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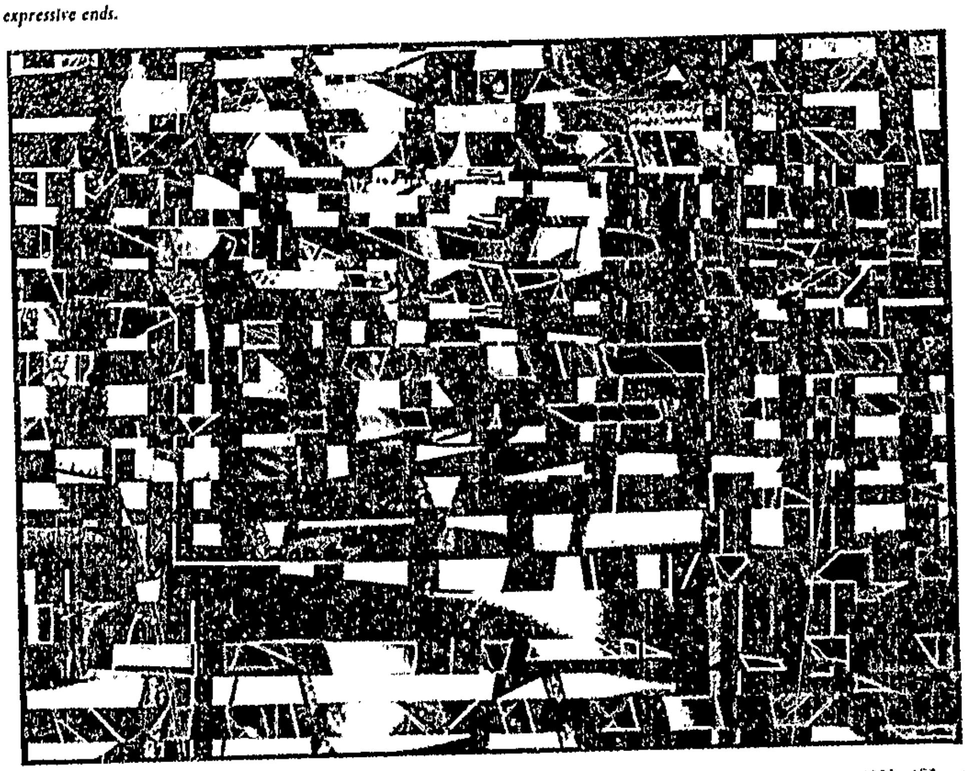
3i is a group whose business is investment. Its objective is to achieve consistent, long term capital growth in the value of its portfolio and to distribute an attractive dividend to shareholders.

3i makes long term investments through its network of offices in a wide range of companies and management teams who do not have ready access to capital markets.

3i never seeks to acquire control of companies in which it invests but helps companies to achieve their goals: their success leads to 3i's success.

COMPANIES HOUSE
31 JUL 1992
M 5

Watercolour, which tends to be associated with small works and swift studies, may be used in single washes, or as transparent layers. Gwyther Irwin's huge watercolour is built up slowly in layers and is the result of a long process of preparatory drawing. The work is then mapped out in lines, which may of course be rubbed out. But once the colour is put onto the paper, there is no going back. Every mark will show: the operation is one of high risk. The plan changes as the painting grows. Delicate colours are used and more and more are added, with areas left bare, until the surface blazes with colour and light. The artist has used watercolour, the medium traditionally associated with landscape, to his own expressive ends.



[illegible] 1989 Watercolour on paper 48 x 60 ins (122 x 152 cm)

Gwyther Irwin was born in 1931 and until 1950 lived on the North Cornish coast. He was at the Central School of Art and Design and from 1969-84 was Head of Fine Art at Brighton Polytechnic. He has exhibited regularly at Gimpel Fils Gallery, London and in group exhibitions here and abroad. Recently his work was included in Ready, Steady, Go, *a selection of works from the 1960s in the Arts Council Collection and in* Three Artists, Three Decades, *at the Redfern Gallery, London.*

Each year 3i buys a painting from a contemporary artist and commissions an edition of prints. Part of the commission is for the use of the artist's work in the Annual Report. In 1991 the National Art Collection Fund organised an exhibition showing the best of corporate collecting at Christies. The 3i works by the painters Bridget Riley (purchased 1989), John Hoyland (purchased 1990) and John Hubbard (purchased 1991) were all selected for the exhibition.

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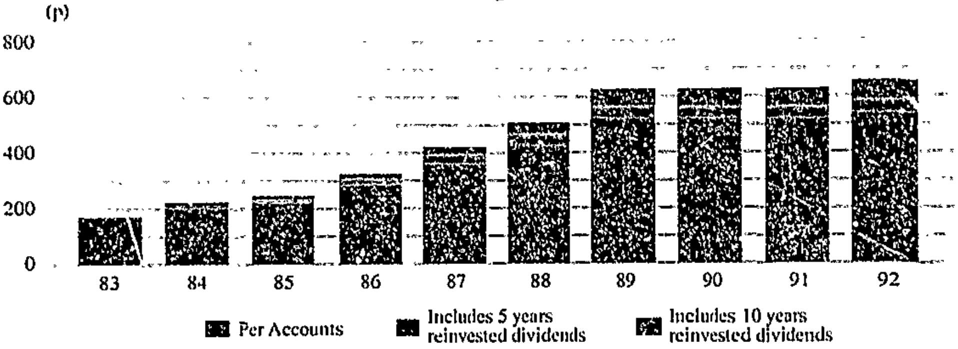
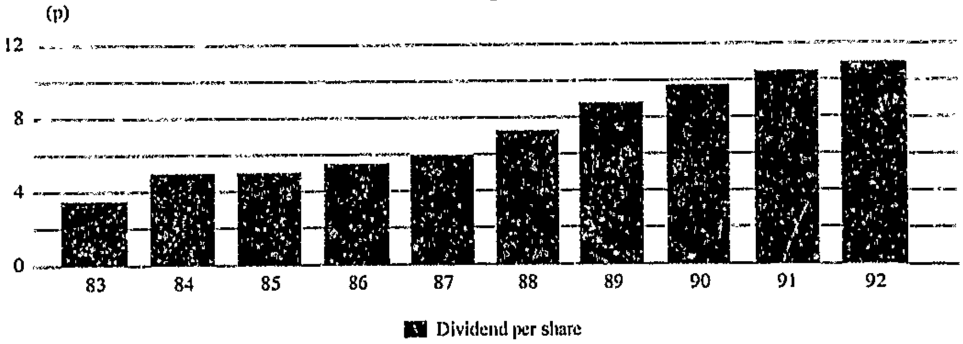
Telex 917844

*3i Group plc is an authorised institution
under the Banking Act 1987 and is regulated
in the conduct of investment business by SIB.*

Net Assets per share



Dividend per share



Five year record

	1988	1989	1990	1991	1992
Net asset value (£m)	981	1,210	1,221	1,224	**1,268**
Net asset value per share	424p	521p	525p	521p	**538p**
Revenue surplus (£m)	40.6	51.7	53.1	44.0	**32.0**
Earnings per share –					
based on revenue profits	17.2p	22.3p	22.8p	17.9p	**13.6p**
Dividend per share	7.25p*	8.75p	9.7p	10.43p	**10.9p**

*Adjusted for capitalisation issue.

The figures for 1988 to 1992 reflect the changes in the accounting policies described on page 38.

Performance

	1992	1991
Total investment assets (£m)	2596.2	2394.3
Net assets (£m)	1268.2	1224.0
Net assets per share – basic	538p	521p
– diluted	529p	512p
FT Actuaries All Share Index	1171.71	1193.33
Revenue surplus for year (£m)	32.0	44.0
Earnings per share – based on revenue profits	13.6p	17.9p
Dividend per share	10.9p	10.43p
Retail Price Index	136.7	131.4
Total after tax return (£m)	68.8	23.7

New investment

New investment in year:		
UK (£m)	354	289
International (£m)	61	93
London Atlantic Investment Trust plc (£m)	9	2
	424	384

Number of investments made in year:		
UK	710	698
International	112	153
London Atlantic Investment Trust plc	61	38
	883	889

Number of investee companies:		
3i Group	3,879	4,092
London Atlantic Investment Trust plc	143	165
	4,022	4,257


Sir John Cuckney & Alan Wheatley

The report and accounts have been prepared with a view to them giving the last full year's figures prior to a flotation. They are designed to give a greater understanding and insight into 3i's investment activities. As the Chief Executive provides a full review of the year's operations in his report, I propose in my statement to deal only with certain highlights.

It is gratifying to be able to report that 3i has increased its net asset value per share despite the difficult recessionary times experienced throughout the year under review. In the last five years 3i's growth in net assets has out-performed the FT All Share Index by 5% p.a.

Over the last year, the continuing recession adversely affected many of the companies in which we have invested. Thus, the income stream we receive from them and the valuation of our investment in them reflect the depth and nature of the recession. However, the resilience and quality of our portfolio enabled us to perform robustly, illustrating the underlying strengths of our long and well-established investment operation. We have, therefore, throughout the recession maintained our ability to make long term investments in companies which do not have ready access to the capital markets. We are currently experiencing the early signs, albeit patchy, of recovery from recession but it is most unlikely to be a smooth and trouble-free emergence from such a long and, initially, underrated recession.

In our last financial year we invested £424m, of which £283m was invested in the second half of the year. This increase did not result from any relaxation of our investment criteria but from a significant improvement in the quality and number of investment opportunities. I am further encouraged by the fact that there has been a substantial reduction in provisions created against investments compared with the previous year. We have, however, conducted a review of our development property portfolio since the year end. The deteriorating condition of the market has led us to take a more cautious view of the basis on which this portfolio is valued and a further provision has accordingly been made.

The relative strength of the Group's performance in a difficult year is undoubtedly attributable in part to the essential cost-cutting measures which we had started to take before the recession developed. These actions have reduced our cost base by £12.7m p.a., after taking into account the discontinuance of non-core activities.

As part of our recent major restructuring we have reduced our involvement in the USA and withdrawn from further investment there other than in fulfilment of existing commitments. This reflects our intention to concentrate our expansion in the European single market, where we see good investment opportunities. We will continue with our commitments to joint ventures in Japan, Australia and India.

Last year I stated that it was 3i Group's policy and plan to achieve investment trust status by seeking a listing on the London Stock Exchange when market conditions permit. This was clearly not the case in the pre-Election period. Your Board is convinced that flotation remains the way ahead for the long term development of the Group but recognises that such a policy needs to be implemented in favourable market conditions. It will be necessary to have further tangible evidence that the economy is making real progress in recovery from recession and also to develop a programme of pre-flotation publicity which will create a better awareness and understanding of our business. It is therefore the view of the Board and its advisers that flotation should take place next year.

At the time of flotation it is important that the composition of the Board and management team offers continuity and stability. It was with this in mind that directors who were due to retire in the near future, though not necessarily at this AGM, decided to advance their departure to enable continuity to be preserved post-flotation. After five years as Chairman, I am not seeking re-election as I had already decided to retire in 1993. Similarly David Marlow, who has been a director for 4 years (and Chief Executive until March this year), has chosen to retire early after 31 years service with 3i. In addition, Jon Foulds, a Deputy Chairman and former Chief Executive who has been on the board for 16 years and completed 33 years service, and David Atterton, who has been a non-executive director for 18 years and whom I would like to thank for his valuable support, have decided not to seek re-election. Derek Sach also left our Board during the year after 19 years with the Company, during which he made a valuable contribution to the growth of our business.

To Jon Foulds and David Marlow I must record my own and my colleagues' appreciation of their great contribution to the development of the Group. Jon Foulds during his 10 years as Chief Executive led the Company during a period of dramatic growth and David Marlow's extensive experience in investing in smaller companies helped 3i to establish its pre-eminent position in the investment capital field.

In Ewen Macpherson, who has succeeded David Marlow as Chief Executive, we have an experienced member of our management team who has been with 3i for nearly 22 years and was formerly Managing Director – Finance & Planning. Brian Larcombe has now joined our Board as Executive Director – Finance & Planning and I would like to welcome him to this important post. I would also like to congratulate Neil Cross, our Executive Director with particular responsibility for International Operations, on his appointment as a Visiting Professor at Cranfield Institute of Technology.

I leave 3i with a great respect for its professionalism in the important and profitable role it plays in fostering and nurturing industrial development. I believe that with its dominant position in its market place, its sharper focus on its core business, the unique strengths afforded by the breadth of its portfolio and its regional network of offices, it has excellent prospects ahead of it.

I would like to thank the staff for their support in difficult times and for their dedication and skills, which have enabled us to cope with the recession in an admirable manner.

Finally, I would like to wish Alan Wheatley, who will succeed me as Chairman following the AGM, every success in the future. He joined our Board in July 1991 and became a Deputy Chairman in April this year. His experience as former senior London partner of Price Waterhouse, as a director of British Steel for over 7 years, as a former Deputy Chairman of Cable & Wireless and as a current member of the Industrial Development Board provides a valuable background to his new role.

John Cuckney

The Group Board & Management

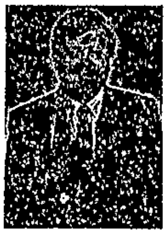
Sir John Cuckney
Chairman since 1992
Appointed to the Board in September 1986. Chairman of Royal Insurance Holdings plc, and a director of Brixton Estate plc and Glaxo Holdings plc. Aged 66

Alan Wheatley FCA
Deputy Chairman since April 1992 and currently a Member of the Valuation Committee
Appointed to the Board in July 1991. Former Senior London Partner of Price Waterhouse. A director of British Steel plc and a member of the Industrial Development Advisory Board. Aged 54

Ewen Macpherson
Chief Executive since March 1992
Joined 3i plc in 1970 and became Assistant General Manager of 3i Group plc in 1985 when he joined the Executive Committee. Appointed to the Board in August 1989. Aged 50.

