3i Holdings plc

Annual report and consolidated accounts
for the year to 31 March 2007

3ı Holdıngs plc No 2591431

Directors' report

The Dırectors submıt theır report wıth the accounts for the year to 31 March 2007

Principal Actıvıtıes

The prıncıpal actıvıtıes of the Company and of ıts subsıdıarıes ("the Group") are ınvestment and the provısıon of secretarıal and admınıstratıon servıces to ıts ultımate and ımmedıate parent undertakıng, 3ı Group plc There have been no changes ın actıvıty ın the year

Performance durıng the year

The financıal statements of the Company and the Group for the year to 31 March 2007 appear on pages 8 to 29

Total recognısed ıncome and expense for the year of the Group was a profit of £100 mıllıon (2006 £12 mıllıon) The Dırectors do not recommend the payment of a dıvıdend for the financıal year (2006 £nıl)

The prıncıpal reasons for the ımproved performance of the Group are strong realısatıons from ıts ınvestment portfolıo and an ıncrease ın the fee receıvable from 3ı Group plc for staff and servıces provıded by the Group A revısed fee structure ıncludes a "performance fee" calculated to reflect the performance of assets for whıch these servıces are provıded

Financıal posıtıon at the end of the year

Total equıty ıs £175 mıllıon (2006 £171 mıllıon) The ıncrease ın total equıty ıs maınly due to total recognısed ıncome and expense for the year offset by dıstrıbutıons by subsıdıarıes of the Company to 3ı Group plc ın respect of ıts dırect mınorıty ınvestment ın these subsıdıarıes

Directors

M J Queen
S P Ball
D R Collıs
C P Rowlands
J B C Russell
A J M Taylor
P Waller
P E Yea
J S Wılson – appoınted 24 Aprıl 2006

M J Queen, C P Rowlands and P Waller retıre by rotatıon ın accordance wıth the Artıcles of Assocıatıon and, beıng elıgıble, offer themselves for re-electıon

Directors' report (continued)

Directors' interests

The beneficial interests in, and options to subscribe for, ordinary shares in 3i Group plc of those persons who were Directors of the Company at the end of the financial year are set out below Ordinary share interests and options stated prior to the 3i Group plc share consolidation on 17 July 2006 relate to ordinary shares of $53\frac{1}{8}$p each whilst those stated after that date relate to ordinary shares of $62\frac{69}{88}$p each The beneficial interests in ordinary shares include, where applicable, interests arising by virtue of conditional rights to acquire ordinary shares from the trustee of The 3i Group Employee Trust (the "Trust") under the terms of The 3i Group Management Equity Investment Plan ("MEIP"), and relating to Super-performance Share awards made to certain individuals by 3i Group plc On 17 July 2006, 3i Group plc made a bonus issue of newly created B Shares (cumulative preference shares of 1p each) to its shareholders and the B Share interests of the Directors are also set out below

	Beneficial interests				**Share options** (ordinary shares)				
	Ordinary shares		**B Shares**						
	held on 1 April 2006 or later appointment	held on 31 March 2007	held on 1 April 2006 or later appointment	held on 31 March 2007	held on 1 April 2006 or later appointment	granted during the period	exercised during the period	lapsed during the period	held on 31 March 2007
S P Ball	30,422	174,570	-	25,843	293,122	200,956	-	-	494,078
D R Collis	44,288	116,817	-	36,859	51,353	45,753	-	-	97,106
M J Queen	353,473	408,269	-	109,910	655,868	-	99,250	114,000	442,618
C P Rowlands	6,552	109,671	-	6,678	343,281	-	-	-	343,281
J B C Russell	143,754	244,215	-	49,389	580,875	-	54,298	96,000	430,577
A J M Taylor	175,839	275,159	-	113,603	305,753	-	85,249	40,000	180,504
P Waller	459,406	493,953	-	3,189	624,776	-	69,050	96,000	459,726
J S Wilson	78	511	-	204	9,765	8,433	-	-	18,198
P E Yea	379,460	595,947	-	283,896	574,150	322,966	-	-	897,116

As potential beneficiaries of the Trust, each Director held an interest in the ordinary shares held by the Trust (other than in those shares held by the Trust as nominee on behalf of specific individuals) Such holdings of the Trust amounted to 11,080,758 ordinary shares as at 1 April 2006 and 24 April 2006 and 10,931,404 ordinary shares as at 31 March 2007 These holdings of the Trust include ordinary shares over which the Directors are mentioned above as having conditional rights to acquire under MEIP, and ordinary share interests relating to Super-performance Share awards made by 3i Group plc

Directors' report (continued)

P Waller has retained throughout the year the following interests in fellow subsidiary companies, one share of €16 in Gestion SA and one share of €0 25 in 3i SA These shares were all held in order to comply with the provisions contained in the Articles of Association of those companies

Directors' interests

Except as set out above, no person who was a Director at year end had any disclosable interest in the shares, debentures or loan stock of the Company or 3i Group plc or any of its subsidiaries at the beginning of the financial year or the date of appointment (as the case may be) or at the end of the financial year No Director, during or at the end of the year, was materially interested in any contract that was significant in relation to the business of the Company

Employment

The policy of the Group is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise

The Group treats applicants and employees with disabilities equally and fairly and provides facilities, equipment and training to assist disabled employees to do their jobs Should an employee become disabled during their employment, efforts are made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within the Group Financial support is also provided by the Group to support disabled employees who are unable to work, as appropriate to local market conditions

Employee appraisals, informal consultations, team briefings, and staff conferences and surveys are the Group's principal means of keeping in touch with the views of its employees Managers throughout the Group have a continuing responsibility to keep their staff fully informed of developments and to communicate financial results and other matters of interest This is achieved by structured communication including regular meetings of employees

