Directors' remuneration report

Remuneration Committee

Composition and terms of reference

The Remuneration Committee (the "Committee") comprises only independent non-executive Directors. Its members during the year to 31 March 2007 (the "year") were Sir Robert Smith (Committee Chairman from 1 August 2006), Mr F D Rosenkranz (Committee Chairman until 1 August 2006), Mme C J M Morin-Postel, Mr F G Steingraber and Mr O H J Stocken. None of the Committee members sits with any executive Director on the board of any other quoted company. The Committee's terms of reference take into account the provisions of the Combined Code on corporate governance and are available on the Company's website.

Activities during the year

The Committee met six times during the year to consider remuneration policy and to determine, on behalf of the Board, the specific remuneration packages for each of the executive Directors and the other members of Management Committee. The Committee also reviewed the fees payable to the Chairman of the Board. Details of Committee members' attendance at the Committee's meetings are set out in the Directors' report.

During the year the Committee considered and, where appropriate, made recommendations to the Board on the Company's framework of executive remuneration and its costs to ensure that remuneration policy continued to support the Group's strategy.

The Committee considered performance for the year to 31 March 2006 against key performance measures in assessing executive Director performance for bonus awards in respect of that year. In addition, the Committee reviewed the key performance measures to be used for remuneration purposes in relation to the year to 31 March 2007.

The Committee reviewed the long-term incentives available to senior executives and introduced a new category of performance shares ("Super-performance Shares") with a particularly challenging performance condition.

The Committee determined revised remuneration arrangements for Mr M J Queen, the executive Director responsible for Growth Capital and Infrastructure, to take effect from 1 April 2007.

The Committee determined appropriate adjustments to be made to share awards and performance conditions as a result of the Company's issue of B shares and share capital consolidation in July 2006. The aim of the Committee was to achieve neutrality of treatment, neither advantaging nor disadvantaging participants.

Assistance to the Committee

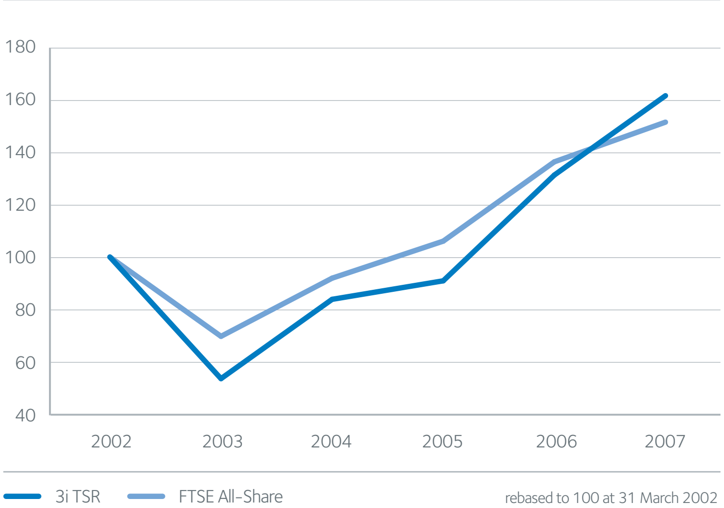
Persons who materially assisted the Committee with advice on Directors' remuneration in the year were: PricewaterhouseCoopers LLP ("PwC") (until September 2006) and Kepler Associates (from September 2006), external remuneration advisers appointed by the Committee; the Chairman of the Board, Baroness Hogg; the Chief Executive, Mr P E Yea; and the Group's Human Resources Director, Ms D R Collis (Ms D R Collis was not appointed by the Committee). Baroness Hogg, Mr P E Yea and Ms D R Collis did not advise the Committee on their own remuneration. During the year, PwC also provided the Group's businesses with taxation advice, HR services, training services, due diligence and advisory services in relation to investments and services of an employee on secondment. Kepler Associates did not provide any other services to the Group during the year.

Background

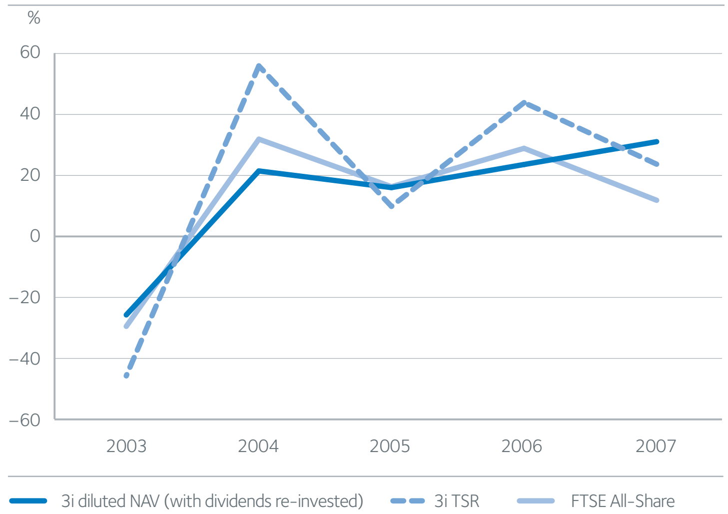
The Company operates in the private equity and venture capital sector and is a constituent of the FTSE 100 Index. The majority of the Company's competitors are either partnerships of individuals managing funds for investment on behalf of third parties or unquoted subsidiaries of larger banking or financial services groups. The private equity and venture capital sector continues to be well funded and the ability of trained and experienced executives to gain substantial rewards in the industry remains. Maintaining a remuneration structure to support the recruitment and retention of senior executives continues to be critical. In addition to cash bonuses, it is market practice for investment executives in the private equity and venture capital sector to be given the opportunity to participate in carried interest schemes, which allow executives to share directly in the future profits on investments, subject normally to a variety of conditions relating to the performance of those investments. These are often coupled with co-investment schemes, which require participants in carried interest schemes to put money of their own at risk.