Dr Neil Cross FCIS
Executive Director since August 1989, responsible for International activities
Joined 3i plc in 1969 and became Assistant General Manager of 3i Group plc in 1985 when he joined the Executive Committee. Appointed to the Board in 1989. A member of the Council of the Foundation for Science and Technology and a visiting professor of Cranfield Institute of Technology. Aged 47

Brian Larcombe
Executive Director since March 1992, responsible for Finance and Planning
Joined 3i plc in 1974 becoming a Local Director in 1982 and a Regional Director in 1988. Appointed a member of the Executive Committee in March 1992. A member of the Council of the British Venture Capital Association. Aged 38.



Dr Richard Summers
Executive Director since March 1991, responsible for Systems Administration and Control
Joined 3i plc in 1973 becoming a Local Director in 1981 and a member of the Executive Committee in July 1990. Aged 47.

Peter Brown LLB
Company Secretary
Aged 51.

Jon Foulds FCIB CBIM
Deputy Chairman since 1988
Joined 3i plc in 1959. Appointed to the Board in 1976, Chief Executive from 1977 to 1988. Chairman of Halifax Building Society. A director of Eurotunnel Group plc, London Atlantic Investment Trust plc and Mercury Asset Management Group plc. Aged 60

Dr David Atterton CBE F Eng CBIM
Non Executive Director since 1974 and currently a member of the Audit Committee and of the Remuneration and Appointments Committee
A director of British Coal, CIN Management Ltd, Marks & Spencer plc and The Rank Organisation plc and until recently a member of the Court of the Bank of England and a director of Barclays plc. Aged 65.

Lord Camoys
Non Executive Director since April 1991.
A director of Barclays Bank plc and Deputy Chairman of Barclays de Zoete Wedd Holdings Limited. Also a director of National Provident Institution. Aged 52.

William Govett
Non Executive Director since 1984 and currently a member of the Valuations Committee and of the Remuneration and Appointments Committee.
Chairman of London Atlantic Investment Trust plc. A director of Govett Strategic Investment Trust plc, Govett Oriental Investment Trust plc, Legal & General Group plc, CIN Management Ltd, The North British Canadian Investment Company plc and Scottish Eastern Investment Trust plc. Chairman of Hungarian Investment Company Ltd. (Hungary). Aged 54

David Marlow FCA CBIM
Non Executive Director. Chief Executive until March 1992.
Joined 3i plc in 1960. Appointed to the Board as Chief Executive in April 1988. Aged 57.

John Melbourn
Non Executive Director since 1990 and currently a member of the Audit Committee
A director of National Westminster Bank plc, International Westminster plc and Saudi International Bank. Aged 54.

Ralph Quartano
CBE C Eng MI Chem E
Non Executive Director since 1987 and currently a member of the Remuneration and Appointments Committee.
Deputy Chairman of The Securities and Investments Board. A director of Booker plc, Clerical Medical Investment Group, The Laird Group plc, Enterprise Oil plc and British Maritime Technology Ltd and a Governor of British United Provident Association Ltd. Aged 64.

Sir Max Williams
Non Executive Director since 1988 and currently Chairman of the Audit Committee
Former Senior Partner of Clifford Chance and past President of the Law Society. Deputy Chairman of Royal Insurance Holdings plc, Chairman of the Review Board for Government Contracts. Aged 66

New Investment

New Investment by Category

All amounts are in millions of pounds

	1992	1991
Growth capital	203	201
Management buy-outs	115	106
Management buy-ins	49	39
Management start-ups	31	25
Recoveries	17	11
London Atlantic Investment Trust plc	9	2
	424	384

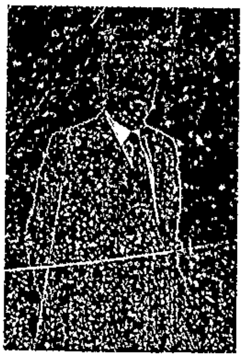
New Investment by Size

3i invests in businesses of all sizes and the following table illustrates its range of investments

All amounts are in millions of pounds

	1992	1991
Up to £50,000	4	4
£50,000 – £150,000	22	23
£150,000 – £250,000	27	33
£250,000 – £500,000	65	74
£500,000 – £1m	51	44
£1m – £2m	60	44
£2m – £5m	102	83
£5m and over	64	52
London Atlantic Investment Trust plc	9	2
Aspen Venture Partnership L.P.	5	0
Shares and Loans	409	359
Other Assets	15	25
Total	424	384

Chief Executive's Review



Ewen Macpherson

3i's development over the last twenty years has been characterised by periods of consolidation after each economic recession, followed by higher growth when the economy has moved ahead once again. In the early 1980s, 3i's net asset value grew at around 14% p.a. but surged to a level of 24% p.a. in the years between 1986 and 1989.

The historic trend suggests that, after the difficult recessionary period from which we are now hopefully emerging, we may be poised once again for more steady growth in the 1990s. While it is difficult to make predictions, particularly as we are now operating within the ERM framework, we have tried to ensure that we are well positioned to take advantage of the upturn when it comes. Activities which are seen as peripheral to 3i's investment business are being wound down and there is now a clear focus on the provision of investment capital for companies which do not have ready access to capital markets, the area that has provided our principal success in the past.

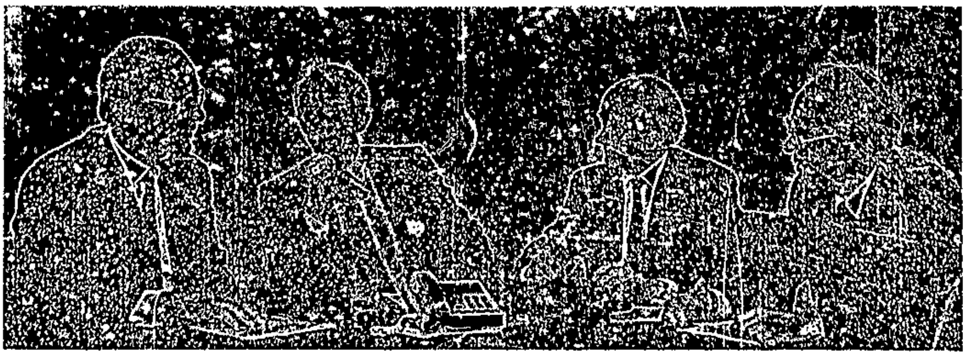
Our investment activities will be concentrated in the UK and the single market in Continental Europe, where we believe there is significant growth potential for our business. We now have well established investment businesses in France and Germany, which rank amongst the market leaders in those countries. Their portfolios are showing strong value growth and are making an increasing revenue contribution. Our newer investment businesses in Italy and Spain are at an earlier stage but are now seeing and negotiating good quality investments. Our associates, the Gilde Funds in The Netherlands and Inter Risco in Portugal, are continuing to develop well.

We have decided to run down our US investment activities because, after 10 years, we have concluded that the business opportunities and returns available are insufficiently attractive: the market there is mature and there has been an over supply of capital. Our existing US portfolio will be realised over a period of time.

Our joint venture with IBJ in Japan has continued to grow satisfactorily, while our other associates in Australia and India are now operating against more encouraging economic backgrounds

The 3i Approach

3i does not seek to target particular industrial sectors, but aims to invest in companies with able management teams, whatever their sphere of activity may be. Its network of offices is a major strength, where local knowledge provides early notice of possible investment opportunities.



Quality of investee companies is all important. The Investment Committee meets frequently to consider the larger proposals from 3i's offices.

We make thorough appraisals of potential investments before making commitments, adopt sensible financial terms and may sometimes introduce non executive directors from outside 3i where we consider they would complement the existing capabilities of the board. In a majority of cases, 3i holds less than 25% of the voting equity and avoids board representation by its own executives, except in some of the larger syndicated investments. The philosophy is one of offering support, not interference.

The Size and Scope of 3i

3i is now a large investment capital business. It has gross assets of £3.4 billion, net assets of £1.3 billion and approximately 4,000 portfolio investments. In the last year we have made over 800 investments, 710 in the UK and 112 through our International offices.

We expect to invest for the longer term but in a portfolio of such size, we have companies each year which experience either a change in corporate structure or in control. Frequently this means that 3i will sell its minority shareholding at the same time as the controlling shareholders and at a price which reflects the control premium.

On the other hand if the controlling shareholders decide to seek a listing for their company, then 3i may sell a proportion of its holding at the time of the listing. In due course, 3i will normally reduce its holding in a listed company.

Investment Activity

3i is not a limited life fund and is therefore able to take advantage of opportunities as they arise. At this stage in the economic cycle, there is relatively little evidence of investment by manufacturing companies in new plant and machinery but there is some evidence that company executives are now feeling more confident and prepared to enter into acquisitions and corporate restructuring, particularly management buy-outs and management buy-ins. New investment has been at almost record levels during the second half of the year to 31 March 1992.

The testing recessionary climate has forced some of our smaller competitors to withdraw from the market while others are showing greater caution in their approach. The greater degree of realism that has emerged in the market has enabled 3i to make more investments in good quality companies on attractive terms. In the current year we expect investment levels to increase as companies seek to strengthen their capital bases, prepare themselves for an upturn in activity and implement their capital expenditure programmes.

1991/1992 Results

We have been operating in the last two years in economic conditions which are probably as bad as any experienced in 3i's history. It is therefore pleasing to be able to report continued growth in shareholders' funds and an upward movement in total return. Net assets per share have risen to £5.38 from £5.21 a year ago while the total return of £68.8m was almost three times higher than the corresponding figure for 1991. It represents a total return on opening shareholders' funds of 5.6% and compares favourably with figures published by the Association of Investment Trusts which show a one year return to 31 March 1992 of 0.7% for Investment Trusts generally and a loss of 2.8% for those specialising in venture and development capital.

We are conscious that, as we move towards flotation, it will be necessary to ensure that a sufficient part of the total return is available in revenue form to allow a growing dividend to be paid to shareholders in future years. The past twelve months have seen a decline in revenue surplus from £44.0m to £32.0m. This was brought about by a decline in dividend income which fell in the year from £82.0m to £77.9m and in net interest income from £12.9m to a deficit of £10.3m. In addition, the Board has decided, in view of the deterioration seen in the property market since the year end, to make a further provision of £7m against 3i's development property portfolio. These properties are held as trading assets and the provision is therefore charged to revenue.

The decline in dividend income can be attributed to the effects of recession although the underlying trend has remained robust. The interest income has been affected by the slowdown of activity in the mergers and acquisitions market in the UK which has reduced the level of our investment realisations, leaving higher borrowings over the year. We have also seen a reduction in the contribution to interest income of about £4m arising from the Group's foreign currency hedging policy.

During the course of the year equity realisations totalled £117m compared with book value of £84m, and an initial cost of £44m. £27m of preference shares and £165m of loans were redeemed or repaid. The downturn in revenue has been mitigated by firm control of costs which have been reduced from £84.4m to £71.7m.

We are now making strenuous efforts to reverse the recent trend in the revenue account. Tight control of costs will be maintained. When the mergers and acquisitions market becomes more active again, we would expect to see increased realisations and a corresponding fall in borrowing costs. In addition, we are now seeing an increasing revenue contribution from our International businesses in Europe as they become more mature while the run down in the USA will reduce costs and free up capital, much of which, in line with original plans, is non yielding.

At 31 March 1992, the Group held £2.6 billion of investment assets, consisting of £1.5 billion of equity and preference shares and £1.1 billion of loans. In many cases the loans were provided as part of a total investment package, which included an equity subscription or option.

We made net provisions of £61m against investments in companies which have either entered receivership or which we consider have a likelihood of failure. Encouragingly, however, the level of provisions created against investments in the year was considerably lower than the net amount of £158m considered to be necessary last year.

Funding

At 31 March 1992 3i Group's total borrowings amounted to £1,944m. The net borrowing increase over the year of £89m reflects a greater level of investment during the year than funds generated from realisations.

If total loan investments are offset against net Group borrowings and net current liabilities, a net debt figure of £233m results, giving a gearing figure for the Group of 15%. This represents the extent to which borrowings finance equity type investments and is considered to be within a prudent limit.

3i Group returned to the bond markets during the year after a two year absence, raising £325m in three different issues. We have been a frequent borrower in this market over the last ten years and our ability to raise funds at attractive rates has been an important feature of our business over the period.

Presentation of this year's Report and Accounts

In view of your Board's declared intention to seek a listing for 3i Group's shares, we have this year tried to provide more information to give a better understanding of the way 3i operates. In particular we set out brief details of those investments with a value in excess of £5m to illustrate the breadth of the portfolio. We also set out details of the portfolio broken down by geographical region and industrial sector.

Also included are profiles of the Birmingham office and the Industry Department to provide a more graphic picture of the way 3i makes its investments. The Birmingham office profile demonstrates how our offices form an integral part of their local business community, enabling them to react quickly and intelligently to investment opportunities in their area. The profile of our Industry Department illustrates both 3i's unique depth in understanding of many different industries and our approach to making investments, which is based on more than financial analysis alone.

In this year's accounts we have incorporated a change in policy for accounting for our operating costs. Historically all operating costs, including those related to the management of investments, have been charged to the Revenue Account. However, these costs are incurred in pursuance of the Group's investment objectives which include the attainment of long term capital growth. Accordingly, the Board, after consultation with the auditors, has resolved to charge 50% of the investment division's operating costs to the investment realisation profits reserve. This treatment is in line with that adopted by a number of companies in the Investment Trust sector.

Furthermore, we have set out our valuations policy on page 26 of this Report and Accounts, again to enhance understanding. The policy has been refined after considerable discussions both internally and with the external help of Professor Brealey of the London Business School and our auditors.

We believe that these changes mean that the accounts more appropriately reflect 3i's strengths and long term philosophy.

