Press Release
3i Group plc

Preliminary statement of annual results
for year to 31 March 2002
www.3i.com

16 May 2002

Results Highlights

- Positive total return of £137 million in the second half of the year
- Total return of £(960) million for the year as a whole, a negative return of 19.3% on opening shareholders' funds
- Revenue profit after tax of £106 million
- £1.0 billion invested (including co-investment funds)
- Realisations of investments generated proceeds of £1.1 billion
- Recommended final dividend of 8.1p per share, making a total dividend for the year of 13.0p (2001: 13.0p)
- Diluted net asset value per share of 645p

Baroness Hogg, chairman of 3i Group plc, commenting on the results, said: "Since the autumn, when 3i reported on the difficult conditions it had experienced, there have been some encouraging signs of improvement. Our Enterprise Barometer indicates that business confidence has picked up among the companies in which we invest, and 3i achieved a positive return in the second half of the year."

Results Overview

- This has been a year which has had two distinct halves: the first half resulted in a negative total return of £1,097 million with the second half generating a positive return of £137 million.

- The overall return is largely due to a fall of £890 million in the valuation of the portfolio. This fall in value was caused by falls in the value of quoted and unquoted technology companies and an increase in provisions.

- Proceeds from realisations were higher than investment resulting in a net cash inflow from investment activities of £319 million. After the acquisition of Atle for £347 million and other cash flows, there was a net cash outflow of £102 million.

- The outlook is improving and higher levels of investment are expected next year.

Strategic Review

3i's vision is to be the leading international venture capital company. 3i's strategy is unchanged. The four core elements of 3i's strategy are to build a strong business in each of the developed economies, to achieve a balanced business by product, by industry sector and geographic region, to invest in companies that have the potential to grow their revenues and profits, and to use our network to provide real competitive advantage for 3i and its investee companies.

In order to implement our strategy and particularly to use the network to add value, 3i's business is organised by region and by product. The geographic regions are the UK, continental Europe, US and Asia Pacific. Overlaying this, the business is also organised by product, buy-outs, early stage technology and growth capital.

3i's European office network comprises 10 UK offices and 20 offices across continental Europe. On 27 April 2001 the acquisition of a leading Swedish venture capitalist, Atle AB, was completed. The integration of this acquisition has created a Nordic business unit covering Denmark, Finland and Sweden. An office has also been opened in Dublin and 3i's European network is now substantially complete.

In the US, the initial three objectives of extending our technology business to the US market, gaining a window on technology developments and accessing high quality deal flow have been achieved.

With the opening of the third Asian office in Hong Kong, 3i has a strong base from which to maximise regional opportunities. The Asia Pacific business is performing in line with initial expectations.

Operating Review

Europe

3i invested £889 million in Europe during the year, with an equal amount being invested in the UK and continental Europe. 3i's share of the overall buy-out market has remained stable by number and value over the year and it has strengthened its position in the larger buy-out market. In the early stage technology market, 3i has followed a highly selective investment strategy which has reduced market share, although 3i remains the clear leader in the market.

US

3i invested £119 million this year and now has a portfolio of 47 companies in the US. The first realisation in the US was successfully achieved this year.

Asia Pacific

3i invested £31 million in eight companies during the year. The regional portfolio includes investments in 24 companies and has a value of £101 million including co-investment funds.

Fund management

3i now manages and advises third party unquoted funds totalling £2.0 billion. It is launching a new €3 billion fund focusing on mid market buy-outs across Europe. Unquoted funds under management generated fee income of £35 million for the year.

3i also manages £0.8 billion of quoted funds. 3i Asset Management's objectives are to optimise the value of the Group's quoted portfolio and to utilise the skill gained through managing specialist external funds in areas that are of direct relevance to 3i's core business.

Financial Review

Revenue profit after tax for the period was £106 million after charging the costs of changes to the organisational structure and the write-off of goodwill. Before these items, revenue profit after tax was £117 million, similar to last year. Despite weak merger and acquisition markets, a good level of realisations was achieved, with total proceeds of £1,123 million. Proceeds from the sale of quoted investments amounted to £526 million. The sale of unquoted equity resulted in proceeds of £303 million and the repayment of loan and preference shares totalled £211 million.

During the year, there was a net cash outflow of £102 million. This is largely the result of the acquisition of Atle for a purchase consideration of £347 million. Investment in the period made by 3i, excluding co-investment funds, amounted to £834 million while the return flow from the sale of investments amounted to £1,123 million.

Preferred securities

In order to take advantage of attractive investment opportunities, 3i proposes to issue £300 million of preferred securities. These securities, which are similar to preference shares, will be perpetual and bear a fixed non-cumulative coupon.

Summary

Commenting on the results, 3i's chief executive, Brian Larcombe, said: "This has been a challenging year in which we have managed many changes to strengthen the business. We are in good shape and we are seeing clear evidence of improved conditions since the year end."

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Notes to Editors

3i brings capital, knowledge and connections to the creation and development of businesses around the world. It invests in a wide range of opportunities from start-ups to buy-outs and buy-ins, focusing on businesses with high growth potential and strong management.

3i invests in businesses across three continents through local investment teams in Europe, Asia Pacific and the USA. To date, 3i has invested over £14.5 billion (including co-investment funds).

Chairman's statement

Since the autumn, when my predecessor, Sir George Russell, reported on the difficult conditions experienced by 3i, there have been some encouraging signs of improvement. Our Enterprise Barometer indicates that business confidence has picked up among the companies in which we invest, and 3i achieved a positive return in the second half of the year.

Total return for the year to 31 March 2002 as a whole was a negative £960 million, reducing 3i's compound annual return over ten years to an average 13.8%. The Board is recommending a final dividend of 8.1p, making a total dividend of 13.0p, unchanged since the previous year. Though performance varied across the portfolio, overall realisations slowed – as did investment – and weak equity markets depressed 3i's valuations. But the second half of the year saw a recovery of £137 million in total return, and a positive cashflow.

The Company has pruned branches of its office network to build bigger teams in key business centres, while expanding its reach in Asia and the Nordic region, and developing its capability in the US. At the same time, management has reinforced its international approach to the buy-out and technology businesses. The ability to mobilise specialist teams, able to draw on the regional knowledge of 36 offices in Europe, the US and Asia, gives 3i a powerful combination of focus and reach.

So 3i has ended the year with its strategy reinforced: to enhance shareholder value by exploiting its strength as Europe's leading venture capital company. Its edge comes not merely from financial strength, but crucially from the ability to use its international network to provide competitive advantage to its buy-out, early stage and growth capital businesses.

Sir George Russell, Chairman of the Company since before its flotation in 1994, retired at the end of December 2001. I am indebted to George for his invaluable advice, and honoured to have been invited to succeed a chairman who did so much to lead 3i through a period in which the business was transformed.

Oliver Stocken, who has been a member of the Board since 1999, has been appointed Deputy Chairman, and will also become the nominated Senior Independent Director of the Company when Lord Camoys retires from the Board at the Annual General Meeting in July. Tom Camoys has been a member of the Board since 1991, and has made a tremendous contribution to 3i throughout this period.

I am delighted that Fred Steingraber, Chairman Emeritus of A.T. Kearney Inc, has joined the Board as a non-executive Director, bringing us the benefit of his American and continental European experience.