The left hand graph below compares the Company's total shareholder return ("3i TSR") for the five financial years to 31 March 2007 with the total shareholder return of the FTSE All-Share Index. The Directors consider that since the Company invests in a broad range of industrial and commercial sectors, this continues to be the most appropriate index against which to compare the Company's total shareholder return. Additional information is provided by the right hand graph below, which compares percentage changes in the Company's diluted net asset value per share over each of the last five financial years (with dividends re-invested), with the Company's total shareholder return and the FTSE All-Share Index total return over the same periods. This has been included as changes in net asset value have been one of the tests used in the Company's long-term incentive schemes.

3i total shareholder return versus FTSE All-Share total return (cumulative) for the years to 31 March



3i diluted NAV, 3i total shareholder return and FTSE All-Share total return (non-cumulative) for the years to 31 March



Directors' remuneration policy

The Committee made no major changes in Directors' remuneration policy during the year. Implementation of existing policy continued to develop. In particular:

(a) one executive Director participated in a co-investment plan, as approved by shareholders at the Company's Annual General Meeting held on 12 July 2006 (the "2006 AGM");

(b) a portion of the performance share awards made to executive Directors comprised Super-performance Share awards. These awards were made subject to a particularly challenging performance condition. Further details are provided on pages 63 and 68; and

(c) the Committee considered appropriate remuneration arrangements for senior staff in the Group's Infrastructure and Quoted Private Equity businesses, including the Director responsible for Growth Capital and Infrastructure.

Non-executive Directors
The Company's policy for the financial year to 31 March 2008 (the "coming year") for non-executive Directors (including the Chairman) continues to be to pay fees which are competitive with the fees paid by other financial services companies. Non-executive Directors are not eligible for bonuses, share options, long-term incentives, pensions or performance-related remuneration. The Company does not currently expect its policy on non-executive Directors' remuneration for subsequent financial years to change significantly. Non-executive Directors' fees (other than those of the Chairman, which are determined by the Committee) are regularly reviewed and determined by the Board as a whole, within the limits set by the Company's Articles of Association, having taken advice from the Committee's remuneration advisers. During the year the basic non-executive Director's fee was £48,000 per annum. The annual fee for membership of the Audit and Compliance, Remuneration and Valuations Committees was £3,000 and the annual fee for Committee Chairmanship was £10,000. No fees were paid to Directors in respect of their membership of Nominations Committee.

Executive Directors
The Company's policy for the coming year for executive Directors is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Variable remuneration (comprising annual cash bonuses, deferred share bonuses and long-term incentives) is intended to form a substantial component of total remuneration.

(a) Salaries The Committee is sensitive to wider issues including pay and employment conditions elsewhere in the Group when setting executive Directors' pay levels and takes into account the Company's reward strategy generally, before deciding specific packages for the executive Directors. The table below provides details of the average percentage increase in base salaries per annum for members of Management Committee (including executive Directors) and other executive staff in the UK who were in employment for the period from 31 March 2006 to 31 March 2007.

	% increase from 31 March 2006 to 31 March 2007
Management Committee (including executive Directors)	6.47%
Other UK executive staff	11.61%

Salaries for Chief Executive and Finance Director The Company's policy for the coming year in relation to the remuneration of the Chief Executive and Finance Director is to pay salaries comparable to those paid by other financial services companies of broadly similar UK market capitalisation. Salary supplements are paid to Mr P E Yea and Mr S P Ball to enable them to make additional pension provision.

Salaries for Directors responsible for investment business The Company's policy for the coming year in relation to the remuneration of Directors with responsibility for investment business continues to be to provide salaries comparable to those paid in the private equity and venture capital industry.

(b) Annual bonuses Employees, including executive Directors, are eligible for discretionary annual bonuses. The Committee determines target bonuses for each executive Director at the beginning of each year. These are intended to be competitive with arrangements in the financial services industry or, in the case of Directors responsible for investment businesses, the private equity and venture capital industry. Target bonuses are achievable if corporate performance targets, personal performance targets and, in the case of Directors responsible for investment businesses, business targets are met. During the year, executive Directors' target bonuses were 90% of base salary, except that the target bonus for the Director responsible for Growth Capital and Infrastructure was 125%. Bonuses above target will only be paid for outstanding performance, and the maximum is twice the target bonus. Bonuses above 1.5 times target will be in shares deferred for two years and the Committee may decide that a higher proportion of bonus should be paid in deferred shares. The Committee retains discretion to make adjustments to bonus arrangements in appropriate circumstances.

The main measures used to assess corporate performance for the year were: total shareholder return and change in net asset value per share both in absolute terms and compared with the FTSE All-Share Index; total non market-driven return; and one to three-year internal rate of return compared with performance of the private equity and venture capital industry as a whole. In forming its overall judgment the Committee also took into account a number of more detailed indicators of performance and activity, such as the level of investment, realised profits and costs. The Committee's view, after reviewing performance of the Company against the indicators outlined above, was that corporate performance merited bonus levels above target. As this report shows, total shareholder return of 22.9% was well ahead of the FTSE All-Share return of 11.1%; total return on opening shareholders' funds was 26.8% and the greater part of this came from non market-driven factors. The two main business lines (Buyouts and Growth Capital) performed ahead of their published return targets during the year, and IRR comparisons with the European private equity industry indicated strong outperformance by the Company over the three-year period. Realisations were very high, and investment was significantly higher than in the year to 31 March 2006. While costs had risen, these were mainly associated with the development of the Group's business lines (including the continuing development of the Infrastructure team and the formation of a Quoted Private Equity team).