The Group has clear grievance and disciplinary procedures in place, which include comprehensive procedures on discrimination and the Group's equal opportunities policy The Group also has an employee assistance programme which provides a confidential, free and independent counselling service and is available to all staff and their families in the UK

There are clearly defined staff policies for pay and working conditions

The Group's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the cost element of these rewards remains at an appropriate level

The Group's remuneration policy is influenced by market conditions and practices in the countries in which it operates All employees receive a base salary and are eligible for a performance-related bonus Where appropriate, employees are eligible to participate in the Group's share schemes (except in the US) to encourage employees' involvement in 3i Group plc's performance Investment

Directors' report (continued)

executives may also participate in co-investment plans and carried interest schemes, which allow executives to share directly in the future profits on investments Employees participate in local state or company pension schemes as appropriate to local market conditions

Financial risk management

The Company provides part of the funding of 3i Group plc Detailed policies and numerical disclosures regarding the associated risk management are set out in note 18 of the financial statements

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the result for the year The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities Appropriate accounting policies, which follow generally accepted accounting practice and are explained in the section entitled accounting policies, have been applied consistently and applicable accounting standards have been followed In addition, these financial statements comply with International Financial Reporting Standards as adopted by the European Union and reasonable and prudent judgments and estimates have been used in their preparation

Going concern

The Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future For this reason, they continue to adopt the going concern basis for preparing the accounts

Charitable and political donations

Charitable donations made by the Group in the year to 31 March 2007 amounted to £429,409 (2006 £390,570)

In line with Group policy no donations were made to political parties during the year During the period, 3i plc, the main trading company of the Group, made one payment, an annual subscription to the Industry Forum of £3,407, which may fall within the definition of donations to EU political organisations

Policy for paying creditors

The Group's policy is to pay creditors in accordance with the CBI Prompt Payers Code of Good Practice, copies of which can be obtained from the Confederation of British Industry at Centre Point, 103 New Oxford Street, London WC1A 1DU The Company had no trade creditors at the year end (2006 £nil)

Directors' report (continued)

Audit information

Pursuant to s234ZA (2) of the Companies Act 1985, each of the Directors confirms that (a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting

By Order of the Board

Company Secretary

Registered Office
16 Palace Street
London SW1E 5JD
27 JUNE 2007

Independent auditors' report to the members of 3i Holdings plc

We have audited the Group and the Company financial statements (the "financial statements") of 3i Holdings plc for the year to 31 March 2007 which comprise the consolidated income statement, the Group and the Company statement of recognised income and expenses, the Group and the Company reconciliation of movements in equity, the Group and the Company balance sheets, the Group and the Company cash flow statements, significant accounting policies A to O and the related notes 1 to 29 These financial statements have been prepared on the basis of the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the statement of Directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with the financial statements

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed

Independent auditors' report to the members of 3i Holdings plc

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended,
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 March 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
27/6/ 2007

3i Holdings plc

Consolidated income statement

for the year to 31 March 2007

	Notes	**2007 £m**	2006 £m
Realised profits over value on the disposal of investments	2	83	12
Unrealised profits on the revaluation of investments	3	56	38
		139	50
Portfolio income			
Dividends		4	2
Income from loans and receivables		8	10
Fees receivable	4	9	2
Gross portfolio return	1	160	64
Income from parent undertaking and fellow subsidiaries		231	140
Carried interest payable		(75)	(29)
Fund management and other income		57	57
Operating expenses	5	(266)	(221)
Net portfolio return		107	11
Net interest payable	10	(10)	(18)
Movements in the fair value of derivatives	11	6	6
Exchange movements		(6)	3
Other income	12	1	21
Profit before tax		98	23
Income taxes	13	(2)	(2)
Profit after tax and profit for the year		96	21
Profit attributable to minority interest in subsidiary companies		102	60
Profit attributable to equity shareholder of 3i Holdings plc		(6)	(39)
		96	21

Statement of recognised income and expense

for the year to 31 March 2007

	Notes	**Group 2007 £m**	Group 2006 £m	**Company 2007 £m**	Company 2006 £m
Profit/(loss) for the year		96	21	(4)	(69)
Exchange differences on translation of foreign operations		(9)	7	-	-
Actuarial gains/(losses)	9	13	(16)	-	-
Total recognised income and expense for the year		100	12	(4)	(69)
Analysed in reserves as					
Minority interest in subsidiary companies	25	102	60	-	-
Retained earnings	25	7	(55)	(4)	(69)
Translation reserve	25	(9)	7	-	-
		100	12	(4)	(69)

Reconciliation of movements in equity

for the year to 31 March 2007

	Notes	**Group 2007 £m**	Group 2006 £m	**Company 2007 £m**	Company 2006 £m
Total equity at start of year		171	183	72	133
Total recognised income and expense for the year		100	12	(4)	(69)
Share-based payments	8	9	8	9	8
Minority interest					
Share of new investments	25	4	9	-	-
Share of distributions	25	(109)	(41)	-	-
Total equity at end of year		175	171	77	72