Prospects

The lifting of the political uncertainty that existed before the General Election should improve confidence both in industry and in the stock market.

Our past experience when emerging from recession is valuable in assessing how the recovery may be effected in the 1990s. Over the last nine months we have already seen high quality demand for investment capital as companies and individuals seek funds to exploit acquisition opportunities. As companies develop their capital investment plans, we anticipate that there will be further opportunities for 3i in the months and years to come.

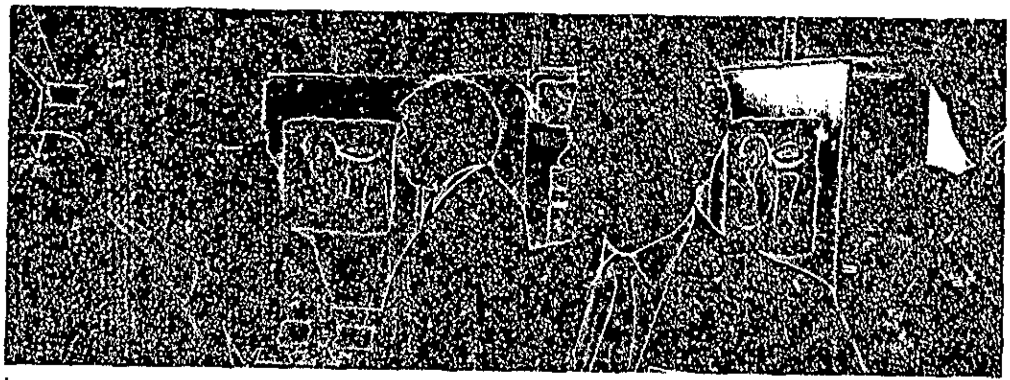
Our established office network, our skilled and experienced staff and our supportive investment policy should ensure that we are well placed to take advantage of the increasing number of investment opportunities which we are now seeing and which will lay the foundation for our continued growth during the 1990s. Overall, this point in the economic cycle has historically provided excellent opportunities for 3i to make good investments on commercially attractive terms.

Ewen Macpherson

Ewen Macpherson

Birmingham Office Profile

3i opened its first regional office in Birmingham in 1950. Since then, it has played an important part in the economic growth of the West Midlands, one of the UK's principal manufacturing and industrial regions. The office has responsibility for an area which stretches from the Potteries of Stoke on Trent to Worcester and across to Coventry and is 3i's largest outside London. The Birmingham team consists of 12 executives and five support staff headed by the Local Director, Chris Rowlands.



Investment opportunities arise in many ways; here a delegate at a 3i sponsored seminar makes contact with a Birmingham office executive.

The past year has been busy, both in terms of new investment and support given to the portfolio. During the first half, difficult economic conditions caused liquidity problems in some investee companies, which required closer monitoring and in some cases, the provision of further capital. This has not, however, prevented the team from pursuing an energetic but focused marketing campaign. Many new relationships have been established with companies throughout the West Midlands Region. It is likely that many of these companies will have a requirement for longer term capital over the next few years but occasionally a more immediate opportunity is identified Several investments have arisen in this way during the year.

The second half of the year produced a significant increase in investment activity, resulting in a record year with 78 new investments totalling £31m. Of these, 66 (84%) were approved locally in Birmingham. This increase in business reflects both the direct marketing effort and the reduced activity among 3i's competitors, resulting from the recession. The level of investment activity seen in the latter half of the past year has been sustained with the current year showing £18m of investment proposals at an advanced stage and likely to complete within the first quarter.

Many large companies are now focusing on core activities, creating opportunities for the management teams running subsidiary businesses. In the past year the team has completed 12 management buy-outs, a typical example being its involvement in the £5.0m purchase of Daniel Platt & Sons Ltd from Evered Bardon plc. 3i led the negotiations and invested £2.3m in equity capital to support this 170-year-old tilery, based in the Potteries.

Teamwork and detailed analysis of the financial structure are of key importance in making successful investments

The executives are also keen to work with and support the expansion plans of existing investee companies. In the past year the investment in B. E. Wedge Holdings Ltd has been increased, enabling it to further its European expansion through the purchase of galvanising interests from Hoescht of Germany. The original investment in Wedge was made in 1958 and on this occasion 3i was able to provide a DM10m investment through its Frankfurt office.

At 31 March, the value of the Office's equity portfolio was £202m. This consisted of 415 investments at an original cost of £124m, 50% of which had been invested in the last 4 years. The spread in the portfolio reflects the West Midlands economy. Predominant sectors include automotive components, general engineering and metals although the area is fast developing alternative strengths and expertise and is already established as a commercial centre.

We have in the past year been a net investor rather than a seller but now have a number of flotation candidates in prospect for the coming year.

Despite the prevailing economic conditions, dividend income has been maintained and the office has contributed £4.5m to net revenue before tax after deducting all expenses.

Investment by Region

[illegible] spread of investments across all regions of the UK and internationally.

All amounts are in millions of pounds

	Amount invested during the year	Portfolio value at the year end
	1992	1992
Scotland	22	130
Northern Ireland	1	11
North East	47	223
North West	44	144
East Midlands	33	195
West Midlands	40	179
Wales	11	64
East Anglia	12	121
Greater London	43	498
South East	77	373
South West	12	128
UK	342	2,066
Channel Islands and Isle of Man	3	65
USA	11	54
France	25	112
Germany	10	49
Italy	2	4
Spain	2	2
Other European	0	22
Australia	0	12
Other International	0	3
London Atlantic Investment Trust plc	9	38
Aspen Venture Partnership L.P.	5	66
Shares and Loans	409	2,493
Other Assets	15	103
Total	424	2,596

Classification of the Investments of the Group by Industry

	[illegible]		[illegible]		1992 Total		[illegible]	
	[illegible]	[illegible]	[illegible]		£m	%	[illegible]	
Agriculture, Forestry and Fishing	[illegible]	0.4	[illegible]	[illegible]	14	0.5	[illegible]	[illegible]
Energy and Water	13	1.0	15	1.2	27	1.0	21	[illegible]
Mining and Quarrying	8	0.6	8	0.7	16	0.6	18	0.8
Metal and Mineral Manufacture	33	2.6	58	4.8	91	3.5	104	4.2
Chemicals and Manmade Fabrics	27	2.1	39	3.2	66	2.5	80	3.3
Mechanical Engineering	133	10.4	148	12.2	281	10.8	219	9.1
Manufacture – Office Machinery and Data Processing	9	0.7	10	0.8	19	0.7	20	0.8
Electrical and Electronic Engineering	47	3.7	44	3.6	91	3.5	95	4.0
Vehicles and Transport Manufacture	30	2.3	20	1.7	50	1.9	43	1.8
Instrument Engineering	10	0.8	18	1.5	28	1.1	40	1.7
Food, Drink and Tobacco	74	5.8	44	3.6	118	4.5	95	4.0
Textiles and Leather Goods	14	1.1	37	3.1	51	2.0	46	1.9
Clothing and Footwear	8	0.6	21	1.7	29	1.1	24	1.0
Timber and Furniture	20	1.5	13	1.1	33	1.3	32	1.3
Paper, Printing and Publishing	72	5.6	47	3.9	119	4.6	107	4.5
Other Manufacturing and Repairs	52	4.1	52	4.3	104	4.0	102	4.3
Construction	26	2.0	38	3.1	64	2.5	80	3.3
Wholesale Distribution	133	10.4	139	11.5	272	10.5	234	9.8
Retail Distribution	102	8.0	59	4.9	161	6.2	154	6.4
Hotel and Catering	100	7.8	55	4.5	155	6.0	126	5.3
Transport and Communication	76	5.9	60	5.0	136	5.3	109	4.6
Financial and Other Business Services	237	18.5	149	12.3	386	14.9	406	17.0
Health, Education & Community Services	35	2.7	14	1.2	49	1.9	47	2.0
Recreational and Personal Services	15	1.2	14	1.2	29	1.1	26	1.1
London Atlantic Investment Trust plc	4	0.3	34	2.8	38	1.5	37	1.5
Aspen Venture Partnership L.P.	0	0.0	66	5.4	66	2.5	0	0.0
Shares and Loans	1,282	100.0	1,211	100.0	2,493	96.0	2,275	95.0
Other Assets					103	4.0	119	5.0
Total					2,596	100.0	2,394	100.0

Industry Department Profile

Industry Department works exclusively providing an appraisal service to the investment executives located in offices throughout the UK and in Continental Europe. This appraisal service assists the executives in identifying and quantifying the strengths and weaknesses and long term prospects of potential investee companies.

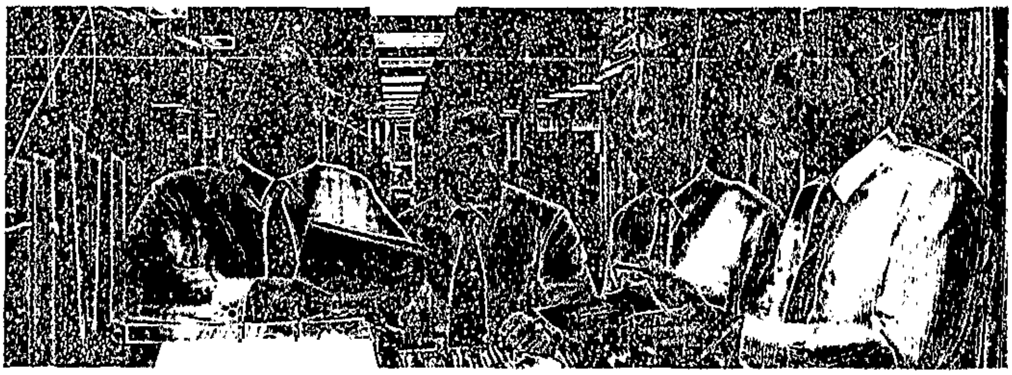
The balance sheet and the accounts tell only part of the story; 3i investment decisions are based on seeing for ourselves.

The department was established in late 1945 and was initially known as "The Engineer" (being the profession of its only member). Today the department has 21 executives, comprising 13 industrial and 8 accounting advisers, with an average age of 49. The industrial advisers are qualified engineers or scientists who have gained experience in industry to the level of managing director or general manager before joining 3i in their mid-to-late 40s. In addition to their broad commercial and business skills, they have in-depth experience of and contacts with, at least, two to three industry sectors. The accounting advisers, all Chartered Accountants, have typically held finance director or equivalent roles before joining 3i. They spend approximately 50% of their time in accounting investigations, with the balance in industrial investigations in the business sectors that they know well from their previous experience.

The department maintains a library which, in addition to normal reference material (including 300 databases), contains data on thousands of private companies. The library handles over 4,000 enquiries per annum, the majority coming from the offices.

The advisers produce around 900 detailed reports on potential investments each year. In addition 500 desk opinions on companies or projects are undertaken as well as sector reviews and the provision of general advice to the rest of the group.

Once an investment opportunity has been identified and outline terms have been drawn up, the Industry Department will be called in to make its assessment. Before visiting the potential investee company, an adviser will study the background papers and use his experience to build up a picture of the company, covering, for example, markets (suppliers and customers), margins, the asset base, capital expenditure plans and stock levels. Invariably the adviser will have visited similar companies before – competitors, suppliers or customers – and he will therefore have a working knowledge of the particular problems the company is likely to encounter.



Some 900 reports a year on potential investments are prepared by 3i's Industry Department, which has in depth management experience in all important sectors.

He will then spend one or two days with the senior management of the business enabling him to compare the business and its prospects with the initial views he has formed and to identify any areas of weakness. A major aspect of the visit is to assess the ability of the management team and the potential of the business. With his in depth knowledge of the particular industry, one of the adviser's key strengths lies in being able to develop an immediate rapport with and earn the respect of the company's management. Further checking will then be undertaken, including discussion with colleagues, before producing a detailed report with financial appendices which will include the adviser's subjective as well as objective views on the company and its prospects.

The department is unique in the UK investment capital world in having 21 highly experienced advisers, all of them experts in different industry sectors. When operating in syndicates, 3i executives are often asked the view of the Industry Department – a tribute to its success. Their industry knowledge enables 3i to support investments in companies that may appear to other investors to be of too high a risk and, as importantly, to turn down those investments that may look satisfactory to the rest of the financial community.

In 1989 the percentage of proposals supported began to decline reaching a low of 55% in mid 1990. It has since recovered to its previous level of 70-75% suggesting that the Department has been able to anticipate the economic cycles as it did in the early eighties, thus preventing 3i from investing in many overpriced or unduly risky investments, and that the investment climate is, once again, attractive.

An important function is to monitor the subsequent performance of companies which have been investigated to establish the accuracy of the adviser's recommendation and the reasons for any misjudgment. This in itself is a useful way of adding to past experience and of keeping abreast of the current trading environment. The department's results show that the initial concept in 1945 of blending industrial skills with the financial expertise of the area offices is still correct today.

Valuation Policy

The size and range of 3i's unquoted portfolio makes it unique amongst investment institutions in the UK. As a result, the value placed upon 3i as a company depends on the value attributed to all of its underlying investments, but most critically on those equity investments for which there is no ready market and which may not be realised for some years. Your Directors believe that a clear statement of the valuation policy is helpful to a fuller understanding of 3i and will enable shareholders and creditors to assess more accurately the real value of its portfolio.

The policy has to take into account that, within the portfolio, there is a large number of small investments and that it is 3i's policy to invest for the long term. 3i does not seek to force an exit from an unquoted investment but looks to make realisations with the cooperation of, and usually at the same time as, the majority shareholders. In a small investment company this could produce uneven capital proceeds from one year to another, but there is a dynamic effect in 3i's large portfolio which produces a stream of realisations each year. This is illustrated by the following table, which covers the peaks and troughs of economic activity:

	Equity Investments Year ended 31 March				
	1988	1989	1990	1991	1992
	£m	£m	£m	£m	£m
Book value 1 April	972.8	1143.6	1084.0	1057.4	1106.5
Book value released on sale	118.6	143.2	190.7	82.3	84.4
Turnover on book value	12%	13%	18%	8%	8%

In view of the size and spread of 3i's portfolio, it is not practical to value subjectively all of its investments. For valuation purposes, the portfolio is divided into various categories, each of which is valued according to a formula which reflects the size and nature of the individual investment.