The Committee's combined assessment of corporate and personal performance in the year led to awards in the upper part of the bonus range for all three executive Directors. Within the maximum of two times target bonus, combined awards ranged from 1.8 to 1.89 times target, which translated into 1 to 1.41 times salary in cash and 0.62 to 0.94 times salary in shares deferred for two years.

For the coming year, following consultation with major shareholders, the target bonus for the Chief Executive will be raised from 90% of base salary to 125%, being the same level as the Director responsible for Growth Capital and Infrastructure, and the target bonus for the Finance Director will be raised from 90% of base salary to 100%. For both the Chief Executive and the Finance Director, any bonus over 100% of base salary will be in shares deferred for two years. The target bonus for the Director responsible for Growth Capital and Infrastructure will remain 125% of base salary with any bonus in excess of 1.5 times target paid in shares deferred for two years. Maximum bonuses for executive Directors will continue to be twice target bonus.

(c) Long-term incentives The Committee determines the levels of long-term incentives. During the year, long-term incentive arrangements for the Chief Executive and Finance Director consisted of share options, Performance Share awards and Super-performance Share awards under The 3i Group Discretionary Share Plan ("the Discretionary Share Plan") and this will not change for the coming year.

During the year and following approval by shareholders at the 2006 AGM, Mr M J Queen, the Director responsible for Growth Capital and Infrastructure, participated in co-investment arrangements and carried interest arrangements. Following consultation with major shareholders, we are now making the following changes: (i) in order to reflect that Mr Queen will be giving up responsibility for Growth Capital by 1 April 2008 and concentrating on developing the Group's infrastructure business, Mr Queen's level of participation in the two-year 2006-08 Growth Capital carried interest arrangement is being cut in half and he has not been eligible to make any further co-investment since 1 April 2007; (ii) in compensation for this, and in recognition for the fact that he received no carried interest or share of fees in relation to infrastructure assets acquired in 2006-07, it is proposed to award him an exceptional bonus in the coming year, part of which is to be deferred over the three years to 2009-10. Payments made during the year to 31 March 2008 will be reported in the 2008 Directors' remuneration report; and (iii) Mr Queen will be eligible to participate in the new part-deferred bonus arrangement being introduced in the coming year for senior members of the Infrastructure team, in place of carried interest, which is intended to provide similar long-term incentive awards and is based on shares of the advisory fees and performance fees paid to the Group by 3i Infrastructure Limited. The aim is to align Mr Queen's remuneration arrangements both with the Group and with the objectives of investors in infrastructure assets, who expect to see much of their return in the form of yield. The first payment under this new part-deferred bonus arrangement is expected to be made in the year to 31 March 2009 and will be reported in the 2009 Directors' remuneration report. Mr Queen has also undertaken to invest £1 million of his own money in 3i Infrastructure Limited shares over three years.

The Discretionary Share Plan The Discretionary Share Plan is a shareholder approved executive share plan conforming with the Association of British Insurers' guidelines on dilution limits. The level of annual awards of options, Performance Shares and Super-performance Shares is reviewed each year taking account of market practice, individual performance, the specific circumstances facing the Company and calculations of the fair values of share options, Performance Shares and Super-performance Shares. During the year the Company's policy was that maximum annual awards should be market price options with an aggregate exercise price of six times annual salary, or three times salary in respect of Performance Shares and Super-performance Shares. This was subject to an overall limit on the fair value of all share-based awards of two times salary. During the year awards with face values of approximately four times salary in share options, one half times salary in Performance Shares and two times salary in Super-performance Shares were made to the Chief Executive and to the Finance Director.

For the coming year the Committee proposes to maintain the limit of six times salary in nominal terms for an award made in share options and maintain the limit of three times salary for awards in Performance Shares and Super-performance Shares, with any combination being subject to an overall limit on the fair value of all share-based awards in the year. Following consultation with major shareholders, this limit will be increased; the limit for the coming year will be increased to 2.5 times annual salary. This change reflects the fact that the Chief Executive and Finance Director do not participate in any carried interest or co-investment arrangements and reflects the introduction of Super-performance Share awards, which must be awarded within this overall limit. The Committee's remuneration advisers calculate the fair values of share-based awards. For the coming year, these fair values have been calculated by the Committee's remuneration advisers to be 23% of face value for share options, 58% of face value for Performance Share awards and 23% of face value for Super-performance Share awards. These fair values are subject to re-calculation in changing market conditions.

Co-investment plans and carried interest plans Shareholder approval was given at the 2006 AGM to enable executive Directors responsible for investment business to participate in co-investment plans established for the Group's investment executives. Directors responsible for investment business are also eligible to participate in carried interest plans, following approval by shareholders in 2004. The Company's policy is that awards of carried interest are only normally made to executives who have taken up the opportunity offered to them of participating in co-investment plans. The Chief Executive and the Finance Director are not eligible to participate in co-investment plans or carried interest plans. Decisions on an executive Director's participation in co-investment plans and carried interest plans are taken by the Committee, taking into account market practice and the Director's investment responsibilities.

The Company does not currently expect its policy on executive Directors' remuneration for subsequent financial years to change significantly.