3i Holdings plc

Balance sheet

as at 31 March 2007

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 (as restated)* £m
Assets					
Non-current assets					
Investments	14	268	320	77	33
Interests in Group entities	15	-	-	606	674
Property, plant and equipment	16	23	22	-	-
Total non-current assets		291	342	683	707
Current assets					
Other current assets	17	273	199	79	147
Deposits		43	51	23	25
Cash and cash equivalents		64	41	-	-
Total current assets		380	291	102	172
Total assets		671	633	785	879
Liabilities					
Non-current liabilities					
Loans and borrowings	20	(72)	(275)	(72)	(274)
Subordinated liabilities	21	(21)	(24)	-	-
Retirement benefit deficit	9	(1)	(17)	-	-
Deferred income tax	13	(1)	(1)	-	-
Provisions	23	(7)	(5)	-	-
Total non-current liabilities		(102)	(322)	(72)	(274)
Current liabilities					
Trade and other payables	22	(150)	(124)	(434)	(525)
Loans and borrowings	20	(201)	(1)	(200)	-
Derivative financial instruments	19	(2)	(8)	(2)	(8)
Carry payable		(28)	-	-	-
Current income tax	13	(2)	(2)	-	-
Provisions	23	(11)	(5)	-	-
Total current liabilities		(394)	(140)	(636)	(533)
Total liabilities		(496)	(462)	(708)	(807)
Net assets		175	171	77	72
Equity					
Issued capital	24	1	1	1	1
Retained earnings	25	66	50	76	71
Translation reserve	25	4	13	-	-
Total shareholder's equity		71	64	77	72
Minority interest in subsidiary companies	25	104	107	-	-
Total equity	25	175	171	77	72

* As restated for the adoption of IFRIC 11

The financial statements have been approved and authorised for issue by the Board of Directors

Director

27 JUNE 2007

3i Holdings plc

Cash flow statement

for the year to 31 March 2007

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Cash flow from operating activities				
Purchase of investments	(17)	(48)	(19)	(40)
Proceeds from investments	176	109	56	64
Interest received	8	8	-	-
Dividends received	4	2	-	-
Fees received	-	2	-	3
Operating expenses	(247)	(245)	-	-
Income tax paid	(2)	(4)	-	-
Net cash flow from operations	(78)	(176)	37	27
Cash flow from financing activities				
Receipts from parent, fellow subsidiaries and subsidiaries	231	282	(17)	19
Interest receivable	5	3	1	1
Interest paid	(21)	(22)	(17)	(19)
Distributions paid by subsidiary companies to minority interest	(109)	(41)	-	-
Proceeds from long-term borrowings	1	4	-	-
Repayment of long-term borrowings	(2)	(51)	(2)	(40)
Net cash flow from short-term borrowings	(3)	-	-	-
Net cash flow from deposits	8	(30)	(2)	(19)
Net cash flow from financing activities	110	145	(37)	(58)
Cash flow from investing activities				
Purchases of property, plant and equipment	(9)	(15)	-	-
Sales of property, plant and equipment	1	7	-	-
Net cash flow from investing activities	(8)	(8)	-	-
Change in cash and cash equivalents	24	(39)	-	(31)
Cash and cash equivalents at start of year	41	79	-	31
Effect of exchange rate fluctuations	(1)	1	-	-
Cash and cash equivalents at end of year	64	41	-	-

Significant accounting policies

3i Holdings plc (the "Company") is a company incorporated in Great Britain and registered in England and Wales The consolidated financial statements for the year to 31 March 2007 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") Separate financial statements of the Company are also presented The accounting policies of the Company are the same as for the Group except where separately disclosed

The financial statements were authorised for issue by the Directors on 26 June 2007

A Statement of compliance These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS")

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 1985

New standards and interpretations not applied The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates

		Effective for period beginning on or after
IAS 1	Amendment - Presentation of Financial Statements Capital Disclosures	1 January 2007
IFRS 7	Financial Instruments Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to early adopt

Change in accounting policies

During the year, the Group has adopted IFRIC Interpretation 11 IFRS 2 - Group and Treasury Share Transactions, which has been applied retrospectively in accordance with the requirements of IAS 8, subject to the transitional provisions of IFRS 2 The impact of this change is to increase the Company's interest in Group entities by £17 million with a corresponding increase in equity, as at 31 March 2006 The change has no impact on the results of the Group

B Basis of preparation The financial statements are presented in sterling the functional currency of the Company, rounded to the nearest million pounds (£m) except where otherwise indicated

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities income and expenses The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods The most significant techniques for estimation are described in the accounting policies below, and in the valuation methodology

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements The income statement of the Company has been omitted from these financial statements in accordance with Section 230 of the Companies Act 1985

The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements

C Basis of consolidation

(i) Subsidiaries Subsidiaries are entities controlled by the Group Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

(ii) Associates Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies This treatment is permitted by IAS 28 Investment in Associates ("IAS 28"), which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 with changes in fair value recognised in the income statement in the period of the change The Group has no interests in associates through which it carries on its business

(iii) Joint ventures Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method

Interests in joint ventures that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value This treatment is permitted by IAS 31 Interests in Joint Ventures ("IAS 31") which requires venturer's interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change The Group has no interests in joint ventures through which it carries on its business

D Exchange differences
(i) Foreign currency transactions Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the dates the fair value was determined

(ii) Financial statements of non-sterling operations The assets and liabilities of operations whose functional currency is not sterling, including fair value adjustments arising on consolidation, are translated to sterling at exchange rates ruling at the balance sheet date The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions Exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve and are released upon disposal of the non-sterling operation

In respect of non-sterling operations cumulative translation differences on the consolidation of non-sterling operations are being accumulated from the date of transition to IFRS, 1 April 2004 and not from the original acquisition date

