

Chairman's statement

"This has been an exceptional year for 3i. The Group has delivered a high return on shareholders' funds and a strong cash flow and, most importantly of all, has taken important steps to develop the business for the longer term."



3i has had another year of strong financial performance. A number of our strategic initiatives have contributed to our growth and it has been a very productive period for business development. The Group's total return of £1,075 million for the year to 31 March 2007 represented 26.8% on opening shareholders' funds.

Realisations were again very strong. The quality of our portfolio, favourable merger and acquisitions markets and the skill of our teams around the world have delivered realisation proceeds of £2,438 million, with an uplift in value on sale of 52%.

3i's strategic position in both high growth and more mature markets also enabled the Group to increase investment by 42% to £1,576 million. Growth was especially strong in Asia, which accounted for 16% of investment in the year.

During the year the Buyouts business raised its latest €5 billion mid-market buyout fund, Eurofund V, and we extended our international reach with new Growth Capital teams in Beijing and New York. We also established two new business lines, with the £700 million launch of 3i Infrastructure Limited on the London Stock Exchange, and the establishment of our "Quoted Private Equity" team.

Progress on so many fronts would not, of course, have been possible without the commitment and experience of many people to whom I offer my thanks: our staff world-wide; the management teams and advisers of our portfolio companies; and above all our Chief Executive Philip Yea and his Management Committee.

The strength of the Group's cash flow has meant that we have been able not only to grow investment levels and invest in a number of strategic initiatives but also to return capital to shareholders. Following approval at our Extraordinary General Meeting ("EGM") last year, £700 million has been returned to our shareholders. The Group also bought back £74 million of ordinary shares during the year. The Board has announced its intention to return a further £800 million to shareholders by way of a bonus issue of listed B shares. Resolutions relating to the return of capital proposals will be put to shareholders at another EGM, which is currently expected to take place in July.

The Board is recommending a final ordinary dividend of 10.3p, making a total ordinary dividend for the year of 16.1p, up 5.9% on last year.

I was delighted to welcome Robert Swannell as a non-executive Director to the Board in September 2006. Robert is Vice Chairman of Citigroup Europe and a member of Citigroup's Global Investment Banking Committee, in addition to being a non-executive Director of British Land Company plc. He has extensive experience of international financial services and wide experience of business.

Danny Rosenkranz, who has been a non-executive Director of the Group since 2000, retires from the Board at the AGM in July. I would like to thank him for the considerable contribution he has made to the Board during a very important period for 3i and especially for his work as Chairman of the Remuneration Committee.

As private equity has grown as an asset class for investors, so it has attracted more attention from political and business commentators. Our track record as a FTSE 100 company since 1994, and our pioneering approach to governance and corporate responsibility issues in the industry, stand 3i in good stead as the debate about responsibility and transparency in the industry develops.

As a member of Sir David Walker's working group for the British Venture Capital Association I am delighted to be involved in taking this debate to the next stage. Meanwhile, in this report you will see that we have provided further details on our largest investments and realisations in the year.

At 3i, we are proud of our record of growing businesses. We have always placed considerable emphasis on the quality of our relationships with investee companies, and on corporate responsibility, as endorsed by our high ranking in the Dow Jones Sustainability Index for 2007. I would like to congratulate our Corporate Responsibility Committee, led by the Company Secretary, Tony Brierley, on winning this year's Investor Relations Society Best Practice Award for the Corporate responsibility section of our 2006 Annual report.

In summary, this has been an exceptional year for 3i. The Group has delivered a high return on shareholders' funds and a strong cash flow and, most importantly of all, has taken important steps to develop the business for the longer term.

Baroness Hogg Chairman
9 May 2007