Directors' remuneration during the year

	Salary and fees £'000	(note 1) Salary supplements £'000	Total salary, fees and supplements £'000	(note 2) Bonus £'000	(note 3) Deferred share bonus £'000	(note 4) Benefits in kind £'000	**Total remuneration year to 31 March 2007 £'000**	Total remuneration year to 31 March 2006 £'000
Executive Directors								
P E Yea	709	211	920	720	490	22	**2,152**	1,989
S P Ball	455	66	521	450	279	2	**1,252**	1,134
M J Queen	412	–	412	566	377	2	**1,357**	1,168
Non-executive Directors								
Baroness Hogg	260	–	260	–	–	–	**260**	260
O H J Stocken	103	–	103	–	–	–	**103**	90
C J M Morin-Postel	54	–	54	–	–	–	**54**	46
F D Rosenkranz	57	–	57	–	–	–	**57**	56
Sir Robert Smith	61	–	61	–	–	–	**61**	46
F G Steingraber	51	–	51	–	–	–	**51**	43
R W A Swannell (from 1 September 2006)	30	–	30	–	–	–	**30**	–
Former Directors								
R W Perry (until 6 July 2005)	–	–	–	–	–	–	**–**	150
Dr P Mihatsch (until 31 July 2006)	17	–	17	–	–	–	**17**	43
Total	2,209	277	2,486	1,736	1,146	26	**5,394**	5,025

Notes
1 Mr P E Yea and Mr S P Ball received salary supplements to enable them to make additional pension provision.
2 Bonuses relate to the year to 31 March 2007 and are expected to be paid in June 2007.
3 Deferred share bonuses relating to the year to 31 March 2007 will be paid in shares in the Company, deferred for two years.
4 "Benefits in kind" were company car (Mr P E Yea) and health insurance (Mr P E Yea, Mr S P Ball and Mr M J Queen).
5 In addition to the salaries and fees disclosed, executive Directors retained fees from outside directorships as follows: Mr P E Yea, £95,000 (Vodafone Group plc); Mr S P Ball, £59,583 (Cable & Wireless plc); and Mr M J Queen, £54,249 (Northern Rock plc).
6 Amounts payable to former Directors in respect of the year were as follows: Dr P Mihatsch, £45,608 (as Chairman of the Company's German Advisory Board); Mr R W Perry, £31,203 (consultancy); Mr M M Gagen, £2,868 (payments under interests in carried interest plans retained following cessation of employment); and Mr W J R Govett, £12,000 (as director of Gardens Pension Trustees Limited, a trustee of the 3i Group Pension Plan).

Share options

Options granted under the Company's executive share option plans entitle executives to acquire ordinary shares, at an exercise price based on market price at the date of grant, from the third until the tenth anniversaries of grant to the extent, normally, that a performance condition set at the time of the grant has been satisfied over a three year performance period.

The performance condition for options granted in the year was as follows:

Annual percentage compound growth in net asset value per share with dividends re-invested, relative to the annual percentage change in RPI	Percentage of the grant vesting
Below RPI +3 percentage points	0%
At least RPI +3 percentage points	30%
At levels of performance between RPI +3 percentage points and RPI +8 percentage points the grant will vest pro rata	
At least RPI +8 percentage points	100%

The performance condition is the same as for the year to 31 March 2006. In the year to 31 March 2005 the performance condition was also the same save that the percentage of grant vesting at the minimum performance level was 50% instead of 30%. For options granted after 31 March 2004 there is no opportunity for the performance condition to be retested after the three-year performance period.

For grants made between 1 April 2001 and 31 March 2004 the condition required annual percentage compound growth in the net asset value per share (with dividends re-invested) of RPI plus 5 percentage points to achieve minimum vesting of 50% of the award and growth of RPI plus 10 percentage points for full vesting. For these grants, if the minimum threshold for vesting is not achieved in the three-year performance period, the period is extended to four and then five years but from the same base year. Performance conditions for grants made before 1 April 2001 are set out on page 66.

These conditions are based on increases in net asset value per share to enable a significant proportion of relevant executive Directors' potential remuneration to be linked to an increase in the assets per share of the Company. The intention is to approximate to the performance conditions attached to carried interest schemes in the private equity and venture capital industry whilst retaining the essential feature of aligning executives' interests with those of the Company's shareholders. The performance conditions were chosen as being appropriately demanding in the prevailing market conditions at the time of grant.

Options held by Directors who held office during the year were:

	Year of grant	Held at 1 April 2006	Granted during the year	Exercised during the year	Lapsed during the year	**Held at 31 March 2007**	Exercise price £	Market price on date of exercise £	Date from which exerciseable	Expiry date
P E Yea	2004	314,410	–	–	–	**314,410**	5.73		21.07.07	20.07.14
	2005	259,740	–	–	–	**259,740**	6.93		21.06.08	20.06.15
	2006	–	322,966	–	–	**322,966**	8.36		14.06.09	13.06.16
		574,150	322,966	–	–	**897,116**				
S P Ball	2005	245,022	–	–	–	**245,022**	6.53		17.05.08	16.05.15
	2005	48,100	–	–	–	**48,100**	6.93		21.06.08	20.06.15
	2006	–	200,956	–	–	**200,956**	8.36		14.06.09	13.06.16
		293,122	200,956	–	–	**494,078**				
M J Queen	1997	37,073*	–	(37,073)	–	**–**	5.20	10.16	16.06.00	15.06.07
	1998	62,177	–	(62,177)	–	**–**	6.64	10.16	22.06.01	21.06.08
	1999	36,002	–	–	–	**36,002**	7.28		06.07.02	05.07.09
	2000	30,795	–	–	–	**30,795**	13.75		28.06.03	27.06.10
	2001	114,000	–	–	(114,000)	**–**	10.00		09.08.04	08.08.11
	2002	184,318	–	–	–	**184,318**	6.73		27.06.05	26.06.12
	2003	57,218	–	–	–	**57,218**	5.68		25.06.06	24.06.13
	2004	89,552	–	–	–	**89,552**	6.03		23.06.07	22.06.14
	2005	44,733	–	–	–	**44,733**	6.93		21.06.08	20.06.15
		655,868	–	(99,250)	(114,000)	**442,618**				

The performance condition has not yet been met for those options shown in blue.
* Awarded before appointment as a Director.

