

# Notes to the financial statements

## 1 Segmental analysis

Year to 31 March 2007	Buyouts £m	Growth Capital £m	Venture Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Total £m
<b>Gross portfolio return</b>							
Realised profits over value on the disposal of investments	538	235	12	(15)	–	60	830
Unrealised profits on the revaluation of investments	123	269	(61)	3	6	(17)	323
Portfolio income	127	65	3	27	–	31	253
	788	569	(46)	15	6	74	1,406
<b>Net (investment)/divestment</b>							
Realisation proceeds	1,341	691	187	5	–	214	2,438
Investment	(498)	(482)	(200)	(380)	(14)	(2)	(1,576)
	843	209	(13)	(375)	(14)	212	862
<b>Balance sheet</b>							
Value of investment portfolio at end of year	1,281	1,460	741	469	20	391	4,362

Year to 31 March 2006	Buyouts £m	Growth Capital £m	Venture Capital £m	Infrastructure £m	Quoted Private Equity £m	Smaller Minority Investments £m	Total £m
<b>Gross portfolio return</b>							
Realised profits over value on the disposal of investments	208	232	72	–	–	64	576
Unrealised profits on the revaluation of investments	124	60	51	–	–	10	245
Portfolio income	115	49	5	–	–	63	232
	447	341	128	–	–	137	1,053
<b>Net (investment)/divestment</b>							
Realisation proceeds	877	855	207	–	–	268	2,207
Investment	(451)	(497)	(156)	–	–	(6)	(1,110)
	426	358	51	–	–	262	1,097
<b>Balance sheet</b>							
Value of investment portfolio at end of year	1,465	1,192	826	*92	–	564	4,139

\*This represents the value at 31 March 2006 of the assets incorporated into the Infrastructure business line previously included in Growth Capital.

Year to 31 March 2007	UK £m	Continental Europe £m	Asia £m	US £m	Rest of World £m	Total £m
<b>Gross portfolio return</b>	716	692	25	(27)	–	1,406
<b>Net (investment)/divestment</b>						
Realisation proceeds	1,169	1,159	54	56	–	2,438
Investment	(650)	(560)	(259)	(92)	(15)	(1,576)
	519	599	(205)	(36)	(15)	862
<b>Balance sheet</b>						
Value of investment portfolio at end of year	1,792	1,894	373	283	20	4,362

Year to 31 March 2006	UK £m	Continental Europe £m	Asia £m	US £m	Rest of World £m	Total £m
<b>Gross portfolio return</b>	392	586	48	27	–	1,053
<b>Net (investment)/divestment</b>						
Realisation proceeds	1,173	891	67	76	–	2,207
Investment	(405)	(538)	(91)	(70)	(6)	(1,110)
	768	353	(24)	6	(6)	1,097
<b>Balance sheet</b>						
Value of investment portfolio at end of year	1,736	1,923	167	307	6	4,139

## 2 Realised profits over value on the disposal of investments

	2007 Equity £m	2007 Loans and receivables £m	2007 Total £m	2006 Equity £m	2006 Loans and receivables £m	2006 Total £m
Net proceeds	1,787	651	2,438	1,643	564	2,207
Valuation of disposed investments	(932)	(649)	(1,581)	(981)	(584)	(1,565)
Investments written off	(25)	(2)	(27)	(20)	(46)	(66)
	830	–	830	642	(66)	576

## 3 Unrealised profits on the revaluation of investments

	2007 Equity £m	2007 Loans and receivables £m	2007 Total £m	2006 Equity £m	2006 Loans and receivables £m	2006 Total £m
Movement in the fair value of equity	396	–	396	381	–	381
Impairment of loans and receivables	–	(44)	(44)	–	(74)	(74)
Provisions	(22)	(7)	(29)	(40)	(22)	(62)
	374	(51)	323	341	(96)	245

Provisions have been recognised only on investments where it is considered there is a significant risk of failure. All other value movements are included within movement in the fair value of equity.

## 4 Fees receivable

	2007 £m	2006 £m
Fees receivable	30	39
Deal-related costs	(16)	(15)
	14	24

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

	2007 £m	2006 £m
Carried interest receivable from managed funds	81	79
Carried interest payable to executives	(142)	(64)
	(61)	15

Carried interest receivable represents the Group's share of profits from managed funds. Each managed 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 in excess of the performance conditions in place in the scheme.

# Notes to the financial statements continued

## 6 Operating expenses

Operating expenses include the following amounts:

	2007 £m	2006 £m
Depreciation of property, plant and equipment	6	4
Audit fees	1	1
Staff costs (note 7)	154	128

## Services provided by the Group's auditors

During the year the Group obtained the following services from the Group's auditors, Ernst & Young LLP:

	2007 £m	2006 £m
<b>Audit services</b>		
Statutory audit – Company	0.3	0.3
– UK subsidiaries	0.6	0.6
– Overseas subsidiaries	0.4	0.4
Audit-related regulatory reporting	0.1	0.1
	1.4	1.4
<b>Non-audit services</b>		
Investment due diligence	1.0	0.9
Tax services (compliance and advisory services)	0.1	0.1
	2.5	2.4

## 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 20% of the total investment-related fees paid to the four largest accounting firms.