E Investment portfolio
(i) Recognition and measurement Investments are recognised and derecognised on a date where the purchase or sale of an investment is under a contract whose terms require the delivery or settlement of the investments The Group manages its investments with a view to profiting from the receipt of dividends and changes in fair value of equity investments Therefore, all quoted investments and unquoted equity investments are designated as at fair value through profit or loss and subsequently carried in the balance sheet at fair value Other investments including loan investments and fixed income shares are classified as loans and receivables and subsequently carried in the balance sheet at amortised cost less impairment All investments are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis, applying 3i Group plc's valuation policies Acquisition costs are attributed to equity investments and recognised immediately in the income statement

(ii) Income Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1 It represents the overall increase in net assets from the investment portfolio net of deal-related costs but excluding exchange movements Investment income is analysed into the following components

(a) Realised profits over value on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates in force at the date of disposal

(b) Unrealised profits on the revaluation of investments is the movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates in force at the date of the movement

(c) Portfolio income is that portion of income that is directly related to the return from individual investments It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured The following specific recognition criteria must be met before the income is recognised

- Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value

- Dividends from equity investments are recognised in the income statement when the shareholders' rights to receive payment have been established except to the extent that dividends, paid out of pre-acquisition reserves, adjust the fair value of the equity investment

- Fee income is earned directly from investee companies when an investment is first made and through the life of the investment Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided

F Fees receivable from external funds

(i) Fund management fees
The Group manages private equity funds, which primarily co-invest alongside the Group Fees earned from the ongoing management of these funds are recognised to the extent that it is probably that there will be economic benefits and the income can be reliably measured

(ii) Advisory fees
The Group acts as an investment advisor to private equity funds Fees earned from the ongoing management of these funds are recognised on an accruals basis in accordance with the substance of the relevant investment advisory agreement

(iii) Performance fees
The Group earns a performance fee from funds to which it provides investment advisory services where specified performance targets are achieved Performance fees are recognised to the extent that it is probable that there will be economic benefits and the income can be reliably measured

(iv) Support services fees
The Group provides support services to external funds, including accounting treasury management, corporate secretariat and investor relations Fees earned from the provision of these services are recognised on an accruals basis in accordance with the relevant support services agreement

G Carried interest payable
The Group offers investment executives the opportunity to participate in the returns from successful investments "Carried interest payable" is the term used for amounts payable to executives on investment-related transactions The carried interest accrual in the accounts represents amounts due to executives from realisations in the financial year within carried interest schemes for which all performance conditions have been met, and which will be paid within one year

H Property, plant and equipment
(i) Land and Buildings Land and buildings are carried in the balance sheet at fair value less depreciation and impairment Fair value is determined at each balance sheet date from valuations undertaken by professional valuers using market-based evidence Any revaluation surplus is credited directly to reserves in equity except to the extent that it reverses a previous valuation deficit on the same asset charged in the income statement in which case the surplus is recognised in the income statement to the extent of the previous deficit Any revaluation deficit that offsets a previously recognised surplus in the same asset is directly offset against the surplus in the Capital reserve Any excess valuation deficit over and above that previously recognised in surplus is charged in the income statement

Depreciation on revalued buildings is charged in the income statement over its estimated useful life, generally 50 years

(i) Vehicles and office equipment Vehicles and office equipment are depreciated by equal annual instalments over their estimated useful lives as follows office equipment five years computer equipment three years, computer software three years, motor vehicles four years

(ii) Assets held under finance leases Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable The interest element of the rental obligations is charged in the income statement over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding

I Treasury assets and liabilities Short-term treasury assets and short and long-term treasury liabilities are used in order to manage cash flows and overall costs of borrowing Financial assets and liabilities are recognised in the balance sheet when the relevant Group entity becomes a party to the contractual provisions of the instrument De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished

(i) Cash and cash equivalents Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts

(ii) Deposits Deposits in the balance sheet comprise longer term deposits with an original maturity of greater than three months

(iii) Bank loans, loan notes and borrowings All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement

(iv) Derivative financial instruments Derivative financial instruments are used to manage the risk associated with changes in interest rates on its borrowings This is achieved by the use of interest rate swaps

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date The fair value of interest rate swaps is determined with reference to future cash flows and current interest rates All changes in the fair value of derivative financial instruments are taken to the income statement

(v) Subordinated liabilities The Group has some limited recourse funding, which individually finances investment assets, at various fixed rates of interest and whose maturity is dependent upon the disposal of the associated assets This funding is subordinated to other creditors of the individual Group entity to which the funds have been advanced and becomes non-repayable as the assets fail These liabilities are held in the balance sheet at the amount expected to be repayable based on the underlying assets Changes in the amounts repayable as a result of changes in the underlying assets are treated as other income in the income statement Interest payable on subordinated liabilities is charged as it accrues by reference to the principal outstanding and the effective interest rate applicable

J Employee benefits

(i) Retirement benefit costs Payments to defined contribution retirement benefit plans are charged to the income statement as they fall due

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit method with actuarial valuations being carried out each balance sheet date Current service costs are recognised in the income statement Past service costs are recognised to the extent that they are vested immediately in the income statement Actuarial gains or losses are recognised in full as they arise as part of the statement of recognised income and expense

A retirement benefit deficit is recognised in the balance sheet to the extent that the present value of the defined benefit obligations exceeds the fair value of plan assets A retirement benefit surplus is recognised in the balance sheet where the fair value of plan assets exceeds the present value of the defined benefit obligations limited to the extent that the Group can benefit from that surplus

(ii) Share-based payments In accordance with the transitional provisions of IFRS 1, the requirements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002, that were unvested at 1 January 2005

The Group enters into arrangements that are equity-settled share-based payments with certain employees These are measured at fair value at the date of grant, which is then recognised in the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest Fair value is measured by use of an appropriate model In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of 3i Group plc The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures cancellations and leavers during the period The movement in cumulative changes since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity

K Other assets Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses They are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows Any change in the level of impairment is recognised directly in the income statement An impairment loss is reversed at subsequent balance sheet dates to the extent that the asset's carrying amount does not exceed its carrying value had no impairment loss been recognised

L Other liabilities Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are considered to be payable in respect of goods or services received up to the balance sheet date

M Share Capital Ordinary shares issued by the Group are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account Direct issue costs net of tax are deducted from equity

N Provisions Provisions are recognised when the Group has a present obligation of uncertain timing or amount as a result of past events, and it is probable that the Group will be required to settle that obligation and a reliable estimate of that obligation can be made The provisions are measured at the Directors' best estimate of the amount to settle the obligation at the balance sheet date, and are discounted to present value if the effect is material Changes in provisions are recognised in the income statement for the period

O Income taxes Income taxes represent the sum of the tax currently payable withholding taxes suffered and deferred tax Tax is charged or credited in the income statement, except where it relates to items charged or created directly to equity in which case the tax is also dealt with in equity

The tax currently payable is based on the taxable profit for the year This may differ from the profit included in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit ("temporary differences"), and is accounted for using the balance sheet liability method

Deferred tax liabilities are generally recognised for all taxable temporary differences Where there are taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, deferred tax liabilities are recognised except where the Group is able to control reversal of the temporary difference and it is probable that the temporary differences will reverse in the foreseeable future

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised However, where there are deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that both the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised, and that the temporary differences will reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

1 Segmental analysis

Year to 31 March 2007	Buyouts £m	Growth Capital £m	Venture Capital £m	Smaller Minority Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	47	34	1	1	83
Unrealised profits/(losses) on the revaluation of investments	4	53	-	(1)	56
Portfolio income	11	9	1	-	21
	62	96	2	-	160
Net (investment)/divestment					
Realisation proceeds	114	88	5	2	209
New investment	(6)	(13)	(4)	-	(23)
	108	75	1	2	186
Balance sheet					
Value of investment portfolio at end of year	17	218	29	4	268

Year to 31 March 2006	Buyouts £m	Growth Capital £m	Venture Capital £m	Smaller Minority Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	8	3	1	-	12
Unrealised profits/(losses) on the revaluation of investments	29	18	(9)	-	38
Portfolio income	6	8	-	-	14
	43	29	(8)	-	64
Net (investment)/divestment					
Realisation proceeds	62	39	3	5	109
New investment	(2)	(42)	(5)	-	(49)
	60	(3)	(2)	5	60
Balance sheet					
Value of investment portfolio at end of year	74	209	31	6	320

Buyouts Mid-market transactions in Europe with a value of up to €1 billion

Growth Capital Minority investments in established and profitable businesses, investing €10 million to €250 million per transaction

Venture Capital Investments in early and late-stage technology companies, typically in the €2 million to €50 million range focusing on the healthcare, IT and cleantech sectors

Year to 31 March 2007	UK £m	Continental Europe £m	US £m	Total £m
Gross portfolio return	(2)	161	1	160
Net (investment)/divestment				
Realisation proceeds	3	205	1	209
New investment	-	(22)	(1)	(23)
	3	183	-	186
Balance sheet				
Value of investment portfolio at end of year	4	260	4	268

Year to 31 March 2006	UK £m	Continental Europe £m	US £m	Total £m
Gross portfolio return	-	64	-	64
Net (investment)/divestment				
Realisation proceeds	-	109	-	109
New investment	-	(47)	(2)	(49)
	-	62	(2)	60
Balance sheet				
Value of investment portfolio at end of year	9	307	4	320

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	[redacted]	[redacted]	[redacted]	65	44	109
Valuation of disposed investments	[redacted]	[redacted]	[redacted]	(57)	(38)	(95)
Investments written off	[redacted]	[redacted]	[redacted]	(2)	-	(2)
	[redacted]	[redacted]	[redacted]	6	6	12

3 Unrealised profits on the revaluation of investments

	2007 Equity £m	2007 Loans and receivables £m	2007 Total £m	2006 Equity £m	2006 Loan and receivables £m	2006 Total £m
Movement in the fair value of equity	[redacted]	[redacted]	[redacted]	32	-	32
Impairment of loans and receivables	[redacted]	[redacted]	[redacted]	-	6	6
	[redacted]	[redacted]	[redacted]	32	6	38

4 Fees receivable

	2007 £m	2006 £m
Fees receivable	[redacted]	3
Deal-related costs	[redacted]	(1)
	[redacted]	2

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 Operating expenses

Operating expenses include the following amounts

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

Services provided by the Group's auditor

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

	2007 £m	2006 £m
Audit services	[redacted]	
Statutory audit - Company	[redacted]	0 1
- other UK	[redacted]	0 5
- overseas	[redacted]	0 4
Audit-related regulatory reporting	[redacted]	0 1
	[redacted]	1 1
Non-audit services	[redacted]	
Investment due diligence	[redacted]	0 9
	[redacted]	2 0

Non-audit services These services are services that could be provided by a number of firms including general consultancy work Work is allocated to the auditors only if it does not impact the independence of the audit team

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 the audit services to the pension scheme during the year were less than £0 1 million (2006 less than £0 1 million)

6 Staff costs

	2007 £m	2006 £m
Wages and salaries	110	91
Social security costs	16	14
Share-based payment cost (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 cost are charged against operating expenses

7 Directors' emoluments

	2007 £m	2006 £m
Salary and benefits	3 9	3 6
Performance-related payments	7 1	6 3
Amounts receivable under long-term incentive schemes	4 0	2 3*