Notes

1 The fair values of awards made in the year were as follows: Mr P E Yea, £729,000 and Mr S P Ball, £453,600. These fair values have been calculated by the Committee's remuneration advisers using a Monte Carlo simulation based on appropriate assumptions. The fair value of the share options granted during the year was calculated as being 27% of the market value at the date of grant of the shares under option.

2 On 17 July 2006, the Company issued one B share for each $53^{1}/_{6}$p ordinary share existing on 14 July 2006. This was followed by a share consolidation, of 11 new ordinary shares of $62^{69}/_{88}$p for every 13 ordinary shares of $53^{1}/_{6}$p. This was designed to maintain the price per share, other things being equal, at the same level after the issue of B shares as before it. As a result of this consolidation there was no need to adjust the number of shares comprised in option awards or the exercise price per share and options took effect following the consolidation as options over new ordinary shares of $62^{69}/_{88}$p.

3 Options granted before 1 April 2001 were granted under The 3i Group 1994 Executive Share Option Plan (the "1994 Plan") and are normally exercisable between the third and tenth anniversaries of grant provided a performance condition was met over a rolling three-year period. This required adjusted net asset value per share (after adding back dividends paid during the performance period) at the end of the three-year period to equal or exceed the net asset value per share at the beginning of the period compounded annually over the period by the annual increase in the RPI plus 4%.

4 Options granted after 1 April 2001 were granted under the Discretionary Share Plan and the performance conditions are as set out on page 65.

5 The Committee determines the fulfilment of performance conditions based on calculations which are independently reviewed by the Company's auditors. These performance conditions require net asset value per share at the beginning and end of the performance period to be calculated on a consistent basis using the same accounting policies. Where accounting policies have altered between the beginning and end of the period, the Committee adjusts the net asset value calculations appropriately to ensure consistency. The Committee also has power to adjust the calculations to reflect circumstances including changes to the capital of the Company. During the period the Committee made appropriate adjustments to reflect the issue of B shares, the consolidation of the Company's share capital and the repurchase by the Company of its own shares.

6 The market price of ordinary shares in the Company at 31 March 2007 was 1136.0p and the range during the period 1 April 2006 to 31 March 2007 was 819.6p to 1194.5p. Aggregate gains made by Directors on share option exercises in the year were £402,467 (2006: £199,158). The amount attributable to the highest paid Director during the year was £nil (2006: £nil). Options were granted at no cost to the option holder with exercise prices not less than prevailing market value.

7 As at 31 March 2007 there were approximately 2.2 million shares available under the 5% dilution limit applicable to the Discretionary Share Plan arising from the guidelines issued by the Association of British Insurers and approximately 22.9 million shares available under the 10% dilution limit arising from those guidelines applicable to "all employee" plans. In addition, approximately 3.3 million unallocated shares were held in an employee trust and were available for awards under the Discretionary Share Plan.

Performance Share and Super-performance Share awards

These are awards of shares which are transferred to the participant subject to forfeiture in certain circumstances. Awards are subject to a performance condition determining whether awards vest. Non-vested shares are forfeited.

(a) Performance Shares Awards of Performance Shares were made during the year. Performance Shares vest based on the Company's "percentage rank" by total shareholder return for the three years from grant (averaged over a 60 day period) compared to a comparator group. This 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. At a percentage rank below 50% no shares vest. At a rank of 50%, 35% of the shares vest and at 75% all the shares vest. Between these points shares vest pro rata. This condition was chosen to align the interests of participants and shareholders by linking remuneration to shareholder returns relative to a comparator index of which the Company is a constituent. The Committee will determine whether the condition has been met based on calculations prepared by the Committee's remuneration advisers.

(i) Ordinary shares

	Year of grant	Held at 1 April 2006	(note 2) Adjustment during the year	Granted during the year	Vested during the year	Lapsed during the year	**Held at 31 March 2007**	Market price on date of grant £	Date of vesting
P E Yea	2004	176,840	(27,207)	–	–	–	**149,633**	5.73	21.07.07
	2005	90,484	(13,921)	–	–	–	**76,563**	6.98	14.07.08
	2006	–	–	36,537	–	–	**36,537**	8.60	20.07.09
		267,324	(41,128)	36,537	–	–	**262,733**		
S P Ball	2005	25,134	(3,867)	–	–	–	**21,267**	6.98	14.07.08
	2006	–	–	22,734	–	–	**22,734**	8.60	20.07.09
		25,134	(3,867)	22,734	–	–	**44,001**		
M J Queen	2003	42,238	–	–	(25,765)	(16,473)	**–**	5.56	24.06.06
	2004	88,145	(13,561)	–	–	–	**74,584**	6.03	23.06.07
		130,383	(13,561)	–	(25,765)	(16,473)	**74,584**		

Note
The market price on date of vesting of Mr Queen's award, shown above, was £8.97. The award was granted on 25 June 2003.

(ii) B shares B shares (cumulative preference shares of 1p each) were issued on 17 July 2006 on the basis of one B share for each ordinary share held as at 14 July 2006. These B shares may, in certain circumstances, be repurchased by the Company at a price of 127p per share. The B shares are regarded as forming part of the award from which they derived.