Ernst & Young LLP also acts as auditor to the 3i Group Pension Plan. The appointment of the auditors to this Plan and the fees paid in respect of the audit are agreed by the trustees who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit services to the pension scheme during the year were less than £0.1 million (2006: less than £0.1 million).

## 7 Staff costs

	2007 £m	2006 £m
Wages and salaries	110	91
Social security costs	16	14
Share-based payment costs (note 8)	12	8
Pension costs (note 9)	16	15
	154	128

The average number of employees during the year was 765 (2006: 733).

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:

	2007 £m	2006 £m
Share options*	7.7	6.1
Performance shares*	1.1	0.6
Share incentive plan	0.8	0.7
Deferred bonus shares	2.2	0.6
	11.8	8.0

\*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. 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 retested 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 after 31 March 2003 the target ACG was RPI plus 3% with maximum vesting at RPI plus 8%, 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%.

**(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:

	2007 Number of share options	2007 Weighted average exercise price (pence)	2006 Number of share options	2006 Weighted average exercise price (pence)
Outstanding at start of the year	25,304,158	745	24,943,522	739
Granted	1,411,173	839	3,597,145	692
Exercised	(4,059,359)	577	(2,270,547)	543
Forfeited	(675,527)	878	(965,962)	868
Lapsed	(5,085,678)	1,000	–	–
Outstanding at end of year	16,894,767	712	25,304,158	745
Exercisable at end of year	7,636,530	742	4,860,952	837

Included within the total number of share options are options over 6 million (2006: 13 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.

## 8 Share-based payments (continued)

The range of exercise prices for options outstanding at the year end was:

Year ended 31 March	2007 Weighted average exercise price (pence)	2007 Number	2006 Weighted average exercise price (pence)	2006 Number
1997	–	–	457	249,400
1998	505	277,622	513	964,373
1999	630	405,472	623	919,449
2000	884	756,975	810	1,235,026
2001	1,312	1,170,432	1,341	1,378,598
2002	895	21,026	999	5,119,104
2003	663	3,785,511	663	3,802,071
2004	571	1,414,290	570	3,694,970
2005	599	4,247,510	599	4,402,076
2006	692	3,409,732	692	3,539,091
2007	839	1,406,197	–	–
	<b>712</b>	<b>16,894,767</b>	745	25,304,158

Options are exercisable at a price based on the market value of the Company's shares on the date of grant.

The weighted average share price at the date of exercise during the year was 1054p (2006: 850p). The options outstanding at the end of the year have a weighted average contractual life of 6.34 years (2006: 6.35 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 331p (2006: 218p). These fair values were calculated using the Black-Scholes option pricing model.

The inputs to this model were as follows:

	2007	2006
Weighted average share price (pence)	849	692
Average expected volatility (%)	29	27
Expected life (years)	8.5	8.5
Average risk-free rate (%)	4.6	4.3
Average expected dividend yield (%)	1.6	2.0

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 (2006: nil).

### Performance share awards

Performance share awards made under the 3i Group Discretionary Share Plan are awards of shares to executives which are transferred to the participant by the 3i Group Employee Trust on terms that the shares may, in certain circumstances, be forfeited. While the shares are subject to forfeiture they may not be sold, transferred or used as security. Awards are subject to a performance condition determining whether and to what extent the award will vest. Non-vested shares are forfeited. Two types of awards have been made: standard awards and Super-performance Shares.

The performance condition for standard awards provides for shares to vest based on the Company's "percentage rank" by total shareholder return for the period of three years from grant (averaged over a 60 day period) compared to a comparator group.

The comparator group consists 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. If the Company's percentage rank is less than 50% none of the shares vest. At a percentage rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest pro rata.

## 8 Share-based payments (continued)

The performance condition for Super-performance Shares provides for shares to vest based on a performance condition measured over a three-year period. To the extent the shares vest the shares remain subject to a further two-year holding period before they cease to be subject to forfeiture. 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 to achieve minimum vesting of 25% of the award and growth of RPI plus 17 percentage points for full vesting. Between these levels shares vest pro rata.

**Share Incentive Plan** Eligible UK employees may participate in an Inland Revenue approved Share Incentive Plan intended to encourage employees to invest in the Company's shares. Accordingly it is not subject to a performance condition. During the year participants could invest up to £125 per month from their pre-tax salaries in the Company's shares (referred to as partnership shares). For each share so acquired the Company grants two free additional shares (referred to as matching shares) which are normally subject to forfeiture if the employee ceases to be employed (other than by reason of retirement) within three years of grant. Dividends are re-invested on behalf of participants in further shares (referred to as dividend shares).

**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 £4 million (2006: £4 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 2004 was updated on an IAS 19 basis by an independent qualified actuary as at 31 March 2007.