Although still subject to both political and economic risks, the world outlook has improved since the autumn. 3i's extensive portfolio provides the protection of diversity, while its strategy is tuned to opportunities in all its major markets. This is a good time to invest. The financial strength of the 3i Group enables us to do so. And the management has positioned the Company well to win the best deals for 3i and add value to its portfolio companies in the coming year.

Baroness Hogg, Chairman
15 May 2002

Chief Executive's review

In my review last year, I said that our plans anticipated another challenging year. The business environment has been more difficult than we and most others had expected. Over the first six months, economic conditions deteriorated and there was a sharp fall in quoted markets and business confidence in September. UK manufacturing, the German economy and certain technology sectors were the worst affected. Since September, economic conditions have not deteriorated further and there are now some signs of improvement.

During the year, we have taken action to mitigate the effects of the downturn. We have carried out rigorous reviews of our portfolio by industry sector and continue to support strongly those we believe will succeed, while taking action to limit losses on other investments. We have realised a substantial part of the quoted portfolio at similar prices to those at 31 March 2001, notwithstanding the decline in stock markets during the year. New investment was reduced broadly in line with the contraction in the venture capital market. As reported last October, we reduced our staff by 185 people in order to match our resources to anticipated business levels and to improve productivity.

The negative total return for the year of £960 million is disappointing and results from the general weakness of the markets in which we operate and also the particular difficulties experienced by some sectors in which we were heavily invested.

It has not been easy, in this climate, for young companies to generate revenue growth regardless of the quality of their products and services. We have seen a higher level of failures and have made significant provisions. In addition, there has been a substantial decline in the value of our quoted investments, driven by a sharp fall in technology stock markets.

Our buy-out and growth capital portfolio has performed fairly robustly and strong earnings growth, driven by a small number of investments, has been a major factor in achieving a positive second half total return.

In the year, together with co-investment funds, we invested £1,039 million in 551 businesses, substantially less than in the previous financial year. We broadly maintained our market share at a time of sharp contraction in investment for the venture capital industry as a whole.

For the first time, more than half of 3i's investment was made outside the UK with £446 million invested in continental Europe and £150 million in the United States and Asia Pacific. £395 million of investment was further capital for existing portfolio companies.

Investment was made at broadly the same level as realisations. In the year, total return flow from sales and repayments amounted to £1,123 million. This demonstrates our ability to manage cash flows, despite low merger and acquisition activity and a weak new issues market. The balance sheet is stronger than at 30 September 2001 and our financial strength will enable us to invest as economies recover.

There are now early signs of a pick up in investment activity, particularly in the European mid-market buy-out business, where we are seeing some attractive opportunities.

We take little comfort from the fact that the venture capital industry has had a difficult two years. But, as many of those who entered the industry when times were easier are no longer in the business, 3i's competitive position has greatly strengthened.

The venture capital industry has a long term record of out-performing quoted markets. In the last two years, the industry as a whole has been badly affected by harsher conditions in many markets. However, the outlook for the industry is positive and many of the markets have considerable potential for further development.

3i's strategy is clear.

We aim to build strong businesses in each of the major developed economies. In the year, we have firmly established our Nordic business, following the acquisition of Atle in Sweden, and maintained strong market positions in our longer established businesses in continental Europe. Our reputation in the United States and in Asia Pacific continues to grow. We regard the network as substantially complete and have no current plans to establish additional country operations.

A further key strategy is to maintain a balanced business; by product, by geography and by sector. More volatile conditions have reinforced the validity of this strategy. However, with hindsight, it is clear that we were overly invested in some previously fast growing sectors, such as equipment supply to the telecommunications industry, which have suffered from a collapse in demand. Over the year, we have achieved a better balance in our portfolio.

Our early stage technology portfolio represents 20% of the Group portfolio and we expect it to remain at about this level. Looking forward, technology companies face a challenging environment but we expect to see some clear winners develop over the next few years from our portfolio.

Investing in companies with growth potential should provide the best returns for us, particularly given low inflation and the lack of pricing power in many traditional sectors. We are attracted to companies that have the potential to grow their operations, revenues and profits. We look less favourably on investments that rely mainly on financial engineering as the prime driver of shareholder value.

At the heart of our business model is our international network, which provides real competitive advantage. It enables us to access the majority of investment opportunities in the marketplace, to compare potential investments in the same sector and select those we consider to be the best.

We reviewed our resourcing last October in the light of the slowdown in our markets. We cut costs by about £18 million, which involved 185 redundancies. We did not withdraw from any countries and the closure of smaller offices enabled us to focus on larger offices with the critical mass which is needed in today's markets.

The review also enabled us to push forward with some significant organisational and investment process changes. For the last two years, we have been developing a stronger product and sector focus and have now implemented fully a plan to co-ordinate our larger buy-out and technology businesses across the office network. These are led by Jonathan Russell and Rod Perry respectively.

We have organised our technology business in four sector groups, which are managed by specialist teams from across the network. This co-ordination improves our investment process and enables much greater added value to be given to the portfolio companies.

In our buy-out business, we are investing in companies with a valuation of up to £500 million and have strengthened our resource for this market across our European business. Some substantial investments made in recent years are performing very strongly.

Growth capital is a substantial part of our business and, in the year, over 40% of realisations came from growth capital investments. We expect that the market for growth capital investment will increase, as entrepreneurs seek to grow their businesses and seek venture capital funding. This market is accessed by our local offices who then use the wider 3i network to help assess investments and to add value to them after investment.

We have also invested heavily this year in the people resources who manage our portfolio. This includes our independent directors who we often appoint as chairmen of our portfolio companies. We made 178 appointments in 2001. In a similar way to the development of new investment processes, we have also developed a very clear segmentation approach to the management of our portfolio.

This has been a challenging year in which we have managed many changes to strengthen our business. It is in good shape and we are seeing evidence of improved conditions since the year end. This is most evident in recent new investment and realisation activity.

Brian Larcombe, Chief Executive
15 May 2002

Operating review

Introduction
There are four core elements of strategy which apply across our business:

- To build strong businesses in each of the major venture capital markets.
- To achieve a balanced business by product, by industry sector and by geographic region.
- To invest in companies that have the potential to grow their revenues and profits.
- To use our international network to provide real competitive advantage for 3i and our investee companies.

In order to implement our strategy, and particularly to use the network to add value, our business is organised by region and also by product. The geographic regions are the UK, continental Europe, the United States and Asia Pacific. Overlaying this, our business is also organised by product: buy-outs, early stage technology and growth capital. During the year, we made some significant organisational and investment process changes to the way our investment products are managed.

Our buy-out business is led by Jonathan Russell who heads a team of directors and investment executives operating in our network across Europe. Our objective is to access and have the opportunity to invest in more than 70% of European buy-outs with a funding requirement between £5 million and £500 million and to complete the best deals on a pan European basis. During the year, we have strengthened our processes for identifying investment opportunities, making investments and managing the portfolio.

Our technology business is now led by Rod Perry and is organised to focus on four sectors:

- Software
- Communications
- Healthcare
- Electronics, semiconductors and advanced technologies (ESAT)

Each sector operates on an international basis, with a sector head and team of experienced directors and executives, drawing on our in-house industry advisers as well as our extensive external contacts. Investment decisions are made using the resources available to the Group in an efficient and effective manner.

Our growth capital business is led by the directors responsible for each geographic region. We make investments in a wide range of sectors, enabling businesses, often owner managed, to grow significantly. Typically, such investments are originated through our office network and the investment decision is made largely on our knowledge of local business conditions. The resources of the international network are used where value can be added. A good example of a thriving growth capital sector is our oil and gas business, managed by our Aberdeen office.