The formula is applied as follows:

(a) For profit making companies, the gross valuation is calculated by multiplying the company's latest reported earnings by the FT Actuaries P/E ratio for the relevant industrial sector;

(b) Loss making companies are generally valued at half net tangible asset value, unless failure is expected when the equity is valued at nil;

(c) New investments are generally valued at cost until the first post acquisition accounts are received.

A discount is applied to the gross valuation to reflect the lack of marketability. All those investments where the formula value of 3i's interest exceeds £1m are subsequently reviewed by the Directors. Until this year the discount bands have been as follows:

Band	Category	Liquidity Discount
A	company's capitalisation < £5m	40%
B	company's capitalisation ≥ £5m	25%
C	imminent disposal expected	10%
D	valued at cost	0%
E	USM investments	20%
F	listed investments	0%

3i's valuation policy is, in the main, consistent with the guidelines suggested by the British Venture Capital Association. It differs in the respect that the BVCA suggests that the level of discount should in all cases be determined by the expected time to exit.

While it is to be expected that surpluses over book values will be achieved on realisations, thereby recouping the liquidity discount applied to the gross valuation, in practice, the proceeds achieved on sale have often been greater than the undiscounted gross values. The following table shows the additional profit that has been achieved from realisations in excess of book value over the last 5 years:

	Year ended 31 March				
	1988	1989	1990	1991	1992
	£m	£m	£m	£m	£m
Cost	42.4	80.0	77.1	40.6	44.4
Net book value	118.6	143.2	190.7	82.3	84.4
Proceeds	237.2	210.1	277.0	149.6	117.4
% increase of proceeds over					
– cost	459%	163%	259%	268%	164%
– net book value	100%	47%	45%	82%	39%

In the light of its impending flotation and the number of investments that have been realised at a significant premium over book value, 3i last year conducted a review of its valuation policies. This review was carried out by Professor Brealey of the London Business School in cooperation with the Company and its auditors, Ernst & Young. The review identified the following features:

1 The discount of 40% applied to investments placed in band A appeared to be too high. A discount of 30% was thought to be more appropriate.

2 The discounts applied to bands B and C were considered to be appropriate.

3 Although significant uplifts on sale had been achieved on band D investments, these were typically those which had been made most recently and for which no subsequent year end accounts had been made available. Analysis showed that a significant part of the uplift arose on a small number of disposals. No change was thought to be appropriate therefore.

4 It was considered that the quoted USM stocks already reflect the lack of marketability and that a 20% discount was no longer justified.

Having considered the findings of this review, the Directors approved the following changes to 3i's valuation policy:–

(a) USM stocks to be valued at mid-market prices.

(b) The discount applied to band A investments to be reduced from 40% to 30%.

These changes have been applied with effect from 31 March 1992 and since this represents a change in accounting policy, the prior year figures have been restated.

The Directors are satisfied that these valuation policies are both appropriate and prudent. Similar reviews will be undertaken on a regular basis in order to ensure that the valuation policies remain appropriate in the light of prevailing market conditions and 3i's realisation experience.

Historical Record

	1988	1989	1990	1991	1992
Summarised balance sheet	£m	£m	£m	£m	£m
[illegible]	[illegible]	1,195	1,125	[illegible]	1,145
[illegible]	[illegible]	1,306	1,385	1,244	1,451
Total investment assets	2,153	2,501	2,510	2,394	2,596
[illegible]	53	112	157	152	88
	2,206	2,613	2,667	2,546	2,684
Net borrowings and deferred tax	(1,087)	(1,231)	(1,334)	(1,289)	(1,381)
	1,119	1,382	1,333	1,257	1,303
Share capital and premium	153	232	234	237	238
Unrealised appreciation reserve	430	551	443	451	475
Investment realisation reserve	215	212	300	271	282
Revenue reserve	183	215	244	265	273
Total shareholders' funds	981	1,210	1,221	1,224	1,268
Deferred tax on revaluation	138	172	112	33	35
	1,119	1,382	1,333	1,257	1,303
Return earned for shareholders					
Unrealised appreciation					
Released on investments realised during year	(98)	(70)	(139)	(58)	(55)
Movement in value of investments during year	(32)	228	(24)	8	92
Tax, minority interest and extraordinary items	88	(37)	55	58	(13)
Movement in year	(42)	121	(108)	8	24
Investment realisation profits					
Realisation profits less losses	223	135	186	111	89
Provisions charged less releases	(16)	(32)	(53)	(158)	(61)
Operating costs transferred from revenue	(7)	(9)	(14)	(18)	(13)
Tax, minority interest and extraordinary items	(64)	(20)	(31)	35	(3)
Retained for year	136	74	88	(30)	12
Revenue					
Income from equity investments	43	66	81	82	78
Income from other investment assets	119	129	160	156	125
Total income from investment assets	162	195	241	238	203
Net interest payable	(107)	(111)	(145)	(140)	(134)
	55	84	96	98	69
Other income net of provisions	38	45	44	25	29
Operating costs and administrative expenses	(40)	(54)	(66)	(67)	(58)
Revenue before tax	53	75	74	56	40
Tax, minority interest and extraordinary items	(12)	(23)	(21)	(12)	(8)
Revenue surplus	41	52	53	44	32
Dividend	(17)	(20)	(22)	(24)	(26)
Retained for year	24	32	31	20	6
Currency translation adjustment	(1)	0	(1)	1	1
Movement in the year	23	32	30	21	7
Total return to shareholders	134	247	32	23	69
Summary					
Increase in unrealised appreciation reserve	(42)	121	(108)	8	24
Increase in investment realisation profits reserve	136	74	88	(30)	12
Increase in revenue reserve	23	32	30	21	7
Dividend	17	20	22	24	26
Total return to shareholders	134	247	32	23	69

The figures above have been adjusted to comply with current accounting policies.

Substantial Investments of the Group

The following table gives outline details of almost all investments of the Group with a value of £5 million or more. Holdings in connected companies have been aggregated. Where preference shares have conversion rights into unquoted ordinary shares, the preference shares are classified as ordinary shares. The percentage of ordinary shares held is calculated on a fully diluted basis where appropriate.

The 3i directors' valuation of individual equity investments is calculated according to the Valuation Policy which is set out on page 26 of this Report & Accounts. Loan investments are shown at cost. The Valuation Policy seeks to achieve an appropriate valuation for the 3i portfolio *as a whole* and limited significance should be ascribed to the individual valuations set out below. Each unlisted equity valuation reflects 3i's minority holding. On realisation, 3i usually sells its interest at the same time as the majority shareholders, often thereby obtaining a premium on 3i's carried value. The valuations are calculated without reference to the directors of the individual investee companies.

Unlisted UK Equity Investments	Type of Investment	Investment Cost (£'000)	% of Ordinary Shares Held	3i Directors' Valuation (£'000)
The Frizzell Group Limited Insurance Broking and Credit Finance	Ordinary Shares	4,363	40.8%	29,377
Isosceles plc Holding Company of Gateway, Food Retailer	Ordinary Shares	4,364	9.9%	0
	Preference Shares	39,272		0
	Loan	28,642		28,642
				28,642
Forte Welcome Break Ltd Operation of Motorway Service Areas	Preference Shares	18,052		18,052
Kingsway Group plc Manufacture and Sale of Building Materials	Ordinary Shares	6,786	34.8%	14,700
Nottingham Group Holdings Ltd Distribution of Educational Material and Rehabilitation Equipment	Ordinary Shares	228	18.0%	7,209
	Preference Shares	3,272		3,272
	Loan	3,000		3,000
				13,481
Holliday Chemical Holdings plc Manufacture of Dyestuffs, Fine Chemicals and Pharmaceutical Intermediates	Ordinary Shares	450	6.7%	3,968
	Preference Shares	1,224		1,224
	Loan	5,999		5,999
				11,191
Lowe and Fletcher International Ltd Lock Manufacturers	Ordinary Shares	949	35.5%	10,461
	Preference Shares	74		74
				10,535
Cavaghan & Gray Ltd Baked Food Products and Processed Meats	Ordinary Shares	601	18.5%	2,586
	Preference Shares	400		400
	Loan	6,506		6,506
				9,492
L S Holdings Ltd Distribution of Printing Consumables	Ordinary Shares	265	27.6%	3,701
	Preference Shares	3,410		3,410
	Loan	2,000		2,000
				9,111
Cranfield Conference Services Ltd Conference Hotel Development and Management	Ordinary Shares	600	30.0%	21
	Loan	8,850		8,850
				8,871
Allders Ltd Duty Free and Department Store Retailing	Ordinary Shares	78	13.7%	3,358
	Preference Shares	1,581		1,581
	Loan	3,715		3,715
				8,654
Favor Parker Ltd/Sovereign Chicken Ltd Grain Warehousing, Animal Feed Manufacturers and Poultry Production	Ordinary Shares	605	30.0%	2,528
	Preference Shares	5,960		5,960
				8,488

[illegible]	Type of Investment	Investment Cost	% of Ordinary Shares Held	3i Directors' Valuation
		(£'000)		(£'000)
Teesside Holdings Ltd	Ordinary Shares	3,000	31.7%	3,000
Operator of Dock Services	Preference Shares	5,350		5,350
				8,350
LINPAC Group Ltd	Ordinary Shares	2,193	2.8%	7,453
Packaging and Plastics Manufacturer	Loan	500		500
				7,953
ASG Holdings Ltd/First Olympian Securities Ltd	Ordinary Shares	90	28.5%	7,132
Engineering and Property Group	Preference Shares	613		613
				7,745
Clares Equipment Holdings Ltd	Ordinary Shares	8	2.5%	324
Manufacture and Sale of Goods Handling Distribution and Merchandising Equipment and Refrigerated Display Cases	Loan	7,383		7,383
				7,707
Civil & Marine Slag Cement Ltd	Ordinary Shares	667	31.6%	667
Processing and Distributors of Ground Granulated Blast-Furnace Slag	Preference Shares	4,467		4,467
	Loan	2,500		2,500
				7,634
Wimpy Restaurants Group Ltd	Ordinary Shares	286	30.5%	3,738
Franchiser of Wimpy Table Service Restaurants	Preference Shares	2,286		2,286
	Loan	1,429		1,429
				7,453
UGC Limited	Ordinary Shares	30	6.4%	7,309
Car Parts Distributor				
Horlicks Farms and Dairies Ltd	Ordinary Shares	95	21.0%	3,319
Cheddar Cheese Manufacture and Cattle Breeding	Preference Shares	600		600
	Loan	3,000		3,000
				6,919
Travellers Fare Holdings Limited	Ordinary Shares	322	23.3%	5,197
Provision of On-Station Catering Facilities	Preference Shares	1,563		1,563
				6,760
Seascope Shipping Holdings Ltd	Ordinary Shares	1,613	32.1%	4,055
Ship Broking	Preference Shares	1,500		1,500
	Loan	1,000		1,000
				6,555
Oakstead Holdings Ltd	Ordinary Shares	24	16.9%	1,808
Retailers of Petrol, Developers of Petrol Filling Stations	Loan	4,424		4,424
				6,232
Ulster Carpet Mills (Holdings) Ltd	Ordinary Shares	393	27.5%	6,232
Manufacture of Carpets				
Carryfast Holdings Ltd	Ordinary Shares	22	20.0%	5,040
Express Parcel Distributors	Loan	1,184		1,184
				6,224
B E Wedge Holdings Ltd	Ordinary Shares	460	35.7%	6,085
Galvanisers				
Bisley Office Equipment Ltd	Ordinary Shares	297	26.0%	3,729
Manufacture of Office Equipment	Loan	2,250		2,250
				5,979
Market & Opinion Research International Ltd	Ordinary Shares	2,205	25.0%	2,205
Market Research and Opinion Polls	Loan	3,750		3,750
				5,955
Healthcall Group plc	Ordinary Shares	418	13.7%	2,689
Medical Deputising	Preference Shares	1,732		1,732
	Loan	1,427		1,427
				5,848

[illegible]	Type of Investment	Investment Cost	% of Ordinary Shares Held	3i Directors' Valuation
		(£'000)		(£'000)
Partco Group Ltd Distributors of Automotive Replacement Parts	Ordinary Shares Preference Shares Loan	871 3,209 2,550	9.7%	0 3,209 2,550
				5,759
The Denby Pottery Company Ltd Manufacture and Retail of Tableware	Ordinary Shares Preference Shares Loan	102 1,798 2,500	45.0%	1,436 1,798 2,500
				5,734
Taylor Barnard Group Ltd Distribution, Haulage, Warehousing and Motor Training	Ordinary Shares Loan	65 3,223	23.6%	2,445 3,223
				5,668
Plastic Insulated Cables Ltd/Assetmaster Ltd Cable Manufacturing	Ordinary Shares Preference Shares Loan	250 500 2,215	45.0%	2,573 500 2,215
				5,288
The Derwent Valley Foods Group Ltd Manufacture of Savoury Snacks	Ordinary Shares Loan	66 2,380	26.7%	2,641 2,380
				5,021