The principal assumptions made by the actuaries and used for the purpose of the year end valuation were as follows:

	2007	2006
Discount rate	5.0%	4.6%
Expected rate of salary increases	4.5%	4.2%
Expected rate of pension increases	3.1%	3.0%
Price inflation	3.0%	2.7%
Expected return on Plan assets	6.1%	5.7%

The post-retirement mortality assumptions used to value the benefit obligation at 31 March 2006 and 31 March 2007 are based on the "PA92 medium cohort" table with a current year of use. The life expectancy of a male member reaching age 60 in 2027 is projected to be 27.9 years compared to 26.7 years for someone reaching 60 in 2007.

# Notes to the financial statements continued

## 9 Retirement benefit deficit (continued)

The amount recognised in the balance sheet in respect of the Group's defined benefit plan is as follows:

	2007 £m	2006 £m
Present value of funded obligations	480	472
Fair value of Plan assets	(479)	(455)
Retirement benefit deficit	1	17

Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

	2007 £m	2006 £m
<b>Included in operating costs</b>		
Current service cost	12	11
<b>Included in finance costs (note 10)</b>		
Expected return on Plan assets	(26)	(23)
Interest on obligation	22	21
<b>Included in statement of recognised income and expenses</b>		
Actuarial (gain)/loss	(14)	16
	(6)	25

During the year, the Group introduced amendments to the main scheme in response to new regulations in relation to age discrimination. As a result, the accrual rate has been replaced by a uniform accrual rate. This change has not had a significant impact on the value of the funded obligation at 31 March 2007.

Changes in the present value of the defined benefit obligation were as follows:

	2007 £m	2006 £m
Opening defined benefit obligation	472	390
Current service cost	12	11
Past service cost	–	–
Interest cost	22	21
Actuarial (gains)/losses	(15)	63
Contributions	–	1
Benefits paid	(11)	(14)
Closing defined benefit obligation	480	472

Changes in the fair value of the Plan assets were as follows:

	2007 £m	2006 £m
Opening fair value of Plan assets	455	367
Expected returns	26	23
Actuarial (losses)/gains	(1)	48
Contributions	10	31
Benefits paid	(11)	(14)
Closing fair value of Plan assets	479	455

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:

	2007 £m	2006 £m
Equities	268	245
Gilts	213	190
Other	(2)	20
	479	455

The actual return on Plan assets for the year was £25 million (2006: £71 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.

## 9 Retirement benefit deficit (continued)

The history of the Plan is as follows:

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Present value of defined benefit obligation	480	472	390	355	303
Fair value of Plan assets	(479)	(455)	(367)	(272)	(213)
<b>Deficit</b>	<b>1</b>	<b>17</b>	<b>23</b>	<b>83</b>	<b>90</b>
Experience adjustments on Plan liabilities	2%	–	(4)%	(3)%	(2)%
Experience adjustments on Plan assets	–	(11)%	(4)%	(3)%	(2)%

The cumulative actuarial losses recognised in equity are £4 million (2006: losses £17 million).

The Group expects to make contributions of approximately £10 million to the Plan in the year to 31 March 2008.

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 £3 million (2006: £3 million) and the future liability calculated by German actuaries is £5 million (2006: £4 million). The Group carries both the asset and liability in its consolidated financial statements and has recognised an actuarial loss of £1 million (2006: nil).

## 10 Net interest payable

	2007 £m	2006 £m
<b>Treasury interest receivable</b>		
Interest on bank deposits	87	55
Finance income on pension plan	4	2
	91	57
<b>Interest payable</b>		
Interest on loans and borrowings	(84)	(58)
Interest on Convertible Bonds	(6)	(5)
Amortisation of Convertible Bonds	(7)	(8)
Interest on subordinated borrowings	(3)	(3)
	(100)	(74)
Net interest payable	(9)	(17)

## 11 Movements in the fair value of derivatives

	2007 £m	2006 £m
Forward foreign exchange contracts	1	(3)
Currency swaps	–	6
Interest-rate swaps	32	(6)
Derivative element of Convertible Bonds	(62)	(75)
	(29)	(78)

Further information on interest-rate swaps is provided in note 19. Expectations regarding sterling interest rates, together with the closing out of certain long-dated swaps, have had a beneficial impact on the fair value of interest-rate swaps in the year, resulting in a profit in the income statement.

Further information on 3i's Convertible Bonds is provided in note 21. The fair value of the equity element of 3i's Convertible Bonds has decreased, mainly due to the increase in 3i's share price in the year, and this loss has been recognised in the income statement.