Operating review: Europe

Introduction
3i is Europe's leading venture capital company. Our objectives are to maintain and develop our leadership position in the UK and grow our continental European business to at least 30% of the portfolio by 2006. We are making good progress towards delivering both of these objectives.

Market
The market conditions in Europe this year have been challenging. The overall market fell significantly in terms of the number of deals completed in both the buy-out and early stage technology markets. The fall in amount invested has been less marked due to a few very large transactions in the buy-out market.

The market for buy-outs between £5 million and £500 million reduced by 20%, from £35 billion to £28 billion in calendar year 2001. This overall picture masks considerable differences in the national markets. The amount invested increased in the Nordic and Benelux regions, while significant decreases were seen in both number and value in Germany, France, Italy and Spain.

The European early stage technology market in 2001 has reflected the sharp fall in quoted markets and the difficult conditions for most sectors. This has reduced the appetite of many investing institutions as well as the number of entrepreneurs seeking funding. By number and value, the European market has halved in the year, although it still remains substantially larger than in 1999.

The growth capital market includes a wide range of investments, from those in smaller companies through to larger companies seeking funds for expansion as an alternative to listing on quoted markets. The growth capital market for new investment was less active as a result of lower levels of business confidence during the last 12 months.

Operational review

Investment activity
We invested £889 million in Europe during the year, compared with £1,776 million in the previous year, with an equal amount being invested in the UK and continental Europe. Investment in early stage technology fell by more than the investment in buy-outs and growth capital.

Our share of the overall buy-out market has remained stable by number and value over the year. We have sought to strengthen our position in the larger buy-out market and this has been achieved. The largest investment made in the year was Go Fly Ltd, the low cost airline buy-out. This investment originated through our transport team, which has significant experience in the airline industry, and was completed using the resources of our London buy-outs team.

Notwithstanding the market downturn, we have made substantial investments in our European market this year. Malmberg Investments BV, a €195 million buy-out from VNU in Belgium, is a good example. In Germany, we were able to complete the buy-out of a division of Deutsche Telecom, which provides services for businesses' satellite communication needs.

Completing the Malmberg transaction required us to pool the sector knowledge of our technology teams with the deal execution knowledge of our buy-out team in Frankfurt.

Our technology business in Europe has had to cope with difficult market conditions, with both the performance of the portfolio companies and with reduced opportunities for exits and IPOs. The key to succeeding in these conditions is our ability to use our network knowledge to attract and choose the best investment opportunities and add value to them.

In the early stage technology market, we have adopted a highly selective investment strategy. This has resulted in a lower market share but we have maintained our clear market leadership position. We have strongly supported those companies in our portfolio that we believe will succeed and have also invested in new opportunities where we see considerable potential.

In the growth capital market, we have continued to source good opportunities in more traditional sectors using our local network in the key business regions around Europe.

Portfolio management

For several years we have been focusing on the organisation of our resources in order to add value to our investee companies.

We have a clearly segmented approach to the management of our portfolio, with teams managing smaller investments, larger buy-outs and early stage technology investments. This approach allows us to share best practice and add value to our investee companies.

During the year, we have carried out rigorous reviews of our technology portfolio by sector, in order to identify those companies we should strongly support in difficult conditions and also to work with management to recover value from those investments less likely to succeed.

Realisations

Conditions for realisations have been difficult during the year. The mergers and acquisitions market has been depressed and stock markets have not been receptive to new issues.

Notwithstanding these conditions, we achieved a good level of realisations, both from companies which had previously achieved an IPO and from companies in more traditional sectors less affected by the economic downturn.

We had seven flotations during the year, including Marlborough Stirling plc, a software business, and Pulsion Medical Systems AG, together with 104 trade sales.

As our continental European portfolio matures, we are devoting increasing resources to managing investments through to profitable exit.

Regional network

Our European office network now comprises 10 UK offices and 20 offices across continental Europe, which gives us an excellent reach across all the main commercial centres of Europe.

In April 2001, we completed the acquisition of a leading Swedish venture capitalist, Atle AB. The integration of this acquisition to create a Nordic business unit covering Denmark, Finland and Sweden, has been successfully completed during the year, giving us a substantial presence in this market. We also opened an office in Dublin and our European network is now substantially complete.

Sector focus

We have sought to build on our specialist skills in early stage technology and buy-outs, while originating investment opportunities through our geographic network and sector teams. This approach requires offices with critical mass to allow specialisation. Our offices have developed particular expertise appropriate to their local market, such as Aberdeen (for oil and gas) and Helsinki (for communications).

People

Our teams are organised so as to work across national borders to maximise the benefits of our network. This allows us to deploy the most appropriate executives to any opportunity, wherever located, and to share knowledge at all stages of our investment.

Operating review: United States

Introduction

Our strategy for developing our business in the US has been confirmed by our experience in the last year. We will maintain our focus on continued growth and delivering value to our portfolio companies, both locally and internationally.

Our objective is to grow the assets held in the US to at least 10% of the Group portfolio by 2006 and we are progressing well towards this target. We continue to develop our business in the technology sectors of software and communications, leveraging our expertise and experience and our east and west coast locations to our advantage.

Market

The US is the largest and most active venture capital market. As a result of the economic downturn, investors throughout the market have become more selective. We have seen a return to business fundamentals in early stage deals and many of our competitors are focusing more of their resources on their portfolios. Exit opportunities remain scarce.

Operational review

We have achieved our initial three objectives of; extending our technology business to the US market, gaining a window on technology developments, and accessing high quality deal flow. We are now regularly co-investing with top tier local venture groups on the east and west coasts and we have a growing list of companies in Europe, the US and Asia that have benefited from our network.

We have invested £119 million this year in 47 companies.

The portfolio now includes 81 companies across a range of development stages, with more than half of these companies being added to the portfolio in the last 12 months. In addition, we have successfully achieved our first realisation, Torrent Systems, Inc and expect further realisations over the next two years. In the interim, we are actively managing the risk inherent in young portfolio companies.

The recent investment made in PlaceWare Inc is part of the successful implementation of our later stage initiative. This initiative places an equal focus on both early stage and later stage investments as part of our wider strategy to build a balanced portfolio.

Since opening our offices in Menlo Park, California and in Boston, Massachusetts in late 1999, we have recruited locally and now have 31 US based employees. To add value to our portfolio companies, we offer strategic advice, support and sector expertise as well as access to our international network.

Operating review: Asia Pacific

Introduction
Our strategy to develop a long term business in the Asia Pacific region remains unchanged. While there was a severe economic downturn last year, we are now seeing recovery and an increase in business confidence.

The market
The venture capital industry is in the early stages of development in the region. However, long term growth continues and fundamentals remain solid. Market infrastructure continues to improve in our favour, mirroring a greater awareness and understanding of the industry. Companies in the region are returning to basics and looking for partners who can really add value.

Operational review
With the opening of our third Asian office in Hong Kong in August 2001, we have a strong base from which to maximise opportunities in the north Asia market. Our Singapore team has established a leadership position in the technology sector – reflecting Singapore's position as a high growth technology hub. We are now focusing on extending 3i's reach from Singapore into the south Asia market, broadening our mix of investments and using 3i's buy-out expertise to benefit from the growing buy-out market in south east Asia.

The Japanese buy-out market is continuing to develop. We are seeing an increase in the number of deals being completed, however the market is still immature.

