

Chairman's statement

“a highly-focused business with good momentum”

At the time of our interim results announcement in November 2003, I noted that we had seen an encouraging performance in the first six months of the financial year, driven by better results from our buy-out, growth capital and venture capital businesses. I also said that as business confidence improved there would be some excellent opportunities for 3i to invest. This has indeed proved to be the case.

The results for the year to 31 March 2004 demonstrate the improvement in each of our areas of activity. The total return for the year of £531 million represented 18.1% on opening shareholders' funds, a strong overall performance.

3i's share price performed well in the year to 31 March 2004. Total shareholder return of 54.4% compared with 31.0% for the FTSE All-Share total return index over the same period.

The Board is recommending a final dividend of 8.9p, making a total dividend of 14.0p, an increase of 3.7% from 13.5p last year.

The benefits of our product focus are now becoming clear. Geographically, 3i's returns in the UK, continental Europe and Asia Pacific were strong. Investment picked up well in the second half. Total new investment, including co-investment funds, was £979 million during the year as a whole. Realisations proceeds totalled £923 million and equity assets were sold at a 58% premium to their value at the start of the year.

In March 2004, 3i announced Brian Larcombe's intention to retire at the forthcoming Annual General Meeting in July.

Brian became our Chief Executive in 1997 and has been with the Company for almost 30 years. He joined the Board in 1992 and as Finance Director played a key role in the flotation of 3i in 1994. Under his leadership, the business has been transformed into a dynamic, integrated international business. The Board and I would like to thank him for this and pay tribute to his contribution to our industry as a whole.

The process for identifying Brian's successor is under way and we will be making an announcement by the Annual General Meeting.

Our staff have achieved a great deal over the year and the good performance of the Group is the result of not only some fine individual efforts but excellent teamwork. 3i's ability to put together the best team for the job from around the world is giving the business an edge and flexibility that few competitors can match.



Baroness Hogg

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Chairman

12 May 2004

For any company, corporate responsibility should be an important issue. I hope that you will see from this report that 3i takes its responsibilities seriously, not only as a company but also as an investor.

An essential element of the governance of 3i is the work carried out by the committees of the Board. I would like to thank John Forrest, who is stepping down from the Board at the AGM, for all he has done for 3i in seven years as a non-executive Director, and particularly for his work in chairing the Remuneration Committee.

After three tough years for the Group, we now have a highly-focused business, clear competitive advantage, a strong balance sheet, good momentum on the new investment front and a healthy result for the year to 31 March 2004.

Our latest Enterprise Barometer survey indicates greater business confidence in our market place and augurs well for the year ahead.