Retirement benefits are accruing to 8 Directors (2006 8) under the 3i Group Pension Plan, a defined benefit contributory scheme

Highest paid director	2007 £m	2006 £m
Aggregate emoluments and amounts receivable under long term incentive plans	3 6	2 7*

* As restated for payments made under long-term incentive plans

8 Share-based payments

The Group has a number of share schemes that allow employees to acquire shares in 3i Group plc

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

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 the 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 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 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

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

Year of grant	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	-	-
	712	16,894,767	745	25,304,158

Options are exercisable at a price based on the market value of 3i Group plc's shares on the date of the 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 3i Group plc'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 3i Group plc'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

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 3i Group plc'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 3i Group plc's shares (referred to as partnership shares) For each share so acquired 3i Group plc 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 nominal capacity The fair value of the deferred shares is the share price at date of the award

Employee Trust

3i Group plc 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

(i) Defined contribution plans

3i Group plc 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 3i Group plc 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 schemes

3i Group plc operates a final salary defined benefit plan for qualifying employees of its subsidiaries in the UK ('the Plan") 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 3i Group plc'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

The amount recognised in the balance sheet in respect of 3i Group plc'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)
	1	17

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

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

During the year, 3i Group plc 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	[illegible]	-
Interest cost	22	21
Actuarial (gains)/losses	(15)	63
Contributions	[illegible]	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 3i Group plc's own equity instruments nor any property in use by the Group The expected rate of returns of individual categories of Plan assets is determined by reference to individual indices

The history of the Plan is as follows

	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)
Deficit	1	17	23	83	90
Experience adjustments on Plan liabilities	2%	-	(4)%	(3)%	(2)%
Experience adjustments on Plan assets	[illegible]	(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) 3i Group plc 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
Treasury interest receivable	[redacted]	
Interest on bank deposits	[redacted]	3
Finance income on pension plan	[redacted]	2
	[redacted]	5
Interest payable	[redacted]	
Interest on loans and borrowings	[redacted]	(20)
Interest on subordinated borrowings	[redacted]	(3)
	[redacted]	(23)
Net interest payable	[redacted]	(18)

11 Movements in the fair value of derivatives

	2007 £m	2006 £m
Interest rate swaps	[redacted]	6

12 Other income

	2007 £m	2006 £m
Write-back of subordinated borrowings	[redacted]	20
Gain on disposal of property	[redacted]	1
Other income	[redacted]	-
	[redacted]	21

13 Income taxes

	2007 £m	2006 £m
Current tax	[redacted]	
UK Corporation tax	[redacted]	(1)
Less Double tax relief	[redacted]	1
Foreign tax	[redacted]	(2)
	[redacted]	(2)
Deferred tax	[redacted]	
Deferred income tax	[redacted]	-
Total income taxes in the income statement	[redacted]	(2)

Reconciliation of income taxes in the income statement

The tax charge for the period 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	[redacted]	23
Profit before tax multiplied by rate of corporation tax in the UK of 30% (2006 30%)	[redacted]	(7)
Effects of	[redacted]	
Permanent differences	[redacted]	8
Short-term timing differences	[redacted]	-
Prior period unutilised tax losses	[redacted]	-
Current period unutilised tax losses	[redacted]	(20)
Non-taxable UK dividend income	[redacted]	1
Repatriated profits of overseas subsidiaries	[redacted]	(1)
Foreign tax	[redacted]	(2)
Foreign tax credits available for double tax relief	[redacted]	1
Non-taxable profits relating to minority interest	[redacted]	18
Total income taxes in the income statement	[redacted]	(2)

	2007 Group £m	2006 Group £m
Opening deferred income tax liability		
Tax losses	2	2
Unrealised valuation surpluses on investments	-	(1)
Income in accounts taxable in the future	(3)	(2)
	(1)	(1)
Recognised through income statement		
Tax losses utilised	10	-
Valuation surplus now realised	-	1
Income in accounts taxable in the future	(10)	(1)
	-	-
Closing deferred income tax liability		
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 unutilised tax losses and deductible temporary differences of £207 million (2006 £158 million) It is considered too uncertain that the Group will generate sufficient taxable profits in the future against which the associated deferred tax assets can be offset and therefore the assets have not been recognised These assets are available to carry forward indefinitely

14 Investment portfolio

Year to 31 March 2007	Group Equity investments £m	Group Loans and receivables £m	Group Total £m
Opening book value	227	93	320
Additions	14	9	23
Disposals, repayments and write-offs	(78)	(48)	(126)
Revaluation	57	-	57
Provision and impairment of loans and receivables	-	(1)	(1)
Other movements	(1)	(4)	(5)
Closing book value	219	49	268
Quoted	9	-	9
Unquoted	210	49	259
Closing book value	219	49	268

Other movements includes foreign exchange, reclassifications of joint ventures and conversions from one instrument into another

Additions to loans and receivables includes £1 million (2006 £1 million) interest received by way of loan notes A corresponding amount has been included in income from loans and receivables

Year to 31 March 2006	Group Equity investments £m	Group Loans and receivables £m	Group Total £m
Opening book value	219	71	290
Additions	22	27	49
Disposals, repayments and write-offs	(54)	(38)	(92)
Revaluation	30	-	30
Provision and impairment of loans and receivables	2	6	8
Other movements	8	27	35
Closing book value	227	93	320
Quoted	8	-	8
Unquoted	219	93	312
Closing book value	227	93	320

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

3i Holdings plc

15 Interests in Group entities

	Company 2007 £m	Company 2006 (as restated)* £m
Opening book value	674	753
Additions	28	56
Disposals	(56)	(69)
Revaluation	(40)	(66)
Closing book value	606	674