Our Asia Pacific business is performing in line with initial expectations, despite continued economic difficulties throughout the region.

We invested £31 million in eight companies during the year. The Asia Pacific portfolio now includes investments in 24 companies and has a value of £101 million including co-investment funds.

This represents 1.7% of 3i's total investment portfolio – good progress towards the Group's objective of having 5% of 3i's investment portfolio in Asia by 2006.

We continue to deliver support to our portfolio companies both within the region and throughout the 3i network. The recent 3i Technology conference in Singapore is a good example of how 3i's international network can provide real benefit to the companies in which we are invested. We brought together more than 40 of our international investee companies in the communications and semiconductor sectors. This three day event provided key insights into the region, and established valuable connections between those businesses and some of Asia's leading corporations.

Operating review: Fund management

Unquoted funds
3i manages and advises third party unquoted funds totalling £2.0 billion of invested and committed funds on behalf of external investors. The majority of these funds are for investment in European mid-market buy-outs. The fund investors invest in these funds as they present an opportunity to benefit from 3i's market leadership in this sector.

Our unquoted funds are typically invested on a 50:50 basis alongside 3i's own capital. This enables us to make larger investments than we would otherwise be able to do and, in particular, enables us to manage investments in underlying portfolio companies where we have a majority economic interest. Unquoted fund management generated fee income of £35 million for the year. The fee income and profit share from these funds enhances our own investment returns.

We have recently completed the pre-marketing phase for a new €3 billion fund focusing on mid-market buy-outs across Europe. This fund will be Europe's largest mid-market buy-out fund and reflects the development of this part of our business and the benefits of our international network. We are encouraged by the response we have had to date.

Quoted funds
3i Asset Management is a team dedicated to managing the Group's own portfolio of quoted assets which originates mainly from venture capital investments that are now quoted companies as well as £0.8 billion of third party quoted funds. This team's expertise is in smaller quoted companies and also has specialist expertise in bioscience and wider technology companies, increasingly on a pan European basis.

Assets managed include the Group's own pension fund and three quoted specialist investment companies which are separate quoted investment companies in their own right. These investment companies are 3i Smaller Quoted Companies Trust plc, which invests in smaller UK companies; 3i Bioscience Investment Trust plc which invests internationally in life science and healthcare companies; and 3i European Technology Trust plc which invests in quoted companies across Europe whose focus is on technology, excluding life sciences and healthcare.

Our management of 3i UK Select was discontinued shortly after the year end as the larger company focus of the portfolio does not fit with the smaller company expertise of the team.

3i Asset Management's objectives are to optimise the value of the Group's quoted portfolio and to utilise their specialist skill base in managing external funds that are of direct relevance to 3i's core business. Asset Management generated fee income of £6 million this year.

Overall, we are committed to building our fund management business in areas that enhance 3i's financial returns and add value to our core investment business.

Financial review

Total return for the year was £(960) million, a return of (19.3)% on opening shareholders' funds. This represents an improvement of £137 million on the total return for the first half of £(1,097) million.

3i's total return represents an under-performance for the year relative to the falls of 3.2% and 9.3% in the FTSE All-Share and FTSE SmallCap stock market indices respectively, but is an out-performance of the FTSE techMARK100 and Neuer Markt, which were down 38% and 39% respectively. Over the medium and longer term, 3i has maintained its record of out-performance of relevant stock market indices.

Within the venture capital industry, following several years of strong returns, many firms, particularly those with exposure to technology investments, have suffered significant decreases in the valuation of their portfolios. 3i, with a well diversified portfolio by stage of investment, by industry sector and by location, has been able to mitigate to some extent the effects of the economic downturn.

3i's negative return is largely due to a fall of £890 million in the valuation of the portfolio, caused by an increase in provisions and falls in the value of quoted and unquoted technology companies. Realisations of investments generated proceeds of £1,123 million, including the sale of a portfolio of FTSE 350 companies for £156 million, at a net loss of £39 million over their valuation at 31 March 2001. Equity investments were realised at a small profit over their opening valuation.

Realisations exceeded investment and after the acquisition of Atle for a cash consideration of £347 million and other cash flows, there was a net cash outflow of £102 million for the year. The balance sheet remains strong.

Total return from technology investments was £(937) million. Buy-out and growth capital investments generated a small positive return of £50 million. There was goodwill amortisation of £73 million on acquisitions in previous years of technology venture capital businesses.

The return from the UK business was £(298) million while the continental Europe return, before goodwill amortisation, was £(480) million, largely as a result of reductions in the value of the German technology portfolio and in the valuation of investments in the Nordic region. The US business total return was £(74) million and our Asia Pacific business produced a return of £(34) million.

Revenue profit

Revenue profit before tax of £109 million is stated after charging the costs of changes to the organisational structure and write-off of goodwill. Before these items, revenue profit before tax was £120 million, the same as last year.

Dividend income of £130 million (March 2001: £144 million) includes £44 million of dividends received on the sale and restructuring of investments (March 2001: £35 million). Underlying dividend income has been falling for a number of years as the market trend is for a higher proportion of investment returns to be in the form of capital profit rather than income. This has been exacerbated by the economic downturn. Fees earned fell from last year's record level of £72 million to £56 million. This reflects lower investment, resulting in lower arrangement fees, and lower fees for managing quoted and unquoted funds.

Total costs were at a similar level to last year at £171 million and included operational costs of £6 million for Atle, which was acquired in April 2001 and also an increase over last year of £11 million in pension costs to £16 million. The transitional disclosure requirements of Financial Reporting Standard (FRS) 17 – Retirement benefits, which shows that the net pension liability at 31 March 2002 was £14 million. As permitted by the FRS, this has not been incorporated in the accounts. Full implementation of FRS 17 is required for accounting periods ending on or after 22 June 2003.

In addition, costs of £18 million for changes to the organisational structure have been charged; £9 million to the revenue account and £9 million to the capital account. These changes have resulted in savings of £3 million in the year and estimated ongoing annual savings of £18 million. Net costs (total costs excluding organisational structure costs less fee income) represent 2.3% of 3i's portfolio, excluding co-investment funds, compared with 1.7% last year, with the increase resulting mainly from the fall in the valuation of the portfolio.

Realised capital profits

Corporate merger and acquisition markets have remained weak. Despite this, we achieved a good level of realisations, with total proceeds of £1,123 million.

Proceeds from the sale of quoted investments amounted to £526 million, almost equal to their valuation at March 2001, despite the fall in stock markets over the year. IPOs generated proceeds of £55 million, much lower than last year when £253 million was realised in buoyant conditions.

The sale of unquoted companies has resulted in equity proceeds of £303 million (March 2001: £470 million) and there were also repayments of loan and fixed income shares of £211 million (March 2001: £292 million).

Sales of unquoted equity investments achieved an uplift of 43% over their valuation at March 2001, but when account is taken for the impact of failures and quoted realisations, the uplift on total equity realisations was 1%. Overall, 22% of the value of the equity portfolio at March 2001 has been realised, being 44% of the quoted portfolio and 12% of the unquoted portfolio.

After taking into account losses on the repayment or failure of loans and fixed income shares, there was an overall net loss of £39 million on investments realised, compared with their valuation at 31 March 2001.

