

3i is a world leader in private equity and venture capital. We focus on buyouts, growth capital and venture capital and invest across Europe, the US and Asia.

Our competitive advantage comes from our international network and the strength and breadth of our relationships in business. These underpin the value that we deliver to our portfolio and to our shareholders.

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This Annual report and accounts may contain certain statements about the future outlook for 3i. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Front cover

Hong Kong, one of the cities from which we operate.

Our purpose:

to provide quoted access to private equity returns.

Our vision:

to be the private equity firm of choice:

- operating on a world-wide scale;
- producing consistent market-beating returns;
- acknowledged for our partnership style; and
- winning through our unparalleled resources.

Our strategy:

- to invest in high-return assets;
- to grow our assets and those we manage on behalf of third parties;
- to extend our international reach, directly and through investing in funds;
- to use our balance sheet and resources to develop existing and new business lines; and
- to continue to build our strong culture of operating as one company across business lines, geographies and sectors.

Group financial highlights

22.5%

Return on opening shareholders' funds

£2,207m

Realisation proceeds

£831m

Total return

15.2p

Dividend per share

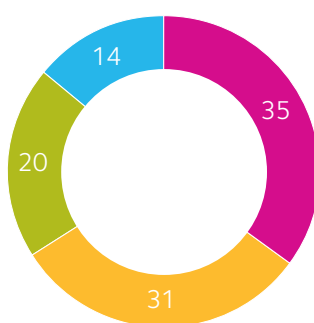
Financial highlights

for the year to 31 March

	2006	2005 (as restated)*
Gross portfolio return on opening portfolio value	24.4%	16.7%
Total return on opening shareholders' funds	22.5%	15.2%
Dividend per share [†]	15.2p [†]	14.6p
Realised profits over opening valuation on disposal of investments	£576m	£250m
Diluted net asset value per share	739p	614p
New investment	£1,110m	£755m
Realisation proceeds	£2,207m	£1,302m
Total portfolio value	£4,139m	£4,317m

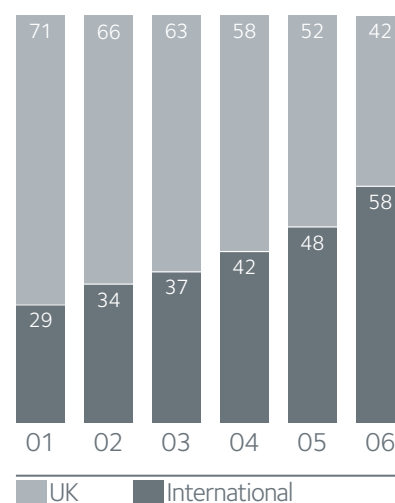
*Restated comparatives reflect the adoption of International Financial Reporting Standards ("IFRS").
[†]In addition, a special dividend of 40.7p per share was paid in the year.

Portfolio value (%)
as at 31 March 2006



Buyouts	£1,465m
Growth Capital	£1,284m
Venture Capital	£826m
SMI	£564m

Trend in international portfolio value (%)
as at 31 March



Our business lines

29%

Buyouts: Gross portfolio return

26%

Growth Capital: Gross portfolio return

17%

Venture Capital: Gross portfolio return

Buyouts

Focusing on mid-market transactions in Europe, targeting 15 investments per year, each with a value of up to €1bn.

Growth Capital

Making minority investments in established and profitable businesses across Europe, Asia and now the US, investing €10m to €150m per transaction.

Venture Capital

Investing in early and late-stage technology companies, typically in the €2m to €50m range in Europe and the US. We focus on the software, communications, healthcare and electronics sectors.

Gross portfolio return for the year to 31 March

	2006 %	2005 %
Buyouts	29	20
Growth Capital	26	23
Venture Capital	17	11

The relationship between 3i's measures of return is explained in detail on pages 98 and 99.

Financial performance by business line (£m)

for the year to 31 March 2006

Gross portfolio return	£1,053m	447	341	128	137
New investment	£1,110m	451	497	156	6
Realisation proceeds	£2,207m	877	855	207	268
Realised profit	£576m	208	232	72	64
Unrealised value movement	£245m	124	60	51	10
Portfolio income	£232m	115	49	63	5

Buyouts Growth Capital Venture Capital SMI

SMI

3i's Smaller Minority Investments ("SMI") initiative, established in 2001, generates returns from some of our older investments. It is our objective to realise this portfolio in the near term. As at 31 March 2006, we held 526 SMI investments valued at £564 million, representing 14% by value and 48% by number of 3i's total portfolio (2005: 807 investments valued at £756 million).