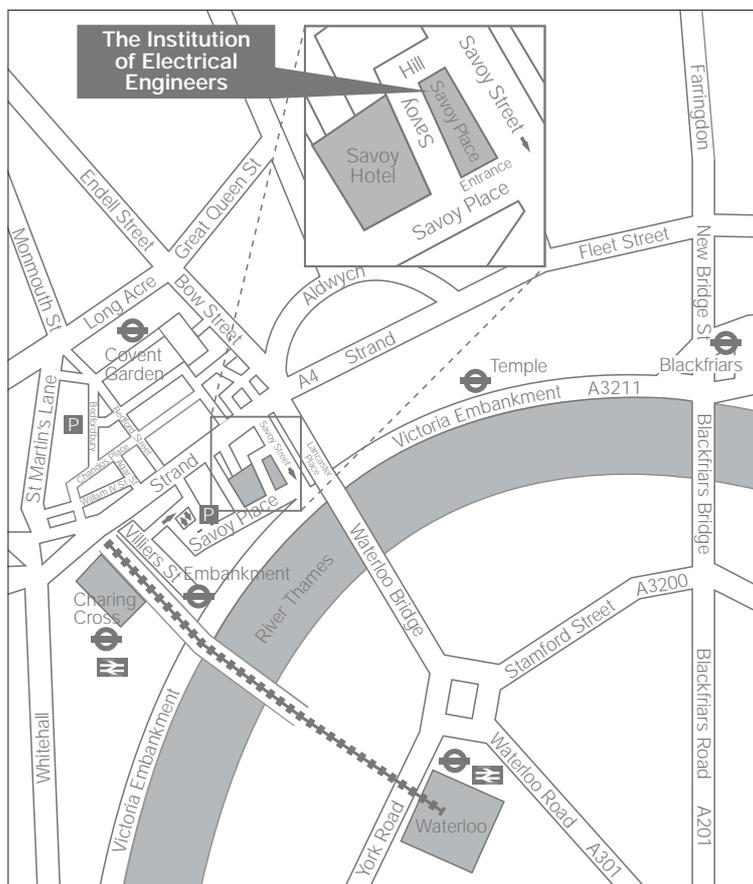
From Waterloo: either walk from Waterloo Road across Waterloo Bridge to the Strand, then turn left from the Strand into Savoy Street, and at the bottom of Savoy Street turn right into Savoy Place; or take a bus from Waterloo Road over Waterloo Bridge towards the Strand and Aldwych, alighting at Lancaster Place just after crossing the river. Then turn left along the Strand, take the first left down Savoy Street, and at the bottom of Savoy Street turn right into Savoy Place. The Institution is the first building on your right.

**By underground** The nearest underground stations are Charing Cross and Embankment. Charing Cross is served by the Bakerloo and Northern lines. Embankment is served by the Bakerloo, Circle, District and Northern lines.

From Charing Cross: follow the directions given above.

From Embankment: follow the "Way out" sign for Embankment Pier which will direct you down four steps to the Embankment. At the bottom of the steps, turn left and walk along the Embankment. The river should be on your right and Victoria Embankment Gardens should be on your left. Keep walking, passing the Obelisk on your right on the opposite side of the road, until you reach the bridge (Waterloo Bridge). Just before the bridge, stop and turn to your left. A few yards in front of you, on the corner of Savoy Place and Savoy Street, you will find The Institution of Electrical Engineers.

**Parking** The nearest car park is the Savoy Adelphi Garage (tel +44 (0)20 7836 4838) in Savoy Place. Please note, it is signposted simply as "Adelphi Parking". There is also an NCP car park (tel +44 (0)20 7300 5500) in Bedfordbury, just off St Martin's Lane, at the Charing Cross end of The Strand.



### Key

Underground

Parking

One way

Train

3i Group plc  
91 Waterloo Road  
London SE1 8XP  
UK  
Telephone +44 (0)20 7928 3131  
Fax +44 (0)20 7928 0058  
Website [www.3igroup.com](http://www.3igroup.com)