## 12 Other income

	2007 £m	2006 £m
Write-back of subordinated borrowings	–	20
Gain on disposal of property	–	2
Other	1	–
	1	22

## 13 Income taxes

	2007 £m	2006 £m
<b>Current tax</b>		
Current year	(3)	(3)
	(3)	(3)
<b>Deferred tax</b>		
Deferred income tax	–	–
Total income taxes in the income statement	(3)	(3)

### 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 30% (2006: 30%), and the differences are explained below:

	2007 £m	2006 £m
Profit before tax	1,059	855
Profit before tax multiplied by rate of corporation tax in the UK of 30% (2006: 30%)	(318)	(256)
Effects of:		
Permanent differences	5	6
Short-term timing differences	3	1
Current period unutilised tax losses	(7)	(7)
Prior period utilised tax losses	8	–
Non-taxable UK dividend income	15	20
Repatriated profits of overseas subsidiaries	(4)	(1)
Foreign tax	(3)	(3)
Foreign tax credits available for double tax relief	4	1
Realised profits, changes in fair value and impairment losses not taxable	294	236
<b>Total income taxes in the income statement</b>	<b>(3)</b>	<b>(3)</b>

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 tax

	2007 Group balance sheet £m	2006 Group balance sheet £m
<b>Opening deferred income tax liability</b>		
Tax losses	2	2
Unrealised valuation surpluses on investments	–	(1)
Income in accounts taxable in the future	(3)	(2)
	(1)	(1)
<b>Recognised through income statement</b>		
Tax losses utilised	10	–
Valuation surplus now realised	–	1
Income in accounts taxable in the future	(10)	(1)
	–	–
<b>Closing deferred income tax liability</b>		
Tax losses	12	2
Unrealised valuation surpluses on investments	–	–
Income in accounts taxable in the future	(13)	(3)
	(1)	(1)

At 31 March 2007 the Group had tax losses carried forward of £588 million (2006: £560 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. These tax losses are available to carry forward indefinitely.

## 14 Investment portfolio

	Group 2007 Equity investments £m	Group 2007 Loans and receivables £m	Group 2007 Total £m
Opening book value	2,773	1,366	4,139
Additions	920	656	1,576
Disposals, repayments and write-offs	(957)	(651)	(1,608)
Revaluation	374	–	374
Provision and impairment of loans and receivables	–	(51)	(51)
Other movements	(6)	(62)	(68)
Closing book value	3,104	1,258	4,362
Quoted	570	–	570
Unquoted	2,534	1,258	3,792
Closing book value	3,104	1,258	4,362

The holding period of 3i's investment portfolio is on average greater than one year. For this reason the Directors have classified the portfolio 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 £73 million (2006: £45 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.

	Group 2006 Equity investments £m	Group 2006 Loans and receivables £m	Group 2006 Total £m
Opening book value	2,917	1,400	4,317
Additions	464	646	1,110
Disposals, repayments and write-offs	(1,001)	(630)	(1,631)
Revaluation	341	–	341
Provision and impairment of loans and receivables	–	(96)	(96)
Other movements	52	46	98
Closing book value	2,773	1,366	4,139
Quoted	259	–	259
Unquoted	2,514	1,366	3,880
Closing book value	2,773	1,366	4,139

# Notes to the financial statements continued

## 15 Interests in Group entities

	2007 Equity investments £m	2007 Loans and receivables £m	2007 Total £m
Opening book value	239	1,261	1,500
Additions	92	818	910
Share of profits	–	483	483
Disposals and repayments	(85)	(982)	(1,067)
Impairment	–	(1)	(1)
Exchange movements	–	(59)	(59)
Closing book value	246	1,520	1,766

Details of significant Group entities are given in note 35.

	2006 Equity investments £m	2006 Loans and receivables £m	2006 Total £m
Opening book value*	131	859	990
Additions	130	452	582
Share of profits	–	71	71
Disposals and repayments	(22)	(147)	(169)
Impairment	–	(5)	(5)
Exchange movements	–	31	31
Closing book value*	239	1,261	1,500

\*As restated for the adoption of IFRIC 11.

## 16 Property, plant and equipment

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Land and buildings</b>				
Opening cost or valuation	10	25	9	25
Additions at cost	–	1	–	–
Disposals	(1)	(17)	(1)	(17)
Revaluation	1	1	1	1
Closing cost or valuation	10	10	9	9
Net book amount	10	10	9	9

Depreciation charged in the year on buildings was £0.1 million (2006: £0.1 million).

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Plant and equipment</b>				
Opening cost or valuation	57	51	–	–
Additions at cost	8	18	–	–
Disposals	(21)	(12)	–	–
Closing cost or valuation	44	57	–	–
Opening accumulated depreciation	36	43	–	–
Charge for the year	6	4	–	–
Disposals	(20)	(11)	–	–
Closing accumulated depreciation	22	36	–	–
Net book amount	22	21	–	–

## 16 Property, plant and equipment (continued)

Assets held under finance leases (all vehicles) have the following net book amount:

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Cost	1	1	–	–
Aggregate depreciation	–	–	–	–
Net book amount	1	1	–	–

Finance lease rentals are payable as follows:

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £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.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the Capital reserve.

## 17 Other current assets

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Prepayments	44	92	19	57
Other debtors	153	57	38	89
Amounts due from subsidiaries	–	–	111	47
	197	149	168	193

## 18 Financial risk management

The funding objective of the Group and Company is that each category of investment 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

Financial assets are predominantly unsecured investments in unquoted companies, in which the maximum credit risk is considered to be the carrying value of the asset. The portfolio is well diversified and for this reason credit risk exposure is managed on an asset-specific basis by investment managers.