Listed UK Equity Investments	Type of Investment	Investment Cost	% of Ordinary Shares Held	Market Valuation
		(£'000)		(£'000)
Compass Group plc Contract Catering and Restaurant Services; Operation of Private Hospitals; Services to Building Industry	Ordinary Shares Loan	1,883 15,000	2.2%	6,493 15,000
				21,493
More O'Ferrall plc Outdoor Advertising	Ordinary Shares Preference Shares	4,501 45	20.0%	14,869 45
				14,914
Tibbett & Britten Group plc Transport Distribution Services	Ordinary Shares Loan	1,104 490	6.1%	11,868 490
				12,358
Kalon Group plc Manufacture and Marketing of Paints, Industrial Coatings and Speciality Chemicals	Ordinary Shares Loan	9 325	7.0%	8,117 325
				8,442
Westbury plc Housebuilders	Ordinary Shares	8,585	10.7%	6,753
Airsprung Furniture Group plc Manufacture of Furniture and Beds	Ordinary Shares Loan	320 2,830	8.4%	3,060 2,830
				5,890
Victaulic plc Manufacture of Polythene Pipes and Fittings, Valves, Rubber Gaskets and Engineering Plastics	Ordinary Shares	94	3.4%	5,555
Evered Bardon plc Quarrying and Quarry Products	Ordinary Shares Preference Shares	1,371 4,147	4.8%	1,323 4,147
				5,470
Meggitt plc Manufacture and supply of advanced engineering products	Ordinary Shares	2,959	3.6%	5,254
Blockleys plc Manufacturing of Clay Facing Bricks and Clay Paviors	Ordinary Shares Loan	509 2,148	18.9%	3,003 2,148
				5,151

International Investments	Country	Type of Investment	Investment Cost (£'000)	% of Ordinary Shares Held	3i Directors' Valuation (£'000)
IMS* Distribution of Special Steels	France	Ordinary Shares	9,074	10.5%	12,135
Jodag Mobil Systeme GmbH Manufacture of Mobile Container Systems	Germany	Ordinary Shares Loan	1,046 2,710	41.5%	5,838 2,710 8,568
The Investment Trust of Guernsey Limited Investment Trust	Channel Islands	Ordinary Shares	1,884	17.8%	5,934
Guernsey Gas Light Company Limited Gas Production and Distribution, Motor Trade, Petroleum Distribution, Property Investment	Channel Islands	Ordinary Shares	671	22.5%	5,908
Diamalt Gmbh Manufacture and Distribution of Water-Soluble Polymers, Bakery Products, Pharmorganica and Bioproteins	Germany	Ordinary Shares Loan	1,401 4,203	25.0%	1,401 4,203 5,604
DCC Ltd Investment Company	Eire	Ordinary Shares	6,316	6.5%	5,318
Sofamor Manufacture of Spinal Implant Machinery	France	Ordinary Shares	2,695	11.8%	5,234
Jersey New Waterworks Company Water Treatment and Supply	Channel Islands	Loan	5,000		5,000

*Listed investment

	Amount Less Provisions (if any) (£000)
Jarvis Hotels Ltd Ownership and Management of Hotels	16,694
Commonwealth Hotels International Company Ownership and Operation of Hotels in the UK	15,975
BPCC Ltd Magazines, Books and Journals, Security Print, Catalogues and Business Forms, Folding Cartons and Adhesives	15,148
Alcan Finance (UK) Production and Processing of Aluminium	13,333
R D C Properties Ltd Regional Distribution Centre Warehouses	11,775
UniChem PLC Pharmaceutical Wholesalers	11,355
Allied-Lyons plc Production and Wholesaling of Spirits and Wine, Operation of Public Houses, Brewing, Wholesaling and Manufacture of Food and Beverages	10,000
Midland Independent Newspapers Ltd Publishers and Distributors of Newspapers in the Birmingham/Coventry area	10,000
Brunner Mond Holdings Ltd Manufacturers of Soda Ash	9,807
Eurotunnel plc Construction and Operation of Channel Tunnel	7,872
National Exhibition Centre Ltd Exhibition and Conference Centre	7,800
Atkins Properties Limited Property Investment	7,650
R J Budge Holdings Ltd Coal Mining	7,583
County NatWest Limited* Provision of Investment Banking Services in the UK and Overseas	7,500
Bristow Aviation Ltd *Owners and Operators of Commercial Helicopters*	7,229
British Fuels Group Ltd Distribution of Solid Fuels and Fuel Oils	6,154
Moledene Ltd/Farmwood Investments Ltd Property Investment and Development	5,575
Dartford River Crossing Limited Operators of Tolled Estuarial Crossing	5,500
Video Arts Group Ltd Production and Distribution of Training Videos	5,187
Merz & McLellan Limited Consulting Engineers	5,000

*Banking transaction involving third parties

Report of the Directors

The Directors submit their report with the Group Accounts for the year ended 31 March 1992

Principal Shareholders

		%
Bank of England		14.65
Bank of Scotland		3.04
Barclays Bank plc		18.39
Lloyds Bank plc		13.36
Midland Bank plc		17.58
The Royal Bank of Scotland plc		7.40
National Westminster Bank plc	22.43	
Coutts & Co.	0.68	23.11
		97.53

The remaining 2.47% of share capital has been issued in implementation of the 3i Profit Sharing Plans for UK and for Continental European employees respectively, and of the 3i Executive Share Option Plan.

Share Capital

3,879 shares were issued under the 3i Profit Sharing Plan for Continental European employees on 2 August 1991. On the same day and on 20 January 1992, 441,800 shares and 257,200 shares respectively were issued on the exercise of share options under the 3i Executive Share Option Plan. The resultant issued share capital of £235,822,387 on 31 March 1992 is unchanged at 6 July 1992.

Activities

The Company and its consolidated subsidiaries (the Group) carry on investment activities by providing permanent and long term investment capital to businesses of all types.

The Company owns substantially all the investments of the Group and carries on the Group's investment activities in the United Kingdom through a network of 24 regional offices.

The Group's principal investment activities internationally are conducted by subsidiaries in the Channel Islands, France, Germany, Spain, Italy and the U.S.A. and through joint ventures in Japan and Australia.

3i Corporate Finance Ltd. offers general financial advice and specialist services in respect of fund raising, mergers and acquisitions, and new issues.

3i Portfolio Management Ltd. manages London Atlantic Investment Trust plc, The North British Canadian Investment Company plc and The Investment Trust of Guernsey Limited. It also manages the 3i Group Pension Plan.

Management arrangements

3i plc employs all of the staff of the Group in the UK and provides the Company with secretarial and administration services and acts as investment manager and adviser to the Company under a contract which provides for fees based on the level of costs incurred in providing such services.

With effect from 1 April 1991 50% of the investment management fee charged by 3i plc has been allocated to the investment realisation profits reserve in the accounts of the Company and additionally in the accounts of the Group 50% of the operating costs of the Group's overseas subsidiaries have been so dealt with. The Directors believe that this accounting treatment enables the accounts to present a fairer view of the Company's and the Group's results in terms both of capital and of revenue and reflects the investment objectives of 3i in pursuing a policy aimed at providing shareholders with a total return combining capital growth with dividend income. This change has been dealt with as a prior year adjustment.

Directors

The names of the present Directors are set out on pages 10 and 11.

Mr L V D Tindale and Sir Donald Barron each served as a Director until his retirement on 24 July 1991 in accordance with Article 98 of the Company's Articles of Association.

Mr B G Pearse served as a Director until his resignation on 2 April 1991 and Mr D S Sach served as a Director until his resignation with effect from 31 January 1992.

Lord Camoys was appointed a Director on 24 April 1991.

Mr A E Wheatley was appointed a Director on 24 July 1991 and elected a Deputy Chairman on 2 April 1992. Mr B P Larcombe was appointed a Director with effect from 7 March 1992. Both Mr Wheatley and Mr Larcombe, being eligible, offer themselves for re-appointment in accordance with Article 101 of the Company's Articles of Association.

Mr E C S Macpherson was appointed Chief Executive with effect from 7 March 1992.

Sir John Cuckney, Mr H J Foulds and Dr D V Atterton retire by rotation and none offers himself for re-appointment.

Dr N E Cross retires by rotation and, being eligible, offers himself for re-appointment in accordance with Article 99 of the Company's Articles of Association.

The Directors' beneficial interests in, and options to acquire, shares of £1 each in the Company are set out in Note 34 to the accounts.

Mr D E Marlow is interested in 4,000 Ordinary Shares of 25p each in London Atlantic Investment Trust plc (LAIT), a subsidiary of 3i Group plc.

Except as set out in Note 34 to the accounts and as stated above, no Director had any disclosable interest in the shares or loan stock of the Company or in the shares, debentures or loan stock of its subsidiaries during the year. No Director, at the end of or during the financial year was materially interested in any contract that was significant in relation to the business of the Company. There have been no changes in the above interests between 31 March 1992 and 6 July 1992.

The Company has taken out an insurance policy to indemnify the directors and officers of the Group against liability when acting for the Group.

Accounts and dividend

The Accounts of the Company and the Group appear on pages 38 to 61.

On 19 December 1991 an interim dividend of 3.3p per share was paid in respect of the financial year ended 31 March 1992 on the share capital in issue at 30 September 1991. The Directors now recommend a final dividend of 7.6p per share, which is fully covered by available franked investment income. Subject to approval at the Annual General Meeting, this dividend will be paid on 29 July 1992. The net revenue surplus for the year of the Group is £6,339,000 making a revenue reserve total of £272,715,000 carried forward after the adjustments to reserves set out on page 45.

General

During the year ended 31 March 1992 the average number of persons employed in each week by the Company and its consolidated subsidiaries was 755. The aggregate remuneration during the same period was £30,590,000.

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of staff, whether disabled or otherwise. During the coming year, the Group will provide facilities, equipment and training to assist any disabled persons employed.

Staff appraisal and consultation techniques, which are the Group's principal means of keeping in touch with the views of its employees, have been maintained and developed during the year.

An Executive Share Option plan, approved under the Income and Corporation Taxes Act 1988, exists for certain key executives, and a staff profit sharing plan exists to encourage staff involvement in the performance of the Group.

Managers throughout the Group have a continuing responsibility to keep their staff fully informed of developments and to communicate financial results and other matters of interest. This is achieved by various means including regular meetings of staff.

No political donations were made during the year. Charitable donations made by the Group amounted to £250,000 in total.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the re-appointment of Ernst & Young as auditors of the Company will be put to the Members at the Annual General Meeting.

By order of the Board
P C Brown LLB, *Secretary*

Registered office: 91 Waterloo Road, London SE1 8XP

6 July 1992

Accounting Policies

Accounts Presentation

Assets classified as investment assets are included in the accounts at valuation. Profits and losses on realisation of investment assets, less provisions, are included in the Revenue and Investment Realisation Profits Statement, in accordance with Statement of Standard Accounting Practice No. 6, and are transferred therefrom to an Investment Realisation Profits reserve. The revenue surplus for the year thus represents net investment income and other income less related operating costs, after deducting taxation, extraordinary items and minority interests relating thereto.

The accounting policies set out below are consistent with those adopted in 1991 except as follows:

(a) A proportion of the investment management fee, charged by 3i plc to 3i Group plc, and of overseas operating expenses has been taken to investment realisation profits reserve in order to reflect better the Group's results in terms of both capital and revenue and to reflect the investment objective of pursuing a policy of capital growth and dividend income.

(b) Changes have been made to the basis of valuation of investment assets:

(1) to eliminate the discount previously applied to shares quoted on the Unlisted Securities Market or for which active markets exist elsewhere; and

(2) to reduce the discount applied to certain of the unlisted investments from 40% to 30%.

The effects of the above changes in accounting policies are quantified as prior year adjustments in the reserves shown on pages 45 and 59 and the comparative figures for 1991 have been restated accordingly.

A Accounting Convention

The accounts have been prepared under the historic cost convention modified to include certain investment and fixed assets at valuation and are in accordance with Sections 255 and 255A of, and Schedule 9 to, the Companies Act 1985 and in accordance with accounting standards. The accounts of subsidiary undertakings have been consolidated. The Revenue and Investment Realisation Profits Statement for 3i Group plc has been omitted from these accounts in accordance with Section 230 of the Companies Act 1985.

B Associated Undertakings

Companies whose business is similar to that of the Group and in which the holdings are intended to be retained as long-term investments and in which the Group has both active general management involvement and more than 20% of the equity are treated as associated undertakings.

The Directors have considered the definition of associated undertakings, introduced by the Companies Act 1989, in relation to the Group's 2,600 equity share investments. The Directors consider that, in general, these do not come within the definition of associated undertakings, since the role of 3i is normally that of a passive investor. However, it is possible that, in the case of a small number of these equity share investments, 3i does in fact exert significant influence on occasions, and that these should therefore be treated as associated undertakings. It is impractical, however, to determine which of the investments fall within this definition at a particular point in time. Moreover, the Directors believe that equity accounting for associated undertakings, other than those which fit the definition in the first paragraph of this section, would not give a true and fair view of the income from the investment activities of the 3i Group, since this is better measured by the inclusion of dividend and interest income. They also believe it would be confusing to treat only part of the equity share investment portfolio as associated undertakings. Accordingly, these financial statements equity account for only those associated undertakings which fit the definition in the first paragraph of this section.

The effect on revenue and reserves of adopting equity accounting for the whole of the equity investment portfolio, regardless of whether they are associated undertakings or not, is given in note 46. Since investment assets are carried in the consolidated balance sheet at valuation, there would be no effect on these assets.

C Fixed Assets in use by the Group

Office equipment, computer software and motor vehicles are depreciated by equal annual instalments over their estimated useful lives, 5 years, 3 years and 4 years respectively. Properties in use by the Group are included at professional valuation, which is carried out annually. Depreciation is not provided against the value of the buildings as the amount is immaterial.

Assets being acquired on hire purchase are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of the rental obligations is charged to the revenue account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

D Investment Assets

Equity shares, associated undertakings, investment properties and quoted irredeemable preference shares are included at valuation on the bases explained below. The difference between cost and valuation is taken to the Unrealised Appreciation reserve. Profits, losses and expected losses on realisation are transferred to the Investment Realisation Profits reserve.

