

Chairman's statement



“A strong position in a buoyant market enabled the Group to deliver a return of £831 million for the year. In addition, good progress has been made towards achieving our vision. Another year of strong cash flow enables us to make further substantial returns of capital to shareholders.”

Baroness Hogg
Chairman
10 May 2006

3i entered the financial year with strong momentum and buoyant market conditions, which continued throughout the period. Our market position enabled the Group to take advantage of these factors and to deliver a return of £831 million for the year to 31 March 2006. This was substantially up from £501 million last year and represented a return of 22.5% on opening shareholders' funds.

Having invested in and developed companies of strategic value to others, 3i was well placed to sell into receptive markets. Realisations totalled £2.2 billion and were made at a profit of 35% over opening value.

The Board is recommending a final ordinary dividend of 9.7p, making a total ordinary dividend for the year of 15.2p, up 4.1% on last year. Meanwhile, the £500 million return of capital approved by shareholders at our Extraordinary General Meeting last year has essentially been completed. The Board intends to return a further £700 million to shareholders by way of a bonus issue of listed B shares, which is currently expected to take place in July. Resolutions relating to the return of capital proposals will be put to shareholders at an EGM.

High quality new investment is a key driver of future value. Despite remaining highly selective, we were able to increase investment by 47% to £1.1 billion, drawing on our in-depth sector knowledge and local relationships in a range of different markets. The international proportion of our investment rose in the year to 63% and our widening international reach is illustrated by the fact that over half of our assets are now outside the UK.

In Asia we established teams in Shanghai and Mumbai during the year, and made ground-breaking investments in both China and India. 3i's Growth Capital business has also recently entered the US market and, in addition, our Infrastructure team is now in place and has made a number of investments.

We have been planning for some time to establish an Advisory Board for our business in Germany. I am delighted to report that Dr Peter Mihatsch, who has been on the Group Board since 2004, has agreed to become Chairman of this new Advisory Board. However, as he would then no longer be categorised as an independent non-executive Director, this means he will be stepping off the 3i Group Board at the end of July. I would like to thank him for the contribution he has made as well as the still greater one he will be making to 3i in the future.

I would also like to thank Danny Rosenkranz, who is Chairman of the Remuneration Committee and has been on the Board for six years. Danny has agreed to stand for re-election for a further year to support Sir Robert Smith, who will be taking on the chairmanship of the Remuneration Committee in August.

Underpinning this year's performance is a high level of staff engagement. A survey of our staff during the year, conducted by Ipsos MORI, showed high commitment, and that 3i's level of staff engagement exceeded that of many other leading companies.

This commitment also characterises our approach to corporate responsibility. For a company like 3i, our direct impact on the community and the environment will be much less significant than that of the companies in which we invest. We nevertheless are refining measurement of our own impact, while continuing to review our standards for these issues in portfolio selection and management.

I would like to thank all our staff for their skill, effort and teamwork in achieving these good results and also pay tribute to the management teams and the advisers of our portfolio companies.

So, in summary, this has been a good year for 3i shareholders, with the Group taking advantage of favourable market conditions, delivering a high level of return on shareholders' funds, growing investment levels and improving the strategic position of the business. In developing our strategy we will continue to combine ambition with rigour in pursuit of value for our investors.