### Liquidity risk

During the financial year 3i generated a surplus of £857 million (2006: £1,089 million) from its operating activities, and cash resources at the end of the period amounted to £2,154 million (2006: £1,955 million). In addition, the Group had available to it undrawn facilities of £491 million at 31 March 2007 (2006: £488 million).

### Price risk

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Group does not currently hedge the price risk inherent in the portfolio but manages asset performance risk on an asset-specific basis.

## 18 Financial risk management (continued)

### Foreign exchange risk

The Group reports in sterling and pays dividends from sterling profits. Structural currency exposures are reduced by matching assets denominated in foreign currency with borrowings in the same currency. The Group makes some use of derivative financial instruments to effect foreign exchange management. The exposure to the Euro, US dollar, Swedish krona, Indian rupee, Swiss franc and all other currencies combined, is shown in the table below.

	2007 Sterling £m	2007 Euro £m	2007 US dollar £m	2007 Swedish krona £m	2007 Indian rupee £m	2007 Swiss franc £m	2007 Other £m	2007 Total £m
Total assets	4,718	1,423	376	202	79	32	19	6,849
Total liabilities	(434)	(1,544)	(290)	(206)	(79)	(31)	(16)	(2,600)
Net assets	4,284	(121)	86	(4)	–	1	3	4,249

	2006 Sterling £m	2006 Euro £m	2006 US dollar £m	2006 Swedish krona £m	2006 Indian rupee £m	2006 Swiss franc £m	2006 Other £m	2006 Total £m
Total assets	3,820	1,511	475	385	–	124	55	6,370
Total liabilities	(103)	(1,453)	(370)	(316)	–	(92)	(30)	(2,364)
Net assets	3,717	58	105	69	–	32	25	4,006

### Cash flow interest rate risk

The Group has a mixture of fixed and floating rate assets. The assets are funded with a mixture of shareholders' funds and borrowings according to the risk characteristics of the assets. The interest rate exposure is minimised by matching the type and maturity of the borrowings to those of the corresponding assets. Some derivative instruments are used to achieve this objective.

The interest rate profile of the financial assets and liabilities of the Group is shown in the table below by the earlier of the contractual repricing or maturity date.

	2007 Within 1 year £m	2007 1–2 years £m	2007 2–3 years £m	2007 3–4 years £m	2007 4–5 years £m	2007 Over 5 years £m	2007 Total £m
<b>Fixed rate</b>							
Loans and receivables	34	51	7	46	12	1,005	1,155
Deposits	1,668	–	–	–	–	–	1,668
Cash and cash equivalents	486	–	–	–	–	–	486
Loans and borrowings	(474)	–	–	–	–	(600)	(1,074)
Convertible Bonds	–	(363)	–	–	–	–	(363)
Subordinated liabilities	–	–	–	–	–	(21)	(21)
Derivatives	(281)	(33)	(18)	(162)	(22)	(383)	(899)
	1,433	(345)	(11)	(116)	(10)	1	952
<b>Floating rate</b>							
Loans and receivables	103	–	–	–	–	–	103
Loans and borrowings	(517)	–	–	–	–	–	(517)
Derivatives	899	–	–	–	–	–	899
	485	–	–	–	–	–	485

	2006 Within 1 year £m	2006 1–2 years £m	2006 2–3 years £m	2006 3–4 years £m	2006 4–5 years £m	2006 Over 5 years £m	2006 Total £m
<b>Fixed rate</b>							
Loans and receivables	28	41	63	42	121	889	1,184
Deposits	1,108	–	–	–	–	–	1,108
Cash and cash equivalents	847	–	–	–	–	–	847
Loans and borrowings	(230)	(200)	–	–	–	(600)	(1,030)
Convertible Bonds	–	–	(365)	–	–	–	(365)
Subordinated liabilities	–	–	–	–	–	(24)	(24)
Derivatives	188	(282)	(32)	(19)	(164)	(406)	(715)
	1,941	(441)	(334)	23	(43)	(141)	1,005
<b>Floating rate</b>							
Loans and receivables	182	–	–	–	–	–	182
Loans and borrowings	(444)	–	–	–	–	–	(444)
Derivatives	715	–	–	–	–	–	715
	453	–	–	–	–	–	453

The derivatives line shows the notional value of interest rate swaps.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

### Fair value interest rate risk

The fair value of the Group's derivative assets and liabilities is subject to interest rate risk. At 31 March 2007 the fair value of derivative financial instruments was £168 million (2006: £149 million).

# Notes to the financial statements continued

## 19 Derivative financial instruments

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Current assets</b>				
Forward foreign exchange contracts	1	4	1	4
Currency swaps	8	–	8	–
Interest rate swaps	12	15	12	15
	<b>21</b>	<b>19</b>	<b>21</b>	<b>19</b>
<b>Current liabilities</b>				
Forward foreign exchange contracts	(1)	(12)	(2)	(12)
Currency swaps	(10)	(3)	(10)	(3)
Interest rate swaps	(22)	(57)	(20)	(49)
Derivative element of Convertible Bonds	(156)	(96)	(156)	(96)
	<b>(189)</b>	<b>(168)</b>	<b>(188)</b>	<b>(160)</b>

### Forward foreign exchange contracts and currency swaps

The Group uses forward exchange contracts and currency swaps to minimise the effect of fluctuations in the value of the investment portfolio from movement in exchange rates. Foreign currency interest-bearing loans and borrowings are also used for this purpose.