	Held at 1 April 2006	Issued during the year (on 17 July 2006)	Vested during the year	Lapsed during the year	**Held at 31 March 2007**	Date of vesting
P E Yea	–	176,840	–	–	**176,840**	21.07.07
	–	90,484	–	–	**90,484**	14.07.08
	–	267,324	–	–	**267,324**	
S P Ball	–	25,134	–	–	**25,134**	14.07.08
	–	25,134	–	–	**25,134**	
M J Queen	–	88,145	–	–	**88,145**	23.06.07
	–	88,145	–	–	**88,145**	

Notes to tables (i) and (ii) above

1 The fair values of Performance Share awards made in the year were as follows: Mr P E Yea, £182,250 and Mr S P Ball, £113,400. These fair values were calculated by the Committee's remuneration adviser using a Monte Carlo simulation based on appropriate assumptions. The fair value of the Performance Shares awarded during the year was calculated as being 58% of the market value at the date of award of the shares subject to the award.

2 Shares held at 1 April 2006 were ordinary shares of $53\frac{1}{8}$p each. "Adjustment during the year" refers to the change in the number of shares in the award resulting from the consolidation of the Company's share capital on 17 July 2006. Shares held at 31 March 2007 are ordinary shares of $62\frac{69}{88}$p each and B shares (cumulative preference shares of 1p each).

3 During the year, ordinary dividends on Performance Share awards were re-invested net of tax in further Company shares (as in previous years). These shares, which are in addition to the above Performance Share awards, are required to be held for the remaining vesting period to which they relate, but are not forfeitable. Such shares attributable to Directors during the year were as follows: Mr P E Yea, 3,082 shares; Mr S P Ball, 386 shares; and Mr M J Queen, 936 shares.

(b) Super-performance Shares Awards of Super-performance Shares were also made during the year. Awards are subject to a particularly challenging performance condition determining whether awards vest. The performance condition is measured over a three-year period. If the condition is satisfied, the shares remain subject to a further two-year holding period before they cease to be subject to forfeiture. The performance condition for awards granted in the year was as follows:

Annual percentage compound growth in net asset value per share with dividends re-invested, relative to the annual percentage change in RPI	Percentage of the grant vesting
Below RPI +10 percentage points	0%
At least RPI +10 percentage points	25%
At levels of performance between RPI +10 percentage points and RPI +13.5 percentage points the grant will vest pro rata (between 25 per cent and 50 per cent of the grant)	
At least RPI +13.5 percentage points	50%
At levels of performance between RPI + 13.5 percentage points and RPI +17 percentage points the grant will vest pro rata (between 50 per cent and 100 per cent of the grant)	
At least RPI +17 percentage points	100%

The performance condition was chosen to add to the mix of long-term incentives a further incentive to achieve outstanding levels of shareholder returns. The Committee will determine whether the condition has been met based on calculations independently reviewed by the Company's auditors.

	Held at 1 April 2006	Granted during the year	Vested during the year	**Held at 31 March 2007**	Market price on date of grant £	Date of vesting
P E Yea	–	133,261	–	**133,261**	9.69	29.11.11
	–	25,000	–	**25,000**	11.44	29.03.12
	–	158,261	–	**158,261**		
S P Ball	–	84,264	–	**84,264**	9.69	29.11.11
	–	15,000	–	**15,000**	11.44	29.03.12
	–	99,264	–	**99,264**		
M J Queen	–	82,559	–	**82,559**	9.69	29.11.11
	–	82,559	–	**82,559**		

Notes

1 The fair values of Super-performance Share awards made in the year were as follows: Mr P E Yea, £362,780, Mr S P Ball, £227,268 and Mr M J Queen, £184,000. These fair values were calculated by the Committee's remuneration adviser using a Monte Carlo simulation based on appropriate assumptions. The fair value of the Super-performance Shares awarded during the year was calculated as being 23% of the market value at the date of award of the shares subject to the award.

2 Dividends on Super-performance Share awards paid during the three-year performance period are waived and not re-invested.

Share Incentive Plan

The HM Revenue and Customs approved Share Incentive Plan is open to eligible UK employees and is intended to encourage employees to invest in the Company's shares. Accordingly it is not subject to a performance condition. Participants invest up to £125 per month from pre-tax salary in shares ("partnership shares"). For each partnership share the Company grants two free shares ("matching shares") which are normally forfeited if employment ceases (other than on retirement) within three years of grant. Dividends are re-invested in further shares ("dividend shares").

(a) Ordinary shares

	Held at 1 April 2006 Partnership shares	Held at 1 April 2006 Matching shares	Held at 1 April 2006 Dividend shares	**Held at 31 March 2007 Partnership shares**	**Held at 31 March 2007 Matching shares**	**Held at 31 March 2007 Dividend shares**
P E Yea	276	555	35	**381**	**764**	**46**
S P Ball	154	310	4	**278**	**557**	**13**
M J Queen	913	1,827	268	**921**	**1,843**	**274**

Notes

1 Shares at 1 April 2006 were ordinary shares of $53^{1}/_{8}$p each. On 17 July 2006 shares in the plan were consolidated on the same basis as the Company's other issued shares. Shares at 31 March 2007 were ordinary shares of $62^{69}/_{88}$p.

2 In the period from 1 April to 30 April 2007, Mr P E Yea, Mr S P Ball and Mr M J Queen each acquired a further 11 partnership shares and 22 matching shares. During the year, shares were awarded under the plan at prices between 875.5p and 1162.8p per share and with a weighted average price of 973.8p per share.