(i) Equity shares, associated undertakings and quoted irredeemable preference shares are included at valuation on the following bases:

  (a) Listed investments are valued at mid-market price.

  (b) Shares quoted on the Unlisted Securities Market or for which an active market exists elsewhere are valued at mid-market price.

(i) Unquoted equity shares are valued by the Directors as follows:—

— Where the latest accounts show a profit the valuation is made by reference to a price based on the application to the latest reported earnings of [illegible]e-earnings ratios appropriate to similar listed investments.

— Where the latest accounts show a loss, the valuation is based on half the book amount of net assets reflected in those accounts.

In both of these cases the valuations have been modified to take account of special factors relating to each investment which are considered to affect the valuation and an appropriate discount has been applied to reflect restricted marketability.

— Where no accounts have been received for a period following the initial investment, the investment has been valued at cost.

— Where failure is expected, shares are assigned no value.

(ii) Deferred consideration is included at the estimated present value of the expected proceeds.

(iii) Certain investment properties are included at professional valuation and others at Directors' valuation.

All other investment assets are included at cost less provisions; all profits or losses on realisation and provisions against these assets are transferred to the Investment Realisation Profits reserve.

E Trading Assets

Trading assets, other than development properties, are carried at the lower of book amount and recoverable amount. Development properties are carried at the lower of realisable value or book amount.

F Income from Finance Leases and Hire Purchase Contracts

Income receivable from finance leases and hire purchase contracts is credited to revenue so as to result in a constant periodic rate of return on the net cash investment.

G Deferred Tax

Provision is made for deferred tax, using the liability method, on short term timing differences and all other material timing differences which are not expected to continue in the future.

Provision is also made for deferred tax on the unrealised appreciation as reduced by provisions where these are expected to give rise to allowable losses in the future.

H Foreign Currency Translation

Foreign currency revenue items, assets and liabilities, including those of overseas subsidiary undertakings, are translated into sterling at the exchange rates ruling at the balance sheet date with the exception of borrowings covered by forward exchange contracts which are translated at the contracted rates of exchange.

Exchange adjustments arising on the translation of investments, borrowings and net assets of overseas subsidiary undertakings are dealt with through the appropriate reserves.

Exchange adjustments arising on realised transactions are dealt with in the Revenue and Investment Realisation Profits Statement.

I Discounts, Premiums and Expenses on the Issue of Bonds and Notes

Discounts, premiums and expenses arising on the issue of Bonds and Notes are amortised over the period of the related borrowing.

J Goodwill

The difference between the consideration paid and the net tangible assets of subsidiary and associated undertakings acquired is written off or credited to revenue reserves in the year in which it arises.

K Pensions

Contributions made to pension schemes are charged to revenue so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of independent actuarial valuations, are spread over the remaining service lives of the current employees. To the extent to which such costs do not equate with cash contributions an accrual or prepayment is recognised in the balance sheet.

Revenue and Investment Realisation Profits Statement

	Note	31 March 1992 £'000	31 March 1991 £'000
Income from investments			
Dividends	2	77,949	81,973
Interest	3	123,376	153,361
Other	4	1,785	2,359
		203,110	237,693
Other income	5	28,773	25,432
Total revenue		231,883	263,125
Operating costs and administrative expenses	7	(58,158)	(66,688)
		173,725	196,437
Net interest payable	8	(133,650)	(140,450)
Revenue before tax	9	40,075	55,987
Tax on revenue	10	7,490	13,454
Revenue after tax		32,585	42,533
Minority interest		(627)	(596)
		31,958	41,937
Extraordinary revenue items	12	–	2,049
Revenue surplus for year		31,958	43,986
Investment realisation profits less losses and provisions	13	11,949	(30,958)
Total surplus for year		43,907	13,028
Transfer (to) from investment realisation profits reserve		(11,949)	30,958
Revenue surplus for year		31,958	43,986
Dividends	15	25,619	24,305
Retained revenue surplus for year		6,339	19,681
Earnings per share – revenue surplus		13.6p	17.9p
– total surplus		18.6p	2.4p

A statement of the movement of reserves is set out on page 45.

Consolidated Balance Sheet

	Note	31 March 1992 £'000	31 March 1991 £'000
Equity shares	20	1,145,050	1,100,510
Preference shares	21	227,868	192,969
Loan investments	22	1,088,260	1,020,245
Investment properties	23	16,102	21,445
Associated undertakings	24	85,370	20,345
Investment leases	25	33,505	38,752
Total portfolio investments		2,596,155	2,394,266
Fixed assets in use by the Group	27	52,862	58,013
Money market assets	28	583,709	458,228
Trading assets	29	98,073	162,469
Other current assets	30	110,353	111,221
		3,441,152	3,184,197
Current liabilities other than borrowings	31	156,591	163,458
Borrowings repayable within one year	32	708,408	624,707
Total assets less current liabilities		2,576,153	2,396,032
Borrowings repayable in more than one year	32	1,235,578	1,104,415
Deferred tax	33	20,382	17,820
		1,320,193	1,273,797
Minority interest		16,981	16,505
		1,303,212	1,257,292
Capital and reserves			
Called up share capital	34	235,822	235,120
Share premium	35	2,318	1,984
Unrealised appreciation reserve		475,301	451,016
Investment realisation profits reserve		282,024	270,465
Revenue reserve		272,715	265,416
Shareholders' funds		1,268,180	1,224,001
Deferred tax on unrealised appreciation	33	35,032	33,291
		1,303,212	1,257,292

Approved by the Board 6 July 1992

John Cuckney }
Ewen Macpherson } Directors

Company Balance Sheet

	Note	31 March 1992 £'000	31 March 1991 £'000
Equity shares	20	869,904	796,043
Preference shares	21	106,384	16,007
Loan investments	22	901,897	753,083
Investment properties	23	5,752	9,674
Associated undertakings	24	19,433	16,519
Subsidiary undertakings	26	524,158	621,426
Total portfolio investments		2,427,528	2,212,752
Fixed assets in use by the Group	27	34,023	35,526
Money market assets	28	335,470	235,808
Other current assets	30	68,207	65,034
Advances to subsidiary undertakings		98,836	478,440
		2,964,064	3,027,560
Current liabilities other than borrowings	31	71,614	65,351
Borrowings repayable within one year	32	402,974	329,393
Total assets less current liabilities		2,489,476	2,632,816
Advances from subsidiary undertakings		541,239	1,099,559
Borrowings repayable in more than one year	32	833,681	577,127
Deferred tax	33	(3,697)	(8,115)
		1,118,253	964,245
Capital and reserves			
Called up share capital	34	235,822	235,120
Share premium	35	2,318	1,984
Unrealised appreciation reserve	37	428,038	371,657
Investment realisation profits reserve	37	17,308	(22,615)
Revenue reserve	37	384,092	338,341
Shareholders' funds		1,067,578	924,487
Deferred tax on unrealised appreciation	33	50,675	39,758
		1,118,253	964,245

Approved by the Board 6 July 1992

John Cuckney
Ewen Macpherson
} Directors

Revenue and investment realisation profits reserves

	Revenue		Investment Realisation Profits	
	1992	1991	1992	1991
	£'000	£'000	£'000	£'000
1 April – as previously reported	201,149	193,746	334,732	351,077
Prior year adjustments:				
Transfers	64,267	50,813	(64,267)	(50,813)
1 April – as restated	265,416	244,559	270,465	300,264
Retained for year	6,339	19,681	11,949	(30,958)
Currency translation adjustment	960	1,176	(390)	1,159
31 March	272,715	265,416	282,024	270,465

Unrealised appreciation reserve

	1992	1991
1 April – as previously reported	419,090	413,769
Prior year adjustments:		
Unrealised appreciation	42,918	41,787
Taxation thereon	(10,992)	(12,800)
1 April – as restated	451,016	442,756
Unrealised appreciation at 1 April on investments realised during year	(54,584)	(58,424)
Change in value of investments during year	91,605	8,657
Currency translation adjustment	2,352	3,233
Minority interest	(386)	878
	38,987	(45,656)
Deferred tax	(14,702)	53,916
	24,285	8,260
31 March	475,301	451,016

Consolidated Cash Flow Statement

	Note	31 March 1992 £'000	31 March 1991 £'000
Operating activities			
Dividends received from investments		60,500	64,123
Interest received from investments		122,668	144,518
Other net cash receipts		116,213	35,296
Operating and administration costs paid		(58,829)	(55,955)
Reorganisation costs paid		(5,241)	(947)
Net cash inflow from operating activities	41	235,311	186,035
Returns on investments and servicing of finance			
Interest paid on borrowings		(180,378)	(201,115)
Interest received on money market assets		44,291	53,065
Dividends paid		(24,309)	(22,588)
Dividends paid to minorities		(581)	(532)
Net cash outflow from investments and servicing of finance		(160,977)	(171,170)
Taxation paid		(8,220)	(37,678)
Investing activities			
Purchase of investments		(398,799)	(367,676)
Sale of investments		271,654	423,841
Investment and administration expenses		(13,587)	(17,759)
Net investment in associated undertakings		(6,419)	(5,832)
Net disposal of investment properties		2,039	4,396
Purchase of tangible fixed assets		(15,615)	(8,700)
Sale of tangible fixed assets		3,646	1,191
Investment leases		5,247	5,511
Non cash equivalents	45	41,006	(99,100)
Net cash outflow from investing activities		(110,828)	(64,128)
Net cash outflow before financing		(44,714)	(86,941)
Financing			
Issue of shares	44	1,036	3,419
New borrowings	44	497,267	47,697
Loan repayments	44	(359,257)	(80,700)
Net cash inflow from financing		139,046	(29,584)
Increase in cash and cash equivalents	42	94,332	(116,525)

1 Segmental analysis

[illegible]

Geographical Areas

	United Kingdom 1992	1991	Europe 1992	1991	Rest of the World 1992	1991	Total 1992	1991
[illegible]								
Dividends	70,461	75,525	6,665	5,315	823	1,143	77,949	81,973
Interest	115,306	144,941	5,645	6,009	2,425	2,411	123,376	153,361
Other	1,769	734	1,030	886	(1,014)	740	1,785	2,359
	187,536	221,199	13,340	12,210	2,234	4,284	203,110	237,693
Other income	26,857	24,284	1,877	1,089	39	59	28,773	25,432
Gross revenue	214,393	245,483	15,217	13,299	2,273	4,343	231,883	263,125
Revenue before tax	28,553	44,150	14,591	13,629	(3,069)	(1,792)	40,075	55,987
Investment realisation profit before tax	7,810	(46,631)	2,930	(2,192)	3,754	(15,612)	14,494	(64,435)
	36,363	(2,481)	17,521	11,437	685	(17,404)	54,569	(8,448)
Net assets	1,159,124	1,120,520	121,928	115,345	(12,872)	(11,864)	1,268,180	1,224,001
Total assets	2,830,252	2,451,955	620,044	736,783	(9,144)	(4,541)	3,441,152	3,184,197

2 Dividends from share investments

	The Group 1992 UK	1992 International	1992 Total	1991 UK	1991 International	1991 Total
Ordinary						
Listed	10,573	1,694	12,267	11,311	1,774	13,085
Unlisted	38,194	5,509	43,703	46,225	4,476	50,701
	48,767	7,203	55,970	57,536	6,250	63,786
Preference						
Listed	1,850	16	1,866	2,338	19	2,357
Unlisted	19,844	269	20,113	15,651	179	15,830
	21,694	285	21,979	17,989	198	18,187
	70,461	7,488	77,949	75,525	6,448	81,973

Dividends amounting to £1,215,000. 1991 £409,000 from associated undertakings are excluded. Gross franked income including dividends from associated undertakings totalled £70,127,000: 1991 £75,755,000.

3 Interest receivable from loan investments

	1992 UK	1992 International	1992 Total	1991 UK	1991 International	1991 Total
Listed	1,685	5	1,690	2,727	9	2,736
Unlisted	113,621	8,065	121,686	142,214	8,411	150,625
	115,306	8,070	123,376	144,941	8,420	153,361

4 Other income from investments

	1992	1991
Revenue from other investment assets	2,460	1,578
Attributable profits less losses of associated undertakings	(675)	781
	1,785	2,359

5 Other income

	The Group 1992	1991
Interest receivable on non-investment loans	14,885	13,260
Hire purchase income	2,355	3,048
Finance lease income from trading assets	1,327	4,331
Fees and other income	18,805	17,058
Profit less losses on realisation of trading assets	4,065	8,789
Provisions against trading assets – note 6 (including £11,039,000 1991 £17,424,000 against development properties)	(12,664)	(21,054)
	28,773	25,432

6 Trading asset provisions [illegible]

Investments and loans in the balance sheet are stated after deducting provisions as follows

	The Group 1992	1991
Balance of provisions at beginning of year	36,140	[illegible]
New provisions	14,430	21,107
Provisions released no longer required	(1,766)	(53)
	12,664	21,054
Provisions utilised on sale or repayment	(6,711)	(1,548)
Net provisions charged	5,953	19,506
Balance of provisions at end of year	42,093	36,140

7 Operating costs and administrative expenses

Operating costs and administrative expenses are stated after transferring £13,587,000: 1991 £17,759,000 to the investment realisation profits reserve, being 50% of the investment management fee charged by 3i plc to 3i Group plc, together with 50% of the operating costs of the overseas subsidiary undertakings.