Unrealised value movement

There has been a net unrealised value reduction of £890 million in the year. The main drivers have been a fall in the valuation of the quoted portfolio of £303 million and an increase in provisions for failures amounting to £400 million, compared with £317 million last year. In addition, the valuation of investments has been reduced by £181 million to take into account lower valuations in subsequent rounds of finance and impending restructuring of portfolio companies. The weighted average of price earnings ratios used to value the unquoted portfolio has increased from 9.7 at 31 March 2001 to 10.0. There were also other value reductions amounting to £136 million, which included a reduction in the value of investments acquired from Atle.

Investee companies' earnings, where used as the basis of valuation at the start and end of the year, have resulted in an increase in valuation of £130 million, caused largely by strong earnings growth from a small number of high performing companies.

Investment

We invested £1,039 million including co-investment funds, 47% lower than last year. Approximately 40% of investment has been in early stage technology companies, with 46% of this supporting existing portfolio companies.

We invested £443 million in the UK, 43% of total investment, while £446 million was invested in continental Europe, £119 million in the US and £31 million in Asia Pacific.

Goodwill
As explained in the interim report, goodwill arising on the acquisitions over the previous 18 months of technology venture capital businesses has been amortised in full during the year rather than, as previously, over a five year term. This has resulted in a charge of £73 million for the year (£71 million to capital, £2 million to revenue) instead of £18 million, based on a five year amortisation period. Full amortisation of goodwill is considered appropriate as market conditions facing technology companies have become tougher.

Acquisition
In April, 3i together with a joint venture partner, Ratos AB, acquired Atle AB, a public company in Sweden and a leading venture capital investor. 3i's share of the consideration was £347 million. Since then, most of the Atle investments have been transferred to either 3i or Ratos and those transferred to 3i are included in the share and loan portfolio. The remaining investments are included in joint ventures.

Balance sheet and cash flow
At 31 March 2002, the Group's portfolio was valued at £5,109 million, compared with £5,957 million at the previous year end. This is primarily due to the high level of disposals of quoted investments and the fall in value of the remaining portfolio. As a result, quoted investments now represent 10% of 3i's portfolio, excluding co-investment funds. Shareholders' funds amount to £3.9 billion.

There was a net cash outflow of £102 million in the year. This largely results from the acquisition of Atle for a purchase consideration of £347 million. A net investment cash inflow of £319 million was generated, with cash invested of £804 million while the sale and repayment of investments produced proceeds of £1,123 million, including £156 million from a portfolio of FTSE 350 companies. The fall in value of the portfolio and the increase in net borrowings from £1,098 million at the start of the year to £1,187 million at the year end has resulted in an increase in gearing (net borrowings to shareholders' funds) from 22% at 31 March 2001 to 30%.

At 31 March 2002, the Group had committed facilities of £985 million, of which £624 million was undrawn at the balance sheet date. We have already announced plans to raise a Euro 3 billion successor fund for mid-market European buy-outs, with third party capital commitments of Euro1.5 billion. In addition, we propose to issue £300 million of perpetual preferred securities which will provide secure long term funds at a competitive cost.

Regulation of the Group
Following the final implementation of the new UK regulatory regime in November 2001, 3i Group plc and relevant subsidiaries are now regulated by the Financial Services Authority.

Risk management
3i has a comprehensive framework to manage the risks that are inherent in its business. The main risks comprise treasury risk, investment risk, economic risk and people risk.

Treasury risk management
The overall funding objective continues to be that each category of investment asset is broadly matched with liabilities and shareholders' funds, with corresponding characteristics

in terms of risk and maturity and that funding needs are met ahead of planned investment. This objective continued to be met during the year to 31 March 2002.

All assets and liabilities are held for non-trading purposes and, as a result, the Group does not have a trading book. The Group does not trade in derivatives and does not enter into transactions of either a speculative nature or unrelated to the Group's investment activities. Derivatives are used to manage the risks arising from the Group's investment activities.

The main funding risks faced by the Group are interest rate risk and exchange rate risk. The level of these risks is mitigated by the overall objective and the Board regularly reviews and approves policies on the approach to each of these risks.

3i's policy for exchange rate risk management is not generally to hedge its overall portfolio in continental Europe or the US. In line with its funding policy, approximately 25% of those assets are funded by borrowings in local currency and, as a result, a partial hedge exists. 3i's largest exposure is £0.9 billion in respect of net assets denominated in Euro in continental Europe. The level of exposure to exchange rate risk is reviewed on a periodic basis.

Day to day management of treasury activities is delegated to executive Directors and the Group Treasurer. Regular reports on the Group's funding position have been considered during the year by the Board. There has been no change during the year or since the year end to the major funding risks faced by the Group, or to the Group's approach to such risks.

Investment risk
This includes investing in companies that may not perform as expected, being over exposed to one sector of the economy and the portfolio valuation being partly based on stock market valuations.

3i's investment criteria focus on management ability and market potential. Investment appraisal and due diligence is undertaken in a rigorous manner by drawing on our international network and experts in individual industry sectors. In general, proposed investments over £5 million are presented to the Group's Investment Committee or Technology Investment Committee, which are committees of senior management including executive Directors.

3i invests in all sectors of the economy, except those, such as property, where the opportunity to invest in venture capital backed businesses meeting 3i's investment criteria is limited. Management periodically reviews the portfolio, which is well diversified by industry sector, to ensure that there is no undue exposure to any one sector.

The valuation of a large proportion of 3i's equity portfolio is based on stock market valuations for the relevant industry sector. Quoted investments are valued using the mid-market price at the balance sheet date. About 42% of the unquoted equity portfolio is valued using stock market price earnings ratios for the relevant industry sector discounted for non marketability. Accordingly, stock market valuations for individual sectors are an important factor in determining the valuation of 3i's portfolio and the total return.

There are regular reviews of holdings in quoted companies and exposure to individual sectors in order to monitor the level of risk and mitigate exposure where appropriate. In particular, the level of future funding of technology companies is kept under review.

However, it is not possible to protect against the risks of a downturn in stock markets generally or in any specific sector.

Accordingly, the valuation of 3i's portfolio and opportunities for realisation depend on stock market conditions and the buoyancy of the wider mergers and acquisitions market.

Economic risk
3i invests mainly in European companies and continues to develop its operations in the US and Asia Pacific. However, the majority of the portfolio is still in UK companies and there is an element of exposure to the UK economic cycle. To mitigate this, 3i has invested in different sectors of the UK economy with different economic cycles. In addition, an increasing proportion of assets is invested in continental Europe and in the US and Asia Pacific, which may have different economic cycles.

People risk
The ability to recruit, develop and retain capable people is of fundamental importance to achieving our strategic objectives. We operate in a competitive industry and aim to remunerate our staff in line with best practice and to provide superior development opportunities.

Summary
3i has maintained a strong balance sheet and performance has improved in the second half of the year.

Financial review - Highlights

Financial results
Total return of £(960) million, a return of (19.3)% on opening shareholders' funds
Revenue profit after tax of £106 million
Net realised loss over opening valuation of £(39) million
Uplift over opening valuation of equity realisations of 1%, 45% over cost
Unrealised value movement of £(890) million
Investment of £1,039 million
Net cash inflow from investment and realisations of £319 million
Final dividend of 8.1p recommended by the Board, making a total dividend for the year of 13.0p
Diluted net asset value per share of 645p

Total return (£m)	2002	2001
Revenue profit before tax, organisational costs and goodwill	120	120
Realised capital profit/(loss)	(39)	453
Unrealised value movement	(890)	(676)
Costs of organisational changes	(18)	
Goodwill amortisation	(73)	(18)
Other*	(60)	(21)
Total return for the Group	(960)	(142)

*Other represents interest and costs allocated to capital, tax and currency translation adjustment.