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 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:

	2007 £m	2006 £m
Currency swaps	1,455	1,392
Forward foreign currency contracts	174	35
	<b>1,629</b>	<b>1,427</b>

### 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 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:

	2007 £m	2006 £m
Fixed rate to variable rate	10	340
Fixed rate to fixed rate	–	70
Variable rate to fixed rate	687	1,020
Variable rate to variable rate	200	170
	<b>897</b>	<b>1,600</b>

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.

## 20 Loans and borrowings

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Loans and borrowings are repayable as follows:</b>				
Within one year	675	231	474	230
In the second year	90	400	90	200
In the third year	81	94	81	94
In the fourth year	145	–	72	–
In the fifth year	–	149	–	74
After five years	600	600	600	600
	<b>1,591</b>	<b>1,474</b>	<b>1,317</b>	<b>1,198</b>

## 20 Loans and borrowings (continued)

Principal borrowings include:

	Rate	Maturity	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Issued under the £2,000 million note issuance programme</b>						
<b>Fixed rate</b>						
£200 million notes (public issue)	6.875%	2007	200	200	200	200
£200 million notes (public issue)	6.875%	2023	200	200	200	200
£400 million notes (public issue)	5.750%	2032	400	400	400	400
<b>Variable rate</b>						
£200 million notes (public issue)	LIBOR+0.100%	2007	200	200	–	–
Other			171	94	171	94
			<b>1,171</b>	1,094	<b>971</b>	894
<b>Committed multi-currency facilities</b>						
£486 million	LIBOR+0.210%	2010	–	–	–	–
£150 million	LIBOR+0.175%	2010	145	148	72	74
			<b>145</b>	148	<b>72</b>	74
<b>Other</b>						
Other bonds in issue		2010	–	1	–	–
Other borrowings			8	2	8	2
Euro commercial paper			266	228	266	228
Finance lease obligations			1	1	–	–
			<b>275</b>	232	<b>274</b>	230
Total for loans and borrowings			<b>1,591</b>	1,474	<b>1,317</b>	1,198

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 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 £1,626 million (2006: £1,543 million).

## 21 Convertible Bonds

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Opening balance	365	352	365	352
Amortised during the year	7	8	7	8
Exchange movements	(9)	5	(9)	5
Closing balance	<b>363</b>	365	<b>363</b>	365

On 1 August 2003, 3i Group plc issued €550 million 1.375% Convertible Bonds due 2008. The 3i share price on 1 August 2003 was 635p (31 March 2007: 1136p). They are convertible at the option of the Bondholder to cash or ordinary shares at any time from 11 September 2003 to 25 July 2008. The number of shares to be issued on conversion will be determined by dividing the principal of the bond less the cash settled amount by the conversion price in effect on the conversion date. The initial conversion price is £8.416757, which has subsequently been adjusted to £8.53 following the share consolidation and special dividend in July 2005 and the return of capital and share consolidation in July 2006. The issuer may make a payment in cash as an alternative to issuing shares upon either conversion or redemption. Unless previously realised and cancelled, redeemed or converted, these bonds will be redeemed on 1 August 2008. Interest is payable on the bonds in equal semi-annual instalments in arrears on 12 January and 12 July each year.

On issue, part of the proceeds of the Convertible Bonds was recognised as a derivative instrument. The remaining amount is recognised as a loan and is being held at amortised cost. The effective interest rate is 4.1%. The fair value of the loan element of the Convertible Bonds is £361 million (2006: £366 million).

# Notes to the financial statements continued

## 22 B shares

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Opening balance	–	–	–	–
Issued	700	–	700	–
Repurchased and cancelled	(689)	–	(689)	–
Closing balance	11	–	11	–

On 17 July 2006, the Company issued B shares, cumulative preference shares of one penny each, on the basis of one B share for each 53<sup>1</sup>/<sub>8</sub>p ordinary share existing on 14 July 2006. The B shares carry the right to a cumulative preferential dividend at a rate per annum of 3.75% based on a notional value of 127p per B share, and an entitlement to a priority payment equal to 127p per B share, plus any accrued but unpaid dividend, from the assets of the Company on a winding up, but will not ordinarily carry voting rights at general meetings of the Company.

The Company repurchased and cancelled in aggregate 542,530,279 B shares on 24 July 2006 and 4 September 2006 at a price of 127p per share. The Company expects further offers to purchase B shares to be made in July 2007 and July 2008 at 127p per B share and has the right to effect the compulsory sale of any outstanding B shares on or after 14 July 2009.

## 23 Subordinated liabilities

	Group 2007 £m	Group 2006 £m
<b>Subordinated liabilities are repayable as follows:</b>		
After five years	21	24

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.