8 Interest payable on borrowings

	The Group 1992	1991
Repayable within 5 years		
Debenture stocks	2,947	3,516
Unsecured loan stocks	14,056	17,057
Deposits	4,205	12,799
	21,208	33,372
Repayable by instalments within 5 years		
Sterling/US Dollar Payable Bonds and Notes	—	2,895
Guaranteed Bonds and Notes	46,196	49,552
Bank loans	32,406	36,315
Other loans	21,829	6,283
	100,431	95,045
Repayable after more than 5 years		
Unsecured loan stocks	81	1,552
Deposits	1,406	160
	1,487	1,712
Repayable by instalments ending after 5 years		
Guaranteed bonds and notes	12,689	9,359
Bank loans	4,128	2,575
Other loans	9,236	9,452
	26,053	21,386
Deposits from banks	30,776	44,098
Bank overdrafts	—	25
Swaps	1,041	(1,462)
Amortisation of deep discounts	160	219
Interest payable on borrowings	181,156	194,395
Interest receivable on money market assets	47,506	53,945
Net interest payable	133,650	140,450

9 Revenue before tax

	The Group *1992*	*1991*
This is arrived at after charging		
Directors' emoluments (fees totalled £113,518: 1991 £94,375) – note 17	1,426	1,833
Audit fees (the Company £261,600: 1991 £210,000)	442	396
Hire of equipment	9	46
Depreciation on owned assets	5,551	6,510
Depreciation on hire purchase assets	1,139	—
Pension costs – note 18	996	1,061
Reorganisation costs	—	6,188
Finance charge on hire purchase motor vehicles	294	—

10 Tax on revenue

All amounts are in thousands of pounds

	The Group 1992	1991
The tax charge for the year comprises		
UK corporation tax at 33% (1991: 34%)	(123)	1,268
Foreign tax	2,762	3,472
Tax attributable to franked income	17,449	18,850
	20,088	23,590
Deferred tax — note 33(a)	(6,491)	(10,136)
— note 33(b)	(6,107)	—
Charge for the year	7,490	13,454
The charge for the year is made up as follows:		
The Company and subsidiary undertakings	7,337	12,474
Associated undertakings	153	980
	7,490	13,454

11 Profit after tax and before extraordinary items and minority interests

The amount dealt with in the accounts of the Company is £71,110,000; 1991 £252,416,000.

12 Extraordinary revenue items

	The Group 1992	1991
Effect of change in tax treatment of major subsidiary undertakings on prior years	—	2,049

13 Investment realisation profits less losses and provisions

	The Group 1992	1991
Value surplus released on realisation	54,584	58,424
Profits earned in excess of carried value	34,388	52,728
Profits less losses on realisation of investments during the year	88,972	111,152
Provisions – note 14	(60,891)	(157,828)
Operating costs – proportion transferred from revenue	(13,587)	(17,759)
Investment realisation profit before tax	14,494	(64,435)
Tax	(2,165)	28,743
Investment realisation profit after tax	12,329	(35,692)
Minority interest	(380)	(683)
	11,949	(36,375)
Extraordinary item	—	5,417
Investment realisation profits less losses and provisions for year	11,949	(30,958)
Tax		
UK corporation tax at 33% (1991: 34%)	—	2,168
Foreign tax	215	863
Deferred tax — note 33(a)	292	7,574
— note 33(b)	(2,672)	18,138
	(2,165)	28,743
Extraordinary item		
Effect of change in tax treatment of major subsidiary undertaking on prior years	—	5,417

14 Investment provisions

Total portfolio investments shown in the balance sheet are stated after deducting provisions as follows:

	The Group 1992	1991
Balance of provisions at beginning of year	250,705	123,449
New provisions	110,001	165,121
Provisions released no longer required	(49,110)	(7,293)
	60,891	157,828
Provisions utilised on sale or repayment	(69,036)	(29,413)
Net provisions charged	(8,145)	128,415
Exchange adjustment	394	(1,159)
Balance of provisions at end of year	242,954	250,705

15 Dividends

	The Group 1992	1991
[illegible]	7,697	[illegible]
[illegible]	17,922	[illegible]
	25,619	[illegible]

16 Earnings and net assets per share

	The Group	
[illegible] interest before extraordinary items	31,958	[illegible]
[illegible] losses and provisions after tax and minority interest before extraordinary items	11,949	(30,[illegible])
	43,907	[illegible]
Net assets	1,268,180	1,224,001
Average number of ordinary shares in issue	235.5m	234.1m
Net assets per share based on 31 March shares in issue	£5.38	£5.21
Earnings per share — based on revenue profits	13.6p	17.9p
— based on revenue and investment realisation profits/losses	18.6p	2.4p

17 Emoluments

The emoluments of the Chairman, having waived fees and emoluments totalling £51,520, were £91,[illegible]5; 1991 £83,300. *The emoluments of the highest paid director were (inclusive of a bonus relating to the previous year)* £313,898; 1991 £414,712. The emoluments (including any bonuses) of the executive directors are determined by a Remuneration and Appointments Committee of three non-executive directors chaired by the Chairman. Directors (including the Chairman and the highest paid director) were in receipt of emoluments within the following ranges.

1992 number	1991 number	£	£
3	1	0	5,000
2	—	5,001	10,000
2	—	10,001	15,000
3	3	15,001	20,000
—	2	20,001	25,000
2	—	25,001	30,000
—	1	60,001	65,000
—	1	75,001	80,000
—	1	80,001	85,000
1	—	90,001	95,000
1	—	205,001	210,000
1	—	210,001	215,000
1	—	220,001	225,000
1	—	225,001	230,000
—	1	250,001	255,000
—	1	255,001	260,000
—	1	265,001	270,000
—	1	285,001	290,000
1	—	310,001	315,000
—	1	410,001	415,000

In addition, £293,040 was paid to a *former director by his employing company, 3i plc, as an ex gratia payment* (related to his remuneration rate and length of service) following his departure as a result of an internal reorganisation.

All executive directors are employees of 3i plc and have waived their entitlement to any remuneration payable as a director of the Company.

Sums paid to third parties in respect of directors' services were £27,795; 1991 £21,082. Seven directors have waived fees totalling £128,689, 1991 nine £164,187. No director has reimbursed to the Company fees received from other directorships; *1991 one £24,370* which was not deducted above.

The above information relates to directors of the Company only.

18 Pension arrangements

The Group operates a number of pension schemes throughout the world. The main scheme, which covers most employees is the 3i Group Pension Plan. This is a defined benefit scheme, the assets of which are independent of the Group's finances and are administered by trustees.

The 3i Group Pension Plan is the subject of an independent actuarial valuation every three years. The last full valuation was made at 30 June 1989 on the projected unit method. At that date the market value of the assets was £112,042,000. The actuarial value of the assets was sufficient to cover 170 per cent of the value of the benefits that had accrued to members, after allowing for assumed increases in earnings and benefits. The principal assumptions were as follows

Rate of interest	9.5%
Earnings increase	7.5%
Pension increase	5.0%
Growth of dividends	5.0%

18 Pension arrangements continued

[illegible] March [illegible] the remaining [illegible] March 1992 of [illegible] 1991 £1,[illegible] [illegible] in accordance with the above assumptions [illegible] the surplus. Following advice from the actuaries [illegible] during the year. An amount of £2,284,000 1991 £1,288,000 included in [illegible] cumulative difference between the net cost and contributions made.

19 Related undertakings

The directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 5 of the Companies Act 1985 is such that compliance would result in information of excessive length being given. In accordance with Section 231 of that Act information regarding principal subsidiary undertakings and associated undertakings is set out on page 61. Full information will be annexed to the company's next annual return.

20 Equity shares

All amounts are in thousands of pounds

		The Group		The Company	
		1992	*1991*	**1992**	*1991*
Cost less provision		**578,534**	575,888	**357,552**	365,370
Unrealised appreciation		**566,516**	524,622	**512,352**	430,673
		1,145,050	1,100,510	**869,904**	796,043
Listed	– UK	**158,693**	191,571	**158,541**	191,511
	– International	**9,647**	16,597	**752**	6,160
	– IAIT	**30,870**	31,949	**–**	–
Unlisted	– UK	**720,762**	614,420	**696,583**	587,222
	– International	**221,924**	243,580	**14,028**	11,150
	– IAIT	**3,154**	2,393	**–**	–
		1,145,050	1,100,510	**869,904**	796,043

21 Preference shares

		The Group		The Company	
		1992	1991	**1992**	1991
Cost less provision		**229,040**	195,251	**106,384**	16,033
Unrealised appreciation		**(1,172)**	(2,282)	**–**	(26)
		227,868	192,969	**106,384**	16,007
Redeemable					
Listed	– UK	**12,592**	15,515	**8,190**	614
	– IAIT	**3,606**	2,094	**–**	–
Unlisted	– UK	**199,911**	162,625	**96,832**	13,662
	– International	**5,207**	4,027	**–**	–
	– IAIT	**43**	43	**–**	–
		221,359	184,304	**105,022**	14,276
Irredeemable					
Listed	– UK	**1,792**	3,680	**22**	36
	– IAIT	**378**	172	**–**	–
Unlisted	– UK	**4,339**	4,813	**1,340**	1,695
		6,509	8,665	**1,362**	1,731

22 Loans

		The Group		The Company	
		1992	1991	**1992**	1991
Cost less provision		**1,088,260**	1,020,245	**901,897**	753,083
Secured					
Unlisted	– UK	**832,715**	752,501	**715,602**	558,470
	– International	**14,944**	16,863	**–**	–
		847,659	769,364	**715,602**	558,470
Unsecured					
Listed	– UK	**5,051**	13,290	**5,051**	12,950
	– IAIT	**–**	481	**–**	–
Unlisted	– UK	**186,650**	190,195	**181,244**	181,663
	– International	**48,900**	46,915	**–**	–
		240,601	250,881	**186,295**	194,613

Loans have been made to directors and officers of the Company under the terms of the Group Staff House Loan Scheme which from 1 July 1991 has been revised as to interest rate and amount. The loans are secured and repayable in full by the normal retirement date of the director or officer concerned. The rate of interest applicable during the year amounted to 3.75 per cent.

22 Loans *Continued*

[illegible]

[illegible]

	The Company	
	1992	1991
Directors		
Dr N E Cross	£45,500	£45,500
B P Larcombe	£152,222	
E G S Macpherson	£27,470	£27,470
D F Marlow	£92,500	£92,500
Dr R D M J Summers	£248,464	£254,650
	£566,156	£420,120
Officers (1992 one: *1991 one*)	£88,750	£88,750

23 Investment properties

All amounts are in thousands of pounds

	The Group		The Company	
	1992	1991	1992	1991
Cost	12,249	12,732	6,929	7,006
Unrealised appreciation	3,853	8,713	(1,177)	2,668
	16,102	21,445	5,752	9,674
Freehold	15,822	20,841	5,472	9,070
Leasehold – 50 years and over	280	604	280	604
	16,102	21,445	5,752	9,674

24 Associated undertakings

	The Group		The Company	
	1992	1991	1992	1991
Cost	77,320	22,134	15,200	11,494
Share of post acquisition retained surpluses less losses	(4,190)	(3,276)	—	—
	73,130	18,858	15,200	11,494
Unrealised appreciation	12,240	1,487	4,233	5,025
	85,370	20,345	19,433	16,519
Listed – UK	7,322	6,548	7,322	6,548
Unlisted – UK	75	74	75	74
– International	77,973	13,723	12,036	9,897
	85,370	20,345	19,433	16,519

Included within Secured Loan Investments (note 22) is an advance of £13,632,000: 1991 £12,092,000 to associated undertakings; a similar advance of £3,050,000: 1991 £3,050,000 is included in non investment loans – note 29.
Details of the Group's interests in associated undertakings are given on page 61.

25 Investment leases

	The Group		The Company	
	1992	1991	1992	1991
Cost of investment lease assets acquired during the year	—	—	—	—
Aggregate investment lease rentals receivable in the year	5,649	6,086	—	—

26 Subsidiary undertakings

(i) Subsidiary undertakings are included at cost less provisions.
(ii) Shares held in subsidiary undertakings carry an uncalled liability of £26,476,000; 1991 £25,513,000, principally in respect of future capital requirements of international subsidiary undertakings yet to be drawn down.
(iii) Details of the principal consolidated subsidiary undertakings are given on page 61

27 Fixed assets in use by the Group

The Group

	Properties 1992	Office Equipment 1992	Motor Vehicles 1992	Hire purchase motor vehicles 1992	Total 1992
Cost or valuation 1 April 1991	40,800	27,066	5,606	—	73,472
Additions	7,142	4,309	176	4,261	15,888
Transfer to investment properties	(2,078)	—	—	—	(2,078)
Revaluation in year	(9,177)	—	—	—	(9,177)
	36,687	31,375	5,782	4,261	78,105
Disposals	128	1,689	5,208	778	7,803
Cost or valuation 31 March 1992	36,559	29,686	574	3,483	70,302
Accumulated depreciation 1 April 1991	—	12,405	3,054	—	15,459
Charge for year	—	5,336	215	1,139	6,690
	—	17,741	3,269	1,139	22,149
Disposals	—	1,378	3,009	322	4,709
Accumulated depreciation 31 March 1992	—	16,363	260	817	17,440
Book amount 31 March 1992	36,559	13,323	314	2,666	52,862
Book amount 31 March 1991	40,800	14,661	2,552	—	58,013
Freehold	17,520				
Leasehold 50 years and over	19,039				

Obligations under hire purchase contracts

	The Group 1992	1991
Amounts payable		
Within one year	895	—
Between two and five years	957	—
	1,852	—
Less finance charge allocated to future periods	293	—
	1,559	—

	The Company Properties 1992
Valuation 1 April 1991	35,526
Additions	7,033
Transfer to investment properties	(2,078)
Revaluation in period	(6,458)
Valuation 31 March 1992	34,023
Book amount 31 March 1992	34,023
Book amount 31 March 1991	35,526
Freehold	14,984
Leasehold 50 years and over	19,039

28 Money market assets and balances with banks

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Deposits				
Maturing after more than one year	3,707	13,757	3,764	13,748
Maturing within one year	374,022	270,625	250,000	163,166
Marketable securities				
Maturing after more than one year	—	1,643	15,608	15,608
Maturing within one year	125,373	122,709	64,892	42,490
Balances with banks	80,607	49,494	1,206	796
	583,709	458,228	335,470	235,808

29 Trading assets

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Finance lease receivables	13,988	[illegible]	—	
Hire purchase receivables	13,054	15,417	—	
Development properties	25,559	44,5[illegible]4	—	—
Non investment loans, unlisted				
Secured loans	37,225	76,883	—	—
Unsecured loans	8,247	4,72[illegible]	—	—
	98,073	162,469	—	—
Cost of finance lease and hire purchase assets acquired during the year	3,061	5,257	—	—
Aggregate finance lease and hire purchase rentals receivable in the year	8,522	12,542	—	—

Investment leases were previously included as part of finance lease receivables and have now been recategorised as investment assets. The comparatives have been restated.