* As restated for the adoption of IFRIC 11

Details of significant Group entities are given in note 29

16 Property, plant and equipment

Land and buildings	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Opening cost or valuation	1	-	-	-
Additions at cost	-	1	-	-
Closing cost or valuation	1	1	-	-
Net book amount	1	1	-	-

Depreciation charged in the year on buildings was £0 1 million (2006 £0 1 million)

Plant and equipment	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
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	-	-

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	11	8	-	3
Other debtors	66	36	-	-
Amounts due from fellow undertakings	26	-	25	5
Amounts due from parent undertaking	170	155	54	139
	273	199	79	147

18 Financial risk management

A comprehensive risk management framework is operated by the Group's immediate and ultimate parent undertaking, 3i Group plc, which covers all of 3i Group plc's subsidiaries Further information on this risk management framework is included in the report and accounts of 3i Group plc for the year to 31 March 2007

Credit risk The Group's financial assets are predominantly unsecured investments in unquoted companies, in which the Directors consider the maximum credit risk 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 The Group had cash resources at the end of the period of £107 million (2006 £92 million) In addition, the Group partakes alongside 3i Group plc in committed multi-currency facilities which had 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 hedge the market risk inherent in the portfolio but manages asset performance risk on an asset-specific basis

Foreign exchange risk The risk management framework seeks to reduce structural currency exposures at a 3i Group plc level by matching assets denominated in foreign currency with borrowings in the same currency The exposure of the Group to the Euro, US dollar Swedish krona, Swiss franc and all other currencies combined, is shown in the table below

As at 31 March 2007	Sterling £m	Euro £m	US dollar £m	Swedish krona £m	Other £m	Total £m
Total assets	241	240	64	123	3	671
Total liabilities	(319)	(86)	(13)	(77)	(1)	(496)
Net assets	(78)	154	51	46	2	175

At 31 March 2006	Sterling £m	Euro £m	US dollar £m	Swedish krona £m	Other £m	Total £m
Total assets	216	308	30	76	3	633
Total liabilities	(330)	(38)	(14)	(77)	(3)	(462)
Net assets	(114)	270	16	(1)	-	171

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 financial 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

As at 31 March 2007	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Over 5 years £m	Total £m
Fixed rate							
Loans and receivables	2	2	1	1	-	42	48
Deposits	43	-	-	-	-	-	43
Cash and cash equivalents	63	-	-	-	-	-	63
Subordinated liabilities	-	-	-	-	-	(21)	(21)
Derivatives	(213)	-	(7)	(5)	-	-	(225)
	(105)	2	(6)	(4)	-	21	(92)
Floating rate							
Loans and receivables	1	-	-	-	-	-	1
Loans and borrowings	(273)	-	-	-	-	-	(273)
Derivatives	225	-	-	-	-	-	225
	(47)	-	-	-	-	-	(47)

As at 31 March 2006	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Over 5 years £m	Total £m
Fixed rate							
Loans and receivables	1	5	7	6	8	64	91
Deposits	51	-	-	-	-	-	51
Cash and cash equivalents	41	-	-	-	-	-	41
Subordinated liabilities	-	-	-	-	-	(24)	(24)
Derivatives	(24)	(210)	-	(7)	(5)	-	(246)
	69	(205)	7	(1)	3	40	(87)
Floating rate							
Loans and receivables	2	-	-	-	-	-	2
Loans and borrowings	(276)	-	-	-	-	-	(276)
Derivatives	246	-	-	-	-	-	246
	(28)	-	-	-	-	-	(28)

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 liability was £2 million (2006 £8 million)

19 Derivative financial instruments

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Current liabilities	[redacted]		[redacted]	
Interest rate swaps	[redacted]	(8)	[redacted]	(8)

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 profit or loss

At the balance sheet date, the notional amount of outstanding interest rate swaps is as follows

	2007 £m	2006 £m
Variable rate to fixed rate	[redacted]	246

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
Loans and borrowings are repayable as follows	[redacted]		[redacted]	
Within one year	[redacted]	1	[redacted]	-
In the second year	[redacted]	200	[redacted]	200
In the third year	[redacted]	-	[redacted]	-
In the fourth year	[redacted]	-	[redacted]	-
In the fifth year	[redacted]	75	[redacted]	74
After five years	[redacted]	-	[redacted]	-
	[redacted]	276	[redacted]	274

Principal borrowings include

	Rate	Maturity	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Issued under the £2,000 million note issuance programme			[redacted]		[redacted]	
Variable rate			[redacted]		[redacted]	
£200 million notes (public issue)	LIBOR+0 100%	2007	[redacted]	200	[redacted]	200
			[redacted]	200	[redacted]	200
Committed multi-currency facilities			[redacted]		[redacted]	
£486 million	LIBOR+0 210%	2010	[redacted]	-	[redacted]	-
£150 million	LIBOR+0 175%	2010	[redacted]	74	[redacted]	74
			[redacted]	74	[redacted]	74
Other			[redacted]		[redacted]	
Other bonds in issue		2010	[redacted]	1	[redacted]	-
Finance lease obligations			[redacted]	1	[redacted]	-
			[redacted]	2	[redacted]	-
			[redacted]		[redacted]	
Total for loans and borrowings			[redacted]	276	[redacted]	274

£2,000 million note issuance programme The Company partakes in a £2,000 million note issuance programme together with 3i Group plc The Group and 3i Group plc have issued in aggregate £1,171 million (2006 £1,094 million) of notes under this programme which mature either in 2007, 2023 or 2032

Committed multi-currency facilities The Company is able to partake alongside 3i Group plc in the committed multi-currency facilities The combined drawdowns of the Group and 3i Group plc are as follows