Total return by geography (£m)	2002	2001
UK	(298)	81
Continental Europe	(480)	(127)
US	(74)	(56)
Asia Pacific	(34)	(63)
Goodwill amortisation	(73)	(18)
Currency adjustment*	(1)	41
Total return for the Group	(960)	(142)

*Currency adjustment comprises mainly translation gains and losses on the portfolio.

Realisations	2002	2001
Net realised profit/(loss) - over opening valuation (£m)	(39)	453
Equity proceeds (£m)	884	1,308
Uplift over opening equity valuation (%)*	1	63
Percentage of opening equity portfolio sold (%)*	22	19

*Includes the disposal of non venture capital investments made in FTSE 350 companies.

Share and loan portfolio (£m)	2002	2001
Listed equity	413	818
Secondary market quoted	89	266
Unquoted equity	2,874	2,765
Loan investments	1,409	1,522
Fixed income shares	324	434
Total	5,109	5,805

Investment	3i 2002 £m	Unquoted funds 2002 £m	Total 2002 £m	2002 No	3i 2001 £m	Unquoted funds 2001 £m	Total 2001 £m	2001 No
UK	377	66	443	229	786	220	1,006	328
Continental Europe	312	134	446	267	560	210	770	354
US	119	-	119	47	134	-	134	29
Asia Pacific	26	5	31	8	49	13	62	15
Total	834	205	1,039	551	1,529	443	1,972	726

Michael Queen, Finance Director
15 May 2002

Consolidated statement of total return
for the year to 31 March 2002

	Revenue 2002 £m	**Capital 2002 £m**	**Total 2002 £m**	Revenue 2001 £m	Capital 2001 £m	Total 2001 £m
Capital profits						
Net realised (losses)/profits over opening valuation		**(39)**	**(39)**		453	453
Net unrealised value movement in the year		**(890)**	**(890)**		(676)	(676)
		(929)	**(929)**		(223)	(223)
Total operating income before interest payable	**355**		**355**	358		358
Interest payable	**(114)**	**(6)**	**(120)**	(117)	(4)	(121)
	241	**(935)**	**(694)**	241	(227)	14
Administrative expenses	**(121)**	**(50)**	**(171)**	(121)	(49)	(170)
Amortisation of goodwill	**(2)**	**(71)**	**(73)**	-	(18)	(18)
Cost of changes to organisational structure	**(9)**	**(9)**	**(18)**			
Return before tax and currency translation adjustment	**109**	**(1,065)**	**(956)**	120	(294)	(174)
Tax	**(3)**	**4**	**1**	(4)	19	15
Return for the year before currency translation adjustment	**106**	**(1,061)**	**(955)**	116	(275)	(159)
Currency translation adjustment	**(4)**	**(1)**	**(5)**	-	17	17
Total return	**102**	**(1,062)**	**(960)**	116	(258)	(142)
Total return per share						
Basic (pence)	**16.8p**	**(174.5)p**	**(157.7)p**	19.1p	(42.5)p	(23.4)p
Diluted (pence)	**16.7p**	**(173.3)p**	**(156.6)p**	18.9p	(42.0)p	(23.1)p

Reconciliation of movement in shareholders' funds

	2002 £m	2001 £m
Opening balance	**4,973**	5,174
Revenue return	**102**	116
Capital return	**(1,062)**	(258)
Total return	**(960)**	(142)
Dividends	**(78)**	(78)
Proceeds of issues of shares	**10**	19
Movement in the year	**(1,028)**	(201)
Closing balance	**3,945**	4,973

Consolidated revenue statement
for the year to 31 March 2002

	2002	2001
	£m	£m
Interest receivable		
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments		
Interest receivable on loan investments	**113**	99
Fixed rate dividends	**19**	21
	132	120
Other interest receivable and similar income	**46**	43
	178	163
Interest payable	**(114)**	(117)
Net interest income	**64**	46
Dividend income from equity shares	**111**	123
Share of net profits/(losses) of joint ventures	**9**	(2)
Fees receivable	**56**	72
Other operating income	**1**	2
Total operating income	**241**	241
Administrative expenses and depreciation	**(121)**	(121)
Amortisation of goodwill	**(2)**	-
Cost of changes to organisational structure	**(9)**	
Profit on ordinary activities before tax	**109**	120
Tax on profit on ordinary activities	**(3)**	(4)
Profit for the year	**106**	116
Dividends		
Interim (4.9p per share paid, 2001 4.9p per share paid)	**(29)**	(29)
Final (8.1p per share proposed, 2001 8.1p per share paid)	**(49)**	(49)
Profit retained for the year	**28**	38
Earnings per share		
Basic (pence)	**17.4p**	19.2p
Diluted (pence)	**17.3p**	18.9p

There is no material difference between the reported revenue and the revenue on an unmodified historical cost basis.

Consolidated balance sheet

as at 31 March 2002

	2002	2002	2001	2001
Assets	**£m**	**£m**	£m	£m
Treasury bills and other eligible bills		**1**		1
Loans and advances to banks		**563**		890
Debt securities held for treasury purposes		**191**		201
Debt securities and other fixed income securities held as financial fixed asset investments				
Loan investments	**1,408**		1,522	
Fixed income shares	**324**		434	
	1,732		1,956	
Equity shares				
Listed	**413**		971	
Unlisted	**2,964**		3,030	
	3,377		4,001	
		5,109		5,957
Interests in joint ventures				
Share of gross assets	**133**		46	
Share of gross liabilities	**(98)**		-	
		35		46
Intangible fixed assets				
Goodwill		**-**		74
Tangible fixed assets		**50**		60
Own shares		**54**		56
Other assets		**61**		79
Prepayments and accrued income		**69**		75
Total assets		**6,133**		7,439
Liabilities				
Deposits by banks		**519**		617
Debt securities in issue		**1,339**		1,503
Other liabilities		**53**		58
Accruals and deferred income		**181**		210
Provisions for liabilities and charges		**12**		8
Subordinated liabilities		**84**		70
		2,188		2,466
Called up share capital		**305**		304
Share premium account		**342**		333
Capital redemption reserve		**1**		1
Capital reserve		**3,021**		4,083
Revenue reserve		**276**		252
Equity shareholders' funds		**3,945**		4,973
Total liabilities		**6,133**		7,439
Memorandum items				
Contingent liabilities				
Guarantees and assets pledged as collateral security		**27**		19
Commitments		**411**		452