(b) B shares B shares (cumulative preference shares of 1p each) were issued on 17 July 2006 on the basis of one B share for each ordinary share within the Share Incentive Plan as at 14 July 2006. These B shares continue to be held in the plan as follows:

	Held at 17 July 2006 Partnership shares	Held at 17 July 2006 Matching shares	Held at 17 July 2006 Dividend shares	**Held at 31 March 2007 Partnership shares**	**Held at 31 March 2007 Matching shares**	**Held at 31 March 2007 Dividend shares**
P E Yea	318	639	35	**318**	**639**	**35**
S P Ball	196	394	4	**196**	**394**	**4**
M J Queen	956	1,914	267	**956**	**1,914**	**267**

Co-investment plans and carried interest plans

Participants in co-investment plans invest their own money in the plan relating to the area of the business in which they work. Plans are organised by business line and geography with each plan investing in all investments made by the Group within the relevant business line and geography over a specified time period (usually two years). Participants provide at least one-third of the capital to finance the plans and the Group not more than two-thirds. The plans invest in investments alongside the Group on terms which are in all material respects the same as the terms on which the Group and its funds under management invest. For the period 2006 to 2008 the plans will fund 1% (2% in the US Growth plan) of the total budgeted investment made by the Group and its funds under management, including the plans. Plans share (in proportion to their investment) in the profits and losses made on those investments in the same way as the Group and its funds under management. Proceeds realised on investments made by the Plans are applied first to repaying the amount invested by the Group together with a management charge and a preferential return fixed by Remuneration Committee. For the period 2006 to 2008 this will be 2% over the relevant inter-bank lending rate per annum compound. The remaining proceeds will be distributed to participants as a return on their investment.

Participants in carried interest plans are entitled to the profits made on the proportion of the total carried interest allocated to them subject to the satisfaction of a performance condition which is determined in advance by the Committee, in line with market conditions at the time of the award. The total carried interest, for all executives eligible to participate in each plan, does not exceed 15% of the relevant pool of investments made over a specific period (usually two years). The proportion of the total carried interest that is allocated to an executive Director depends, amongst other matters, on the size of his investment team. The carried interest plans are designed to follow best practice in the private equity and venture capital industry.

As mentioned on page 63, Mr Queen's level of participation in the two-year (2006-08) Growth Capital carried interest arrangement is being cut by half. He will also not be eligible to make any further co-investment after 1 April 2007.

In the tables below, interests in co-investment and carried interest plans are expressed in terms of a percentage of the relevant pools of investments in respect of which the participant has an interest, subject to fulfilment of relevant conditions.

The tables also show the accrued value of co-investment and carried interest at the end of the year. The carried interest accrued values are calculated on the basis set out in note 5 on page 83. Accrued values can increase and decrease with investment valuations and other factors and will not necessarily lead to a payment of the relevant amount to the participant.

(a) Co-investment plans Participants in co-investment plans invest their own money in the plans. The amount of capital invested by Directors to acquire interests in co-investment plans was as follows:

	Invested to 1 April 2006 £'000	Invested during the year £'000	**Total invested to 31 March 2007 £'000**
M J Queen			
Global Growth Co-invest 2006-08	Nil	97	**97**

Interests of Directors in co-investment plans during the year were as follows:

	Plan interests, being the percentage of the relevant pool of investments in which the participant is interested					
	As at 1 April 2006	Acquired in year	**As at 31 March 2007**	End of period over which interests may vest	Amounts receivable in respect of plan interests vested in year £'000	**Accrued value of plan interest as at 31 March 2007 £'000**
M J Queen						
Global Growth Co-invest 2006-08	Nil	0.023%	**0.023%**	31.07.08	Nil	**97**

Note
Mr Queen will not be eligible to make any further co-investment after 1 April 2007.

(b) Carried interest plans Interests of Directors in carried interest plans during the year were as follows:

	Plan interests, being the percentage of the relevant pool of investments in respect of which the participant is entitled to participate in the realised profits					
	As at 1 April 2006	Awarded in year	**As at 31 March 2007**	End of period over which interests may vest	Amounts receivable in respect of plan interests vested in year £'000	**Accrued value of plan interest as at 31 March 2007 £'000**
M J Queen						
Pan-european Growth Capital 2005-06	2.18%	Nil	**2.18%**	31.03.10	Nil	**310**
Infrastructure 2005-06	0.69%	Nil	**0.69%**	31.03.10	Nil	**Nil**
Primary Infrastructure 2005-06	Nil	0.53%	**0.53%**	31.03.10	Nil	**Nil**
Global Growth 2006-08	Nil	0.34%	**0.34%**	31.03.11	Nil	**Nil**

Notes
1 As explained above, Mr Queen's level of participation in the Global Growth 2006-08 carried interest plan is being reduced by half following the changes to his responsibilities. The figure shown is after this reduction.
2 No carried interest plan has been established for infrastructure investments made in the year to 31 March 2007.
3 Normally, before any payment to a participant becomes due under the carried interest plans, the Group and funds under its management must first have received back the amount of their investment in the relevant vintage together with a 1.5% per annum management charge (2% for the Global Growth 2006-08 plans) and a hurdle rate of 8% per annum compound on their investment.

Pension arrangements

The executive Directors are members of the 3i Group Pension Plan, a defined benefit contributory scheme which from 1 April 2006 has not been offered to new participants. The plan provides for a maximum pension of two-thirds of final pensionable salary (limited, in the case of members joining on or after 1 June 1989, to the plan earnings cap) on retirement (normally at age 60). For members of the plan who joined before 1 September 2002, the pension accrues at the rate of 1/37.5 times final pensionable salary per year of service in respect of service from 1 December 2006. For members who joined the plan between 1 September 2002 and 31 March 2006 inclusive (which includes Mr P E Yea and Mr S P Ball), the pension accrues at the rate of 1/50 times final pensionable salary per year of service. The plan also provides death-in-service cover of four times final pensionable salary (limited to the earnings cap where this applies), pensions payable in the event of ill health and spouses' pensions on death. Further details of the plan are set out in note 9 to the financial statements on pages 85 and 86.