	2007 £m	2006 £m
Committed multi-currency facilities		
£486 million	[illegible]	-
£150 million	145	148

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 £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 loan and borrowings is £273 million (2006 £276 million)

21 Subordinated liabilities

	Group 2007 £m	Group 2006 £m
Subordinated liabilities are repayable as follows		
After five years	21	24

Subordinated liabilities comprise limited recourse funding from Kreditanstalt fur 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 becomes non-repayable should assets fail

22 Trade and other payables

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Other accruals	149	124	4	7
Amounts due to subsidiaries and fellow subsidiaries	1	-	430	518
	150	124	434	525

23 Provisions

Year to 31 March 2007	Property £m	Redundancy £m	Total £m
Opening balance	5	5	10
Charge for the year	4	11	15
Utilised in year	(2)	(5)	(7)
Closing balance	7	11	18

Year to 31 March 2006	Property £m	Redundancy £m	Total £m
Opening balance	6	6	12
Charge for the year	1	4	5
Utilised in 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 sub-leases The leases covered by the provision have a remaining term of up to nine years

24 Issued capital

	2007 Number	2007 £m	2006 Number	2006 £m
Authorised				
Ordinary shares of £1	1,000,000	1	1,000,000	1
Issued and fully paid				
Ordinary shares of £1	1,000,000	1	1,000,000	1

25 Equity

As at 31 March 2007	Group Share capital £m	Group Retained earnings £m	Group Translation reserve £m	Group Total £m	Group Minority interest £m	Group Total equity £m
Opening balance	1	50	13	64	107	171
Total recognised income and expense	-	7	(9)	(2)	102	100
Share-based payments	-	9	-	9	-	9
Share of new investments	-	-	-	-	4	4
Share of distributions	-	-	-	-	(109)	(109)
Closing balance	1	66	4	71	104	175

Minority interest relates to 3i Group plc's direct minority investments in subsidiary companies of 3i Holdings plc

As at 31 March 2006	Group Share capital £m	Group Retained earnings £m	Group Translation reserve £m	Group Total £m	Group Minority interest £m	Group Total equity £m
Opening balance	1	97	6	104	79	183
Total recognised income and expense	-	(55)	7	(48)	60	12
Share-based payments	-	8	-	8	-	8
Share of new investments	-	-	-	-	9	9
Share of distributions	-	-	-	-	(41)	(41)
Closing balance	1	50	13	64	107	171

As at 31 March 2007	Company Share capital £m	Company Retained earnings £m	Company Total equity £m
Opening balance	1	71	72
Total recognised income and expense	-	(4)	(4)
Share-based payments	-	9	9
Closing balance	1	76	77

As at 31 March 2006	Company Share capital £m	Company Retained earnings £m	Company Total equity £m
Opening balance*	1	132	133
Total recognised income and expense	-	(69)	(69)
Share-based payments	-	8	8
Closing balance*	1	71	72

*As restated for the adoption of IFRIC 11

Translation reserve The translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations

26 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

27 Commitments

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Share and loan investments	[redacted]	12	[redacted]	-

28 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group its investments, its key management personnel and its immediate and ultimate parent undertaking, 3i Group plc In addition the Company has related parties in respect of its subsidiaries and its immediate and ultimate parent undertaking 3i Group plc

Limited partnerships The Group manages funds on behalf of third parties These funds invest through a number of limited partnerships and the following amounts have been included in respect of these limited partnerships

Income statement	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Fund management fees	[redacted]	24	[redacted]	-

Balance sheet	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Amount due from limited partnerships	[redacted]	3	[redacted]	-

Investments The Group makes minority investments in the equity of unquoted investments This normally allows the Group to have power to participate in the financial and operating policies of that company It is presumed that it is able 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

Income statement	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Realised profit over value on the disposal of investments	[redacted]	18	[redacted]	-
Unrealised profits on the revaluation of investments	[redacted]	28	[redacted]	6
Portfolio income	[redacted]	9	[redacted]	-

Balance sheet	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Quoted equity investments	[redacted]	4	[redacted]	-
Unquoted equity investments	[redacted]	148	[redacted]	32
Loans and receivables	[redacted]	69	[redacted]	1

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

Key management personnel The Group's key management personnel comprises the Board of Directors whose emoluments are shown in note 7

Management, administrative and secretarial arrangements The Group has been appointed by 3i Group plc as investment manager and has been appointed to provide 3i Group plc with a range of administrative and secretarial services The Group received a fee from 3i Group plc of £195 million (2006 £126 million) for this service

29 Group entities

Significant subsidiaries

Name	Country of incorporation	Issued and fully paid share capital	Principal activity	Registered office
3i International Holdings	England and Wales	2 715 973 shares of £10	Holding	16 Palace Street London SW1E 5JD
3i plc	England and Wales	110 000 000 shares of £1	Services	
3i Investments plc	England and Wales	10 000 000 ordinary shares of £1	Investment manager	
3i Europe plc	England and Wales	500 000 ordinary shares of £1	Investment advisor	
3i Nordic plc	England and Wales	500 000 ordinary shares of £1	Investment advisor	
3i Asia Pacific plc	England and Wales	140 000 ordinary shares of £1	Investment advisor	
Gardens Pension Trustees Limited	England and Wales	100 ordinary shares of £1	Pension fund trustee	
3i Corporation	US	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 GmbH	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 all the principal subsidiary undertakings listed above was held by the Company, with the exception of 3i Investments plc, 3i Corporation, 3i Deutschland Gesellschaft fur Industriebeteiligungen GmbH and 3i Gestion SA 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