Approved by the Board

Baroness Hogg

Brian Larcombe

Directors

15 May 2002

Consolidated cash flow statement

for the year to 31 March 2002

	2002	2001
	£m	£m
Operating activities		
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**102**	103
Other interest received and similar income	**51**	43
Interest paid on borrowings	**(113)**	(115)
Dividends received from equity shares	**109**	121
Fees and other net cash receipts	**62**	75
Operating and administrative costs paid	**(148)**	(94)
Net cash inflow from operating activities	**63**	133
Taxation (paid)/received	**(2)**	12
Capital expenditure and financial investment		
Investment in equity shares, fixed income shares and loans	**(804)**	(1,541)
Investment in equity shares and loans acquired from joint ventures	**(233)**	-
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	**1,123**	1,586
Investment administrative expenses	**(59)**	(49)
Investment interest paid	**(6)**	(4)
Investment in joint ventures	**(347)**	(4)
Divestment or repayment of interests in joint ventures	**281**	27
Disposal of investment properties	**7**	2
Purchase of tangible fixed assets	**(7)**	(11)
Sale of tangible fixed assets	**1**	2
Net cash flow from capital expenditure and financial investment	**(44)**	8
Acquisitions		
Acquisition of subsidiary undertakings	**(51)**	(11)
Equity dividends paid	**(78)**	(74)
Management of liquid resources	**293**	(378)
Net cash flow before financing	**181**	(310)
Financing		
Debt due within one year	**(394)**	(20)
Debt due after more than one year	**165**	352
Issues of shares	**10**	18
Net cash flow from financing	**(219)**	350
(Decrease)/increase in cash	**(38)**	40

Notes to the financial statements

for the year to 31 March 2002

1 Reconciliation of revenue profit before tax to net cash flow from operating activities

	2002	2001
	£m	£m
Revenue profit before tax	**109**	120
Depreciation of equipment and vehicles	**8**	8
Amortisation of goodwill	**2**	-
Tax on investment income included within income from overseas companies	**(2)**	(2)
Interest received by way of loan note	**(30)**	(9)
Movement in other assets associated with operating activities	**(5)**	(2)
Movement in prepayments and accrued income associated with operating activities	**13**	(7)
Movement in accruals and deferred income associated with operating activities	**(31)**	23
Movement in provisions for liabilities and charges	**8**	-
Reversal of (profits)/losses of joint ventures less distribution received	**(9)**	2
Net cash inflow from operating activities	**63**	133

2 Reconciliation of net cash flows to movement in net debt

	2002	2001
	£m	£m
(Decrease)/increase in cash in the year	**(38)**	40
Cash flow from management of liquid resources	**(293)**	378
Cash flow from debt financing	**252**	(296)
Cash flow from subordinated liabilities	**(24)**	(36)
Cash flow from finance leases	**1**	-
Change in net debt from cash flows	**(102)**	86
Foreign exchange movements	**5**	(17)
Non-cash changes	**9**	-
Movement in net debt in the year	**(88)**	69
Net debt at start of year	**(1,101)**	(1,170)
Net debt at end of year	**(1,189)**	(1,101)

3 Analysis of net debt

	1 April 2001	**Cash flow**	**Exchange movement**	**Other non-cash changes**	**31 March 2002**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and deposits repayable on demand	87	(38)	(1)	-	48
Treasury bills, other loans, advances and treasury debt securities	1,005	(293)	(5)	-	707
Deposits and debt securities repayable within one year	(663)	394	-	(41)	(310)
Deposits and debt securities repayable after one year	(1,457)	(142)	10	41	(1,548)
Subordinated liabilities repayable after one year	(70)	(24)	1	9	(84)
Finance leases	(3)	1	-	-	(2)
	(1,101)	(102)	5	9	(1,189)

Notes to the preliminary announcement

Note 1
The statutory accounts for the year to 31 March 2002 have not yet been delivered to the Registrar of Companies. The statutory accounts for the year to 31 March 2001 were delivered to the Registrar of Companies on 9 August 2001. The auditors' reports on these statutory accounts are unqualified and do not contain any statements under section 237(2) or (3) of the Companies Act 1985. This announcement does not constitute statutory accounts.

Note 2
The final dividend will be payable on 19 July 2002 to holders of shares on the register on 21 June 2002.

Note 3
Copies of the Report and accounts 2002 will be distributed to shareholders on or soon after 31 May 2002.

Note 4
Investment statistics referred to in this preliminary announcement relate to investments made by 3i Group and third party co-investment funds unless otherwise stated.

Ten largest investments

At 31 March 2002, the Directors' valuation of the ten largest investments was a total of £437 million. These investments cost £340 million.

Investment	First invested in	Cost[1] £m	Proportion of equity shares held	Directors' valuation[1] £m	Income received during the year[3] £m	Net assets[2] £m	Earnings[2] £m
Go Fly Ltd[5] Low cost airline	2001						
Equity shares		1	43.3%	1	-		
Loans		55		55	3		
		56		**56**	**3**		
Morse plc[4] Leading technology integrator	1995						
Equity shares		9	21.5%	54	1		
		9		**54**	**1**	**86**	**10**
Travelex Holdings Ltd[6] Foreign currency services	1998						
Equity shares		-	19.6%	51	-		
		-		**51**	**-**	**38**	**17**
Mettis Group Ltd Orthopaedic and aerospace component service provider	1999						
Equity shares		1	40.0%	1	-		
Loans		45		45	4		
		46		**46**	**4**	**(8)**	**(5)**
Nordisk Renting AB Renting real estate	2001						
Equity shares		61	35.0%	44	-		
		61		**44**	**-**	**118**	**28**
Beltpacker plc[5] Manufacture/marketing of healthcare/beauty products, footwear and accessories	2000						
Equity shares		12	35.6%	-	-		
Loans		43		43	4		
		55		**43**	**4**		
General London Constructors Holdings Ltd Regional housebuilder	2001						
Equity shares		1	41.6%	1	-		
Loans		41		41	8		
		42		**42**	**8**	**28**	**31**
ERM Holdings Ltd[7] Environmental consultancy	2001						
Equity shares		1	42.4%	1	-		
Loans		36		36	2		
		37		**37**	**2**	**2**	
ASCo plc Oilfield logistics	1996						
Equity shares		11	32.2%	19	-		
Fixed income shares		14		14	-		
Loans		2		2	-		
		27		**35**	**-**	**(28)**	**3**
Venture Production plc[4,8] Oil and gas production	1997						
Equity shares		7	15.3%	29	-		
		7		29	-	(3)	**2**

Notes

1 The investment information is in respect of 3i's holding and excludes any co-investment by 3i managed funds.

2 Net assets and earnings figures are taken from the most recent audited accounts of the investee business. The figures shown are the total earnings and net assets of each business. Because of the varying rights attaching to the classes of shares held by 3i, it could be misleading to attribute a certain proportion of earnings and net assets to the proportion of equity capital held. Negative earnings and net assets are shown in brackets.

3 Income in the year represents dividends received (inclusive of any overseas withholding tax) and gross interest receivable in the year to 31 March 2002.

4 Quoted company (including secondary markets).

5 These companies were incorporated in 2000/2001 and no audited accounts are available, consequently no net assets or earnings are disclosed.

6 The cost of the equity held in Travelex Holdings Ltd is £121,000.

7 The net assets of ERM Holdings Ltd are disclosed above but earnings are not disclosed as none have been reported in the statutory accounts.

8 The most recent audited accounts for Venture Production plc were published before its flotation in March 2002.

New investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group. This analysis excludes investments in joint ventures.