## 24 Trade and other payables

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Other accruals	179	160	22	42
Amounts due to subsidiaries and fellow subsidiaries	–	–	169	229
	179	160	191	271

## 25 Provisions

	2007 Property £m	2007 Redundancy £m	2007 Total £m
Opening balance	5	5	10
Charge for the year	4	11	15
Utilised in the year	(2)	(5)	(7)
Closing balance	7	11	18

  

	2006 Property £m	2006 Redundancy £m	2006 Total £m
Opening balance	6	6	12
Charge for the year	1	4	5
Utilised in the year	(2)	(5)	(7)
Closing balance	5	5	10

The provision for redundancy relates to staff reductions announced prior to 31 March 2007. 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 nine years.

## 26 Issued capital

Authorised	2007 Number	2007 £m	2006 Number	2006 £m
Ordinary shares of 53 <sup>1</sup> / <sub>8</sub> p	–	–	771,764,704	410
Ordinary shares of 62 <sup>69</sup> / <sub>88</sub> p	653,031,456	410	–	–
B shares of 1p	610,000,000	6	–	–
Unclassified shares of 10p	1,000,000	–	1,000,000	–

Issued and fully paid	2007 Number	2007 £m	2006 Number	2006 £m
<b>Ordinary shares of 53<sup>1</sup>/<sub>8</sub>p</b>				
Opening balance	550,556,502	292	–	–
Issued on exercise of share options and under the 3i Group Share Incentive Plan	603,757	–	2,222,966	1
Share consolidation	(551,160,259)	(292)	578,520,432	307
Shares cancelled	–	–	(30,186,896)	(16)
Closing balance	–	–	550,556,502	292

During the period 1 April 2006 to 14 July 2006, the Company issued shares for cash on the exercise of share options at various prices from 450p to 728p per share (the market prices of shares on grant, apart from options under the 3i Group Sharesave Scheme that were issued at 467p per share).

On 17 July 2006, the Company consolidated its issued share capital on the basis of 11 new ordinary shares of 62<sup>69</sup>/<sub>88</sub>p each for every 13 existing ordinary shares of 53<sup>1</sup>/<sub>8</sub>p each held on 14 July 2006. This occurred immediately following the issue of the B shares.

Issued and fully paid	2007 Number	2007 £m	2006 Number	2006 £m
<b>Ordinary shares of 62<sup>69</sup>/<sub>88</sub>p</b>				
Opening balance	–	–	–	–
Issued on exercise of share options and under the 3i Group Share Incentive Plan	2,169,634	2	–	–
Share consolidation	466,366,373	292	–	–
Shares cancelled	(7,430,000)	(5)	–	–
Closing balance	461,106,007	289	–	–

During the period 17 July 2006 to 31 March 2007, the Company issued shares for cash on the exercise of share options at various prices from 469p to 1011p per share (the market prices of shares on grant, apart from options under the 3i Group Sharesave Scheme, which were issued at 467p or 780p per share).

## 27 Equity

Year to 31 March 2007

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	Own shares £m	Total equity £m
Opening balance	292	376	17	17	–	3,110	263	(69)	4,006
Total recognised income and expense					5	936	134		1,075
Share-based payments				9					9
Release on exercise/forfeiture of share options				(8)		8			–
Issue of ordinary shares	2	16							18
Dividends paid							(79)		(79)
Share buy-backs	(5)		5			(74)			(74)
Issue of B shares		(5)	5			(700)			(700)
Own shares								(6)	(6)
Closing balance	289	387	27	18	5	3,280	318	(75)	4,249

Year to 31 March 2006

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	Own shares £m	Total equity £m
Opening balance	307	364	1	9	5	2,613	477	(77)	3,699
Total recognised income and expense					(5)	719	117		831
Share-based payments				8					8
Issue of ordinary shares	1	12							13
Dividends paid							(331)		(331)
Share buy-backs	(16)		16			(222)			(222)
Own shares								8	8
Closing balance	292	376	17	17	–	3,110	263	(69)	4,006

# Notes to the financial statements continued

## 27 Equity (continued)

Year to 31 March 2007

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
Opening balance	292	376	17	17	2,767	277	3,746
Total recognised income and expense					1,012	88	1,100
Share-based payments				9			9
Release on exercise/forfeiture of share options				(8)	8		–
Issue of ordinary shares	2	16					18
B share issue		(5)	5		(700)		(700)
Dividends paid						(79)	(79)
Share buy-backs	(5)		5		(74)		(74)
Closing balance	289	387	27	18	3,013	286	4,020

Year to 31 March 2006

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
Opening balance*	307	364	1	9	2,433	521	3,635
Total recognised income and expense					556	87	643
Share-based payments				8			8
Issue of ordinary shares	1	12					13
Dividends paid						(331)	(331)
Share buy-backs	(16)		16		(222)		(222)
Closing balance*	292	376	17	17	2,767	277	3,746

\*As restated for adoption of IFRIC 11.

