Growth Capital

"An excellent year for our Growth Capital business. Operating on an integrated basis across the world enabled us to grow investment and returns as well as increase the value that we add to our portfolio. We were also able to raise our average size of investment.

The further development of our business in Asia and the recent establishment of our infrastructure and US teams provide additional stimulus for the coming year."

Michael Queen Managing Partner

26%

Gross portfolio return on opening portfolio value

£341m

Gross portfolio return

A tripling of our investment in Asia, strong growth in our investment in continental Europe and a good start from our infrastructure team enabled us to grow investment by 89% overall.

The healthy market for realisations and the quality of our portfolio enabled us to almost double realisation proceeds and increase gross portfolio return to 26%.

Financial highlights (£m)
for the year to 31 March 2006

Gross portfolio return	341
Investment	497
Realisation proceeds	855
Realised profit	232
Unrealised value movement	60
Portfolio income	49

Gross portfolio return

The Growth Capital business generated a gross portfolio return of 26% to 31 March 2006 (2005: 23%). This is the third consecutive year that the Growth Capital business has generated returns at the higher end of its return objectives.

Investment and realisations

Investment for the 12 months to 31 March 2006 was £497 million (2005: £263 million). The increase in investment was driven by several factors, including a focus on larger investments and a good contribution from our new infrastructure team. During the year, 22 new investments were made at an average of £20 million (2005: £6 million).

Included in the investment total were investments of £108 million made in other funds including I^2, the UK infrastructure fund, and CDH China Growth Capital Fund II.

Realisation proceeds of £855 million were very strong and significantly higher than last year (2005: £443 million). This strong performance reflects the underlying quality of the assets in the Growth Capital portfolio and the continued buoyant financial markets.

Regionally, the UK accounted for 53% of Growth Capital realisations, continental Europe accounting for 34% at £293 million was up from £103 million in 2005. Asia delivered £66 million of Growth Capital realisations (2005: £6 million).

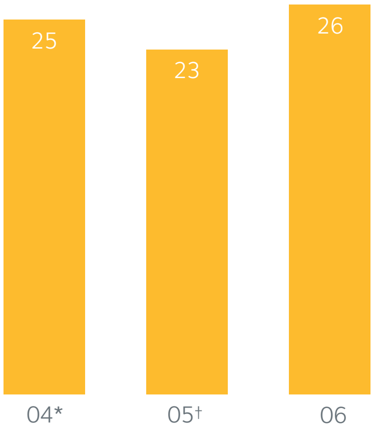
Portfolio health

The underlying health of our Growth Capital portfolio is good. At 31 March 2006, 84% of our investments were classified as healthy, against a three year rolling average of 74%. This reflects improved investment disciplines combined with investing in larger and more established businesses in our recent vintages.

Long-term IRRs

Since the new business model was implemented, we have seen good progress against our IRR targets for Growth Capital. IRRs in the three vintages from 2003 to 2005 have produced returns that exceed our annual vintage targets, while the 2006 vintage will need time to show its full potential. Petrofac, Focus Media and Williams Lea have produced excellent results and helped to underline the quality of our recent investment performance.

Gross portfolio return by year (%)
to 31 March



*Restated to exclude unrealised currency movements.
†Restated for the adoption of IFRS.

Long-term IRRs (£m)
years to 31 March

Growth Capital	Total investment	Return flow	Value remaining	IRR to date
2006	430	35	404	1%
2005	170	55	198	32%
2004	312	270	159	21%
2003	220	256	103	22%
2002	421	400	110	8%

Note: for an explanation of IRRs, please see pages 98 to 99.

Soflog

New investment – France – logistics

In October 2005 3i invested €23 million in Soflog, the French industrial logistics specialist. 3i initiated the opportunity through a direct marketing approach to Nicolas Nonon, Soflog's Managing Director, two years beforehand.

This 50-year old family company has expertise in industrial logistics for international equipment manufacturers and operates a network of 27 sites in France.

As an active minority shareholder, 3i has utilised its in-depth knowledge of the European logistics sector to add value to Soflog in a number of areas, including the recruitment of a chairman and chief financial officer.

3i also supported Soflog in its acquisition in March 2006 of Télis, enabling Soflog to double its size immediately with a combined global turnover of €140 million per annum from 50 local sites.

Infrastructure Investors LLP

New investment – UK & Europe – infrastructure

In June 2005 3i committed £150 million to Infrastructure Investors LLP ("I^2"), alongside I^2's original founding investors, Barclays Private Equity and Société Générale. This brought total fund commitments to £450 million.

Established in November 2003, I^2 has built up a portfolio of 31 operating infrastructure projects in the health, education, transport and Ministry of Defence sectors. Assets include stakes in the DLR Lewisham extension, extensions to both King's College and St George's hospitals in London and several waste water treatment facilities in the north of Scotland.

3i was attracted to I^2's portfolio, experienced management team, deal flow and excellent relationships in the PFI market. In addition, the underlying asset base of the I^2 portfolio is operationally robust and cash generative, with cash flows supported principally by long-term quasi-government covenants.

3i is an active investor in the infrastructure market in its own right, with an in-house team of seven sector specialist investors, and recently invested in Alpha Schools Highland, a project to deliver 10 new schools in the Scottish Highlands.

Investing in I^2 provides a platform for 3i to increase its participation in a growing portfolio of PFI assets in parallel with its increasing direct investment activity.

Petrofac

Realisation – UK – oil, gas and power

In October 2005 3i realised over £115 million through the IPO on the London Stock Exchange of Petrofac, the international oil and gas facilities service provider, at a market capitalisation of £742 million.

3i originally invested £22 million for a 16% stake in May 2002. The realisation delivered a money multiple of 5.2 times and an IRR of 64%.

3i's funding supported the company during a period of rapid growth, helping Petrofac transform itself from an engineering procurement construction contractor into a total integrated facilities management solutions provider.

In addition, 3i introduced Michael Press as an independent non-executive director and Keith Roberts, the Chief Financial Officer.

3i funded 36% of all European oil and gas private equity deals from 2003 to 2005 and manages an investment portfolio of 18 companies in the exploration and production and service sectors. Actively utilising this sector knowledge, 3i was able to introduce another 3i-backed company, training business RGIT Montrose, to Petrofac, which it subsequently acquired in February 2004.

Nimbus

New investment – Asia – media

In August 2005 3i entered the Indian market with a US$45 million investment in Nimbus Communications. This was the largest private equity investment to date in India's fast-growing media and entertainment industry.

Founded by Executive Chairman Harish Thawani in 1987, Nimbus is recognised as one of the world's leading producers and managers of media rights for cricket. Nimbus is also a leading Indian language TV and movie producer and has interests in digital content and film distribution.

Headquartered in Mumbai, the company has operations in India, Singapore, UK, South Africa and the Caribbean.

3i's global media expertise and its local execution skills were key to winning the mandate for this investment.

3i's extensive media sector knowledge will enable it to add strategic value to a business with an excellent position in a high-growth market and ambitious organic expansion and acquisition plans.