Investment by geography (3i only – excluding co-investment funds) (£m)

	2002	2001	2000	1999	1998
UK	**377**	786	705	693	752
Continental Europe	**312**	560	306	137	62
US	**119**	134	28	1	1
Asia Pacific	**26**	49	31	6	6
Total	**834**	1,529	1,070	837	821

Investment by geography (including co-investment funds) (£m)

UK	**443**	1,006	894	899	909
Continental Europe	**446**	770	422	241	121
US	**119**	134	28	1	1
Asia Pacific	**31**	62	32	6	6
Total	**1,039**	1,972	1,376	1,147	1,037

Continental European investment (£m)

Austria	**6**	19	-	-	-
Benelux	**64**	63	39	3	-
Denmark	**9**	4	-	-	-
Finland	**47**	3	-	-	-
France	**84**	117	84	63	45
Germany	**130**	301	130	83	42
Ireland	**2**	17	-	-	-
Italy	**13**	64	48	21	16
Spain	**45**	131	95	68	18
Sweden	**34**	9	-	-	-
Switzerland	**10**	26	-	-	-
Other European[1]	**2**	16	26	3	-
Total	**446**	770	422	241	121

1 Other European includes investments in countries where 3i did not have an office at the year end.

Investment by product (£m)

Start-ups	**95**	278	82	57	29
Management buy-outs	**332**	617	440	365	381
Management buy-ins	**29**	88	142	241	164
Growth capital	**511**	852	545	330	298
Share purchase	**16**	90	132	121	142
Recoveries	**56**	47	35	33	23
Total	**1,039**	1,972	1,376	1,147	1,037

Investment by product is based on stage of development of company when this year's investment was made, rather than when original investment was made.

Number of investments by product

Start-ups	**81**	187	104	56	60
Management buy-outs	**61**	64	60	97	130
Management buy-ins	**12**	14	32	48	76
Growth capital	**307**	369	297	324	312
Share purchase	**25**	34	38	56	72
Recoveries	**65**	58	62	73	47
Total	**551**	726	593	654	697

New investment analysis (continued)

Investment by FTSE industrial classification (£m)

	2002	2001	2000	1999	1998
Resources	**15**	67	17	69	20
Industrials	**110**	256	201	376	421
Consumer goods	**206**	371	167	237	208
Services and utilities	**352**	482	546	330	346
Financials	**26**	55	48	41	42
Information technology	**330**	741	397	94	n/a*
Total	**1,039**	1,972	1,376	1,147	1,037

*See footnote under analysis of Portfolio value by FTSE industrial classification.

Technology investment by sector (£m)

Healthcare	**96**	136	85	70	*
Communications	**173**	224	131	75	*
Electronics, semiconductors and advanced technologies	**87**	76	93	31	*
Software	**192**	670	347	116	*
Total	**548**	1,106	656	292	*

*Not previously analysed

Portfolio analysis

The Group's equity, fixed income and loan investments total £5,109 million at 31 March 2002. The analyses below exclude investments in joint ventures and non-venture capital investments made in FTSE 350 companies, 31 March 2002: £nil (2001: £152 million).

Portfolio value by geography (including co-investment funds) (£m)

	2002	2001	2000	1999	1998
UK	**4,018**	4,792	5,240	4,565	4,492
Continental Europe	**1,984**	2,039	1,514	882	538
US	**270**	246	192	14	12
Asia Pacific	**101**	98	64	12	6
Total	**6,373**	7,175	7,010	5,473	5,048

Portfolio value by geography (3i only – excluding co-investment funds) (£m)

UK	**3,386**	4,121	4,668	4,036	4,155
Continental Europe	**1,373**	1,363	1,049	495	304
US	**264**	235	190	14	12
Asia Pacific	**86**	86	63	12	6
Total	**5,109**	5,805	5,970	4,557	4,477

Continental European portfolio value (£m)

Austria	**11**	18	2	-	-
Benelux	**78**	92	59	2	-
Denmark	**23**	10	3	-	-
Finland	**37**	5	-	-	-
France	**253**	254	203	173	120
Germany	**344**	456	459	196	135
Ireland	**18**	45	28	-	-
Italy	**103**	142	71	44	28
Spain	**222**	234	135	80	21
Sweden	**244**	11	3	-	-
Switzerland	**30**	82	72	-	-
Other European[1]	**10**	14	14	-	-
Total	**1,373**	1,363	1,049	495	304

1 Other European includes investments in countries where 3i did not have an office at the year end.

Portfolio value by FTSE industrial classification (£m)

Resources	**268**	232	185	176	140
Industrials	**1,117**	1,081	1,247	1,258	1,709
Consumer goods	**1,080**	1,237	1,138	952	779
Services and utilities	**1,318**	1,538	1,648	1,559	1,666
Financials	**273**	256	251	196	183
Information technology	**1,053**	1,461	1,501	416	n/a
Total	**5,109**	5,805	5,970	4,557	4,477

n/a The current FTSE industrial classifications came into effect on 1 April 1999. Changes made included the introduction of information technology. With the exception of 1999, the classification shown analyses investment and the portfolio by FTSE classification in use at each balance sheet date.

Portfolio analysis (continued)

Portfolio value by valuation method (£m)

	2002	2001	2000	1999	1998
Imminent sale or IPO	**51**	106	241	88	59
Listed	**413**	818	1,103	742	687
Secondary market	**89**	266	483	75	85
Earnings	**1,210**	1,033	1,226	1,192	1,509
Cost	**1,077**	1,078	626	404	276
Net assets	**132**	147	144	113	102
Other	**405**	401	262	120	46
Loan investments and fixed income shares	**1,732**	1,956	1,885	1,823	1,713
Total	**5,109**	5,805	5,970	4,557	4,477

Technology portfolio value by sector (£m)

Healthcare	**421**	526	434	200	*
Communications	**308**	400	457	151	*
Electronics, semiconductors and advanced technologies	**233**	203	286	193	*
Software	**754**	1,200	1,202	430	*
Total	**1,716**	2,329	2,379	974	*

*Not previously analysed. The technology portfolio shown above includes early stage, later stage and quoted technology investments.

Technology portfolio value by valuation method (£m)

Imminent sale or IPO	**10**	44	171	24	*
Listed	**219**	475	603	287	*
Secondary market	**71**	248	471	42	*
Earnings	**94**	69	168	94	*
Cost	**827**	841	449	221	*
Further advance	**170**	227	143	38	*
Net assets	**11**	1	2	3	*
Other	**48**	79	28	7	*
Loan investments and fixed income shares	**266**	345	344	258	*
Total	**1,716**	2,329	2,379	974	*

*Not previously analysed.

Funds under management (£m)

Third party unquoted co-investment funds	**1,995**	2,131	2,261	1,470	1,345
Quoted investment companies[2]	**761**	870	818	474	464
Total	**2,756**	3,001	3,079	1,944	1,809

2 Also includes the 3i Group Pension Plan

Realisations analysis

Analysis of the Group's realisation proceeds (excluding third party co-investment funds). The analysis below excludes divestment of non-venture capital investments in FTSE 350 companies, 31 March 2002: £156 million (2001: £49 million).

Equity realisations proceeds by geography (£m)

	2002	2001	2000	1999	1998
UK	**603**	1,098	686	448	353
Continental Europe	**117**	161	135	84	48
US	**6**	-	-	-	11
Asia Pacific	**2**	-	1	-	-
Total	**728**	1,259	822	532	412

Equity realisations proceeds (£m)

IPO	**55**	253	48	75	31
Sale of quoted investments	**370**	536	351	165	155
Trade and other sales	**303**	470	423	292	226
Total	**728**	1,259	822	532	412

Equity realisations proceeds by FTSE industrial classification (£m)

Resources	**47**	31	4	10	6
Industrials	**130**	130	120	159	135
Consumer goods	**215**	223	97	66	49
Services and utilities	**210**	264	375	289	211
Financials	**6**	12	4	8	11
Information technology	**120**	599	222	n/a	n/a
Total	**728**	1,259	822	532	412

n/a See previous footnote.