Pension entitlements of Directors who served during the year are set out below. The final column of the table gives the difference between the transfer value of the Director's pension entitlement at the start of the year and the transfer value at the end, less the contributions paid by the Director. The difference over the year is the result of any extra benefits earned over the year and any change in the value placed on £1 per annum of pension by the actuaries. The value placed on £1 per annum of pension reflects financial conditions at the time (eg the level of the stock market or returns available on government bonds) and the method and assumptions the actuaries use to calculate transfer values from time to time. Changes in the value placed on £1 per annum of pension can be positive or negative and can have much greater impact than the actual pension benefits earned.

	Age at 31 March 2007	Complete years of pensionable service at 31 March 2007	(note 1) Increase in accrued pension (excluding inflation) during the year to 31 March 2007 £'000 p.a.	(note 2) Total accrued pension at 31 March 2007 £'000 p.a.	Director's own contributions (excluding AVCs) paid into the plan during the year to 31 March 2007 £'000 p.a.	(note 1) Increase in accrued pension (including inflation) during the year to 31 March 2007 £'000 p.a.	(note 3) Transfer value of the accrued benefits at 31 March 2007 £'000	(note 4) Transfer value of the accrued benefits at 31 March 2006 £'000	Difference between transfer values at start and end of the accounting year, less Director's contribution £'000
P E Yea	52	2	2.2	6.0	5.4	2.3	98.5	58.7	34.4
S P Ball	46	2	2.1	4.7	5.4	2.2	62.8	31.6	25.8
M J Queen	45	19	3.5	210.7	17.0	10.7	2,668.3	2,441.7	209.6

Notes

1 The increase in accrued pension shown reflects the difference between deferred pensions on leaving, payable from age 60.
2 The pensions shown are deferred pensions payable from age 60.
3 The transfer values have been calculated on the basis of actuarial advice in accordance with the relevant professional guidance applicable at 31 March 2007 (Actuarial Guidance Note GN11 (version 9.2)).
4 The transfer values have been calculated on the basis of actuarial advice in accordance with the relevant professional guidance applicable at 31 March 2006 (Actuarial Guidance Note GN11 (version 9.2)).
5 Additional voluntary contributions are excluded from the above table.
6 The pensions shown above become payable at a Normal Retirement Age of 60. On early retirement from active membership of the plan, there is a discretionary practice of calculating the early retirement pension by applying a reduction factor less than the standard factor, in accordance with Company policy. This is not available to deferred pensioners and no allowance for it is made in the calculations of cash equivalents for deferred pensioners under the plan.

Deferred pensions in excess of the guaranteed minimum pension ("GMP") are increased in the deferment period according to statutory requirements (subject to an annual minimum of 3% per annum on pension accrued prior to 1 July 2004 for those members who joined the plan before 7 February 1992). GMPs are increased at fixed rate revaluation with increases vesting at Normal Retirement Age. For members who joined the plan before 1 September 2002, pensions in respect of service before 1 July 2004 and in excess of the GMP increase each year in payment to match the increase in the RPI since the pension started (or 30 June 1989, if later), subject to an annual maximum of 7.5% per annum and a minimum of 3% per annum. Pensions for members who joined the plan after 1 September 2002 and pensions in respect of service on or after 1 July 2004 for members who joined the plan before 1 September 2002 increase each year in payment to match the RPI subject to a maximum increase in any year of 7.5% and a minimum of 0%. On death in deferment or after retirement, a two-thirds pension is payable to the member's spouse. Dependants' pensions may be payable in the absence of a spouse's pension. In addition, on death within the first five years of retirement, a lump sum is payable equal to the balance of five years' pension.

Directors' service contracts

The Chairman and the non-executive Directors hold office under the Company's Articles of Association and do not have service contracts. Their appointment letters provide that there is no entitlement to compensation or other benefits on ceasing to be a Director.

Company policy is that executive Directors' notice periods should not normally exceed one year. Mr P E Yea, Mr S P Ball and Mr M J Queen have employment contracts with 3i plc dated 27 July 2004, 19 April 2005, and 22 June 1987 respectively. These contracts are terminable on 12 months' notice given by the Company or six months' notice given by the employee. Save for these notice periods the contracts have no unexpired terms. There are no provisions for compensation of executive Directors on early termination save that the Company can elect to give pay in lieu of notice. In the case of Mr Yea, the Company can also elect to terminate employment without notice subject to making 12 monthly payments thereafter equivalent to monthly basic pay and benefits less any amounts earned from alternative employment.

The Committee considers that compensation payments on early termination of employment should depend on individual circumstances. The duty of Directors to mitigate their loss will always be a relevant factor.

Historic award

An historic award held during the year by a Director under the Management Equity Investment Plan lapsed based on a performance condition relating to the period to 31 March 2007. The award would have entitled the Director to acquire shares at nil cost subject to the performance condition described in the note below.

	Year of grant	Held at 1 April 2006	Exercised during the year	Lapsed during the year	**Held at 31 March 2007**
M J Queen	2000	25,776	–	(25,776)	**–**

Note

Under the performance condition no shares were to vest unless the Company's total shareholder return over a three-year performance period (averaged over the six months before the beginning and end of the period) equalled or exceeded the compound annual increases in the RPI over the period +6% per annum. As the minimum performance condition was not achieved over the three-year period to 31 March 2003, the performance period was extended annually to the maximum length of seven years from the base year. This performance period expired on 31 March 2007. The Group's Human Resources department calculated whether the performance condition had been satisfied and this calculation was audited by Ernst & Young LLP. Based on this calculation, the Committee determined in May 2007 that the performance condition had not been met and that the award had lapsed as at 31 March 2007.

Audit

The tables in this report (including the notes thereto) on pages 64 to 72 have been audited by Ernst & Young LLP.

By Order of the Board

Sir Robert Smith Chairman, Remuneration Committee
9 May 2007