### 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.

## 28 Own shares

	2007 £m	2006 £m
Opening cost	69	77
Additions	20	–
Disposals	(14)	(8)
Closing cost	75	69

Own shares consists of shares in 3i Group plc held by The 3i Group Employee Trust. The market value of these shares at 31 March 2007 was £124 million (2006: £104 million). The Trustee waived its right to receive dividends on the shares held by the Trust. The Trust is funded by an interest-free loan from 3i Group plc.

## 29 Per share information

The earnings and net assets per share attributable to the equity shareholders of the Company are based on the following data:

	2007	2006
<b>Earnings per share (pence)</b>		
Basic	215.5	152.0
Diluted	213.2	151.2*
<b>Earnings (£m)</b>		
Profit for the year attributable to equity holders of the Company	1,056	852

\*Restated for the fair value movement in respect of the Convertible Bonds, not previously taken into account.

	2007 Number	2006 Number
<b>Number of shares</b>		
Weighted average number of shares in issue	489,987,864	560,684,598
Effect of dilutive potential ordinary shares		
Share options	5,396,980	2,744,369
Diluted shares	495,384,844	563,428,967

	2007	2006
<b>Net assets per share (pence)</b>		
Basic	944	743
Diluted	932	739
<b>Net assets (£m)</b>		
Net assets attributable to equity holders of the Company	4,249	4,006

	2007 Number	2006 Number
Ordinary shares in issue	461,106,007	550,556,502
Own shares	(10,931,404)	(11,080,758)
	450,174,603	539,475,744
Effect of dilutive potential ordinary shares		
Share options	5,896,253	2,916,552
Diluted shares	456,070,856	542,392,296

## 30 Dividends

	2007 pence per share	2007 £m	2006 pence per share	2006 £m
<b>Declared and paid during the year</b>				
Ordinary shares				
Final dividend	9.7	52	9.3	56
Special dividend	–	–	40.7	245
Interim dividend	5.8	27	5.5	30
	15.5	79	55.5	331
Proposed dividend	10.3	47	9.7	52

## 31 Operating leases

### Leases as lessee

Future minimum payments due under non-cancellable operating lease rentals are as follows:

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Less than one year	9	6	–	–
Between one and five years	32	32	–	–
More than five years	42	39	–	–
	83	77	–	–

The Group leases a number of its offices under operating leases. None of the leases include contingent rentals.

During the year to 31 March 2007, £10 million (2006: £6 million) was recognised as an expense in the income statement in respect of operating leases. £1 million (2006: £2 million) was recognised as income in the income statement in respect of subleases.

## 32 Commitments

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Share and loan investments	426	470	224	250

## 33 Contingent liabilities

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	9	13	5	13

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, premium if any, and interest on notes issued under the £2,000 million note issuance programme by 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 2007, 3i Holdings plc had drawn down £73 million (2006: £74 million) under the first facility and £nil (2006: £nil) 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 2007, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

# Notes to the financial statements continued

## 34 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investments 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. These funds invest through a number of 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 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Income statement</b>				
Carried interest receivable	81	79	81	79
Fund management fees	37	24	–	–

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Balance sheet</b>				
Carried interest receivable	83	77	83	77
Amount due from limited partnerships	–	3	–	–

### Investments

The Group makes minority investments in the equity of unquoted 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 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Income statement</b>				
Realised profit over value on the disposal of investments	715	374	346	292
Unrealised profits on the revaluation of investments	316	78	143	57
Portfolio income	195	203	144	72

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Balance sheet</b>				
Quoted equity investments	411	66	405	46
Unquoted equity investments	1,392	1,721	674	974
Loans and receivables	803	1,317	292	694

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.

### 3i Infrastructure Limited

The Group acts as advisor to 3i Infrastructure Limited, a company listed on the London Stock Exchange, which invests in infrastructure businesses and assets. The following amounts have been included in respect of 3i Infrastructure Limited:

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Income statement</b>				
Unrealised profits on the revaluation of investments	9	–	9	–

## 34 Related parties (continued)

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
<b>Balance sheet</b>				
Investments: quoted equity investments	334	–	334	–

### Key management personnel

The Group's key management personnel comprises the members of Management Committee and the Board's non-executive Directors.

	Group 2007 £m	Group 2006 £m
Salaries, fees, supplements and benefits in kind	5	5
Bonuses and deferred share bonuses	8	6
Increase in accrued pension	–	–
Carried interest payable within one year	6	4
Carried interest payable after one year	12	5
Share-based payments	2	1

Carried interest paid in the year to key management personnel was £6 million (2006: £2 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 (2006: £26 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 £194 million (2006: £126 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 2007 to £1 million (2006: £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 £10 million (2006: £2 million).

### 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
3i International Holdings	England and Wales	2,715,973 shares of £10	Holding company	London
3i plc	England and Wales	110,000,000 shares of £1	Services	SW1E 5JD
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	880 Winter Street Suite 330 Waltham MA 02451, 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	1,262,500 shares of €16	Investment manager	3 rue Paul Cezanne Paris, 75008 France

The list above comprises the principal subsidiary undertakings as at 31 March 2007 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 2007, 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 the Limited Partnerships.