30 Other current assets

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Tax recoverable	4,352	1,670	78	102
Interest receivable, debtors and prepayments	106,001	109,551	68,129	64,932
	110,353	111,221	68,207	65,034

31 Current liabilities other than borrowings

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Creditors and accrued charges	117,568	124,218	53,692	48,725
Obligations under hire purchase contracts	1,559	—	—	—
Taxation payable	19,542	22,628	—	14
Proposed dividend	17,922	16,612	17,922	16,612
	156,591	163,458	71,614	65,351

32 Borrowings

		The Group 1992	The Group 1991	The Company 1992	The Company 1991
Debenture stocks					
Ship Mortgage					
Finance company plc	8% 1991-95	3,000	3,000		
'A' Debenture stocks					
3i plc	7¼% 1989-92	11,890	12,549		
	7¾% 1991-94	13,705	13,705		
	9% 1991-94	9,425	9,425		
		38,020	38,679		
Unsecured loan stocks					
3i plc	12½% 1992	—	15,138		
	8¾% 1992-97	9,141	9,141		
		9,141	24,279		
Guaranteed Bonds and Notes					
3i Group plc	9¼% 1994	50,000	50,000	50,000	50,000
	11¼% 1996	100,000	—	100,000	—
	10¼% 2001	100,000	—	100,000	—
		250,000	50,000	250,000	50,000
Guaranteed Bonds and Notes					
3i International BV					
(US$96,000,000)	7⅝% 1991	—	59,965		
	10½% 1991	—	9,535		
	11½% 1991	—	47,165		
(US$55,331,000)	10½% 1992	39,072	39,066		
(Yen 12,000,000,000)	5% 1993	44,944	44,853		
(ECU 50,000,000)	7⅞% 1993	27,197	27,197		
	10% 1993	65,000	65,000		
	10¼% 1993	13,410	20,375		
(FFr 500,000,000)	9⅝% 1994	46,449	46,356		
	12% 1991-95	4,000	5,000		
(DM 200,000,000)	6¼% 1998	64,851	64,851		
		304,923	429,363		
Less unamortised deep discount		3,213	3,367		
		301,710	425,996		

32 Borrowings *Continued*

		The Group 1992	[illegible]	The Company 1992	[illegible]
Unsecured Loan Notes					
Variable rate	1994	—	[illegible]		
Variable rate	2000	4,024	4,228		
Variable rate	2010	1,516	675		
Index linked	2011	1,012	1,092		
3i Investments plc					
Unsecured Loan Notes					
Variable rate	2000	138	143		
3i International BV					
Guaranteed Floating Rate Notes	1994	109,326	109,326		
3i Group plc					
Floating Rate					
Unsecured Loan Notes	1994	594	702	594	702
Floating Rate Notes	1994	51,475	51,475	51,475	51,475
Guaranteed Floating Rate Notes	1997	125,000	—	125,000	—
		293,085	169,895	177,069	52,177
Bank loans and overdrafts		325,948	355,398	280,073	295,308
Other loans					
FCSC		132,359	129,884	132,359	129,884
EIB		48,221	51,854	48,221	51,854
Other		3,184	3,743	—	—
		183,764	185,481	180,580	181,738
Deposits		541,271	477,997	348,933	327,297
Onward leasing payables		1,047	1,397	—	—
Total borrowing					
short term		510,618	433,355	326,414	280,478
medium and long term repayable					
— within one year		197,790	191,352	76,560	48,915
— in more than one year		1,235,578	1,104,415	833,681	577,127
		1,943,986	1,729,122	1,236,655	906,520
Of which:					
Bank loans and overdrafts repayable					
— in one year or less or on demand		76,533	6,424	55,073	308
— in more than 1 year and not more than 2 years		3,281	240,989	—	220,000
— in more than 2 years and not more than 5 years		80,361	82,985	50,000	50,000
— in more than 5 years		175,000	25,000	175,000	25,000
		335,175	355,398	280,073	295 308
Other borrowings repayable					
— in one year or less or on demand		631,875	618,283	347,901	329,085
— in more than 1 year and not more than 2 years		131,632	126,138	27,479	23,663
— in more than 2 years and not more than 5 years		597,456	464,138	407,470	176,367
— in more than 5 years		247,848	165,165	173,732	82,097
		1,608,811	1,373,724	956,582	611,212

Standby facilities
The Company has the following committed facilities:

Facility	Drawn	Maturity
£400,000,000	—	364 day evergreen
£100,000,000	—	5 April 1998
£25,000,000	—	6 May 2003
£600,000,000	£55,000,000	22 July 1992
£500,000,000	£175,000,000	12 June 1997

Forward Exchange Contracts
The proceeds of all foreign currency denominated bonds have been converted either to Sterling or US dollars. All interest payments and capital repayments are the subject of forward exchange contracts.

Secured Borrowings
The debenture stocks are secured by floating charges on the assets of the issuing companies. 3i plc's 'A' debenture stocks are also secured by a fixed charge over a cash deposit of approximately an equivalent amount.
All borrowings are repayable at par.

32 Borrowings *Continued*

European Investment Bank

The Company has entered into finance contracts dated 29 December [illegible], 18 October 1983 and [illegible] February 1985 with European Investment Bank (EIB) under which EIB has granted a credit of £[illegible] 1991 £[illegible] of which £40,000,000 1991 £40,000,000 is covered by exchange risk guarantees by the Department of Trade and Industry to be used for onward lending to businesses. At 31 March 1992 £26,555,000 had been drawn down and lent.
The Company also has a credit facility of £35,000,000 with an expiry date extended to 30 June 1992. This facility permits the draw down of funds with a maturity not later than 25 November 2003. At 31 March 1992 £28,087,000 had been drawn down. The Company has an additional credit facility of £75,000,000 which expires on 29 June 1993. This facility permits the draw down of funds with a maturity date of not more than 12 years from the date of disbursement. At 31 March 1992 no amounts had been drawn down.

European Coal and Steel Community

Global loan facilities amounting to £270,000,000: 1991 £270,000,000, of which £250,000,000 1991 £250,000,000 is covered by exchange risk guarantees by the Department of Trade and Industry, for onward lending to businesses have been granted to the Company by the European Coal and Steel Community. At 31 March 1992 £227,281,000: 1991 £207,278,000 had been drawn down and £220,173,000 1991 £199,936,000 had been lent.

Swap Agreements

Borrowings include an amount of £519,880,000: 1991 £352,024,000 which, when raised, was the subject of currency and/or interest swap agreements under which counterparties have undertaken to pay amounts equal to the Group's fixed interest obligations in consideration of amounts payable by the Group equivalent to variable rates of interest.
Borrowings also include an amount of £130,000,000: 1991 £180,000,000 which, when raised, was the subject of interest rate swap agreements under which counterparties have undertaken to pay amounts equal to the Group's variable interest obligations in consideration of amounts payable by the Group equivalent to fixed rates of interest.
In addition, the Company has entered into further swap agreements which effectively leave a net amount of £57,5[illegible],000 of fixed rate borrowings converted to a variable rate basis: 1991 £25,898,000 of variable rate borrowings converted to a fixed rate basis.

33 Deferred tax

a) Short term and other timing differences:
In the opinion of the directors, it is not possible to foresee with any certainty the level of future finance leasing operations and other capital expenditure by the Group.
Full provision has therefore been made for deferred tax relating to finance leases and short term and other timing differences.

All amounts are in thousands of pounds

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Deferred tax movement				
Balance at 1 April	17,820	34,216	(8,115)	(2,665)
Transfer – note 33(b)	9,526	—	10,351	—
Tax on revenue surplus – note 10	(6,491)	(10,136)	(5,891)	(4,185)
Tax on investment realisation profits – note 13	(292)	(7,574)	—	(2,451)
Other movements	(181)	1,314	(42)	1,186
Balance at 31 March	20,382	17,820	(3,697)	(8,115)
Comprising:				
Short term timing differences	2,726	5,326	(3,906)	2,087
Finance leases and other capital allowances	18,363	23,173	209	149
Other timing differences	(707)	(10,679)	—	(10,351)
Balance at 31 March	20,382	17,820	(3,697)	(8,115)

The transfer represents the benefit of tax losses available for offset against future chargeable gains.

33 Deferred tax *continued*

[illegible] on unrealised surpluses to the extent that these are likely to [illegible] other available reliefs.

Amounts are in thousands of pounds

The Group

	Unrealised appreciation	**Investment Realisation Profits**	**Revenue**	**Total**
1 April 1990 as previously reported	135,076	(42,531)	—	92,545
Prior year adjustment	12,800	—	—	12,800
1 April 1990 as restated	147,876	(42,531)	—	105,345
Movements during year to 31 March 1991				
Unrealised appreciation	(53,916)	—	—	(53,916)
Investment realisation profit – note 13	—	(18,138)	—	(18,138)
31 March 1991 as previously reported	82,968	(60,669)	—	22,299
Prior year adjustment	10,992	—	—	10,992
31 March 1991 as restated	93,960	(60,669)	—	33,291
Movements during year to 31 March 1992				
Unrealised appreciation	14,702	—	—	14,702
Investment realisation profit – note 13	—	2,672	—	2,672
Transfer	825	(2,761)	(7,590)	(9,526)
Revenue	—	—	(6,107)	(6,107)
	15,527	(89)	(13,697)	1,741
31 March 1992	**109,487**	**(60,758)**	**(13,697)**	**35,032**

The Company

	Unrealised appreciation	**Investment Realisation Profits**	**Revenue**	**Total**
1 April as previously reported	72,216	(42,389)	—	29,827
Prior year adjustment	9,931	—	—	9,931
1 April 1991 as restated	82.147	(42,389)	—	39,758
Movements during year to 31 March 1992				
Unrealised appreciation	13,729	—	—	13,729
Investment realisation profit	825	14,021	—	[illegible]
Transfer	—	(2,761)	(7,590)	(10,351)
Revenue	—	—	(7,307)	(7,307)
	14,554	11,260	(14,897)	10,917
31 March 1992	**96,701**	**(31,129)**	**(14,897)**	**50,675**

c) No provision has been made for taxation on the Group's share of the undistributed profits of overseas subsidiary and associated companies which is liable to United Kingdom and overseas taxation if distributed as dividends.

34 Share capital

	No. of Shares 1992	**Amount 1992**
Authorised share capital of the Company at 31 March 1992 300,000,000 shares of £1 each		
Issued and called up shares of £1 each fully paid		
At 1 April 1991	235,119,508	235,120
Allotted on 2 August 1991 under the 3i Profit Sharing Plans for Continental European employees	3,879	3
Allotted on 2 August 1991 on exercise of share options under the 3i Executive Share Option Plan	441,800	442
Allotted on 20 January 1992 on exercise of share options under the 3i Executive Share Option Plan	257,200	257
At 31 March 1992	235,822,387	235,822

34 Share capital *Continued*

[illegible] Share Option Plan [illegible] directors and other members [illegible] at 31 March 1992, options to acquire the following shares of £1 each in the Company at the respective consideration as stated below:

No. of Shares	Consideration per share £
2,183,600	1.00
334,000	1.375
586,000	1.90
60,000	2.02
1,567,200	3.275
1,274,600	3.285
195,000	3.42
881,550	3.50
170,000	3.91
225,000	4.03
305,000	4.10
310,000	4.39
8,091,950	

No such options remain valid after 2002.

The following directors have beneficial interests in shares and options to acquire shares of £1 each in the Company:–

	Beneficial interests held on 31 March 1992	1 April 1991 or later appointment
Dr N E Cross	**14,909**	13,567
H J Foulds	**455,593**	455,593
B P Larcombe	**12,425**	12,425
E C S Macpherson	**14,775**	13,433
D E Marlow	**218,355**	216,821
Dr R D M J Summers	**11,134**	9,984

Options to acquire

	Held on 1 April 1991 or later appointment	Granted during the financial year	Exercised during the financial year	Held at 31 March 1992
Dr N E Cross	343,900	15,150	—	**359,050**
B P Larcombe	246,500	—	—	**246,500**
E C S Macpherson	343,900	28,400	—	**372,300**
D E Marlow	255,800	—	—	**255,800**
Dr R D M J Summers	225,000	20,000	—	**245,000**

There has been no increase in the authorised or issued share capital of the Company, nor have there been any changes in the above interests and share options between 31 March 1992 and 6 July 1992.

35 Share premium

All amounts are in thousands of pounds

	The Group	The Company
Balance 1 April 1991	1,984	1,984
Increase in respect of new shares	334	334
Balance at 31 March 1992	**2,318**	**2,318**

36 Reserve movements of the Group

The retained surpluses in the revenue and investment realisation profits reserves, which at 31 March 1992 total £554,739,000; 1991 £535,881,000 are retained by the Company £401,400,000; 1991 £315,726,000, by subsidiary undertakings £150,931,000; 1991 £223,432,000 and by associated undertakings £2,408,000; 1991 £(3,277,000).

Of the retained surpluses of the Company and subsidiary undertakings, above, £14,389,000; 1991 £51,570,000 is not regarded as distributable by them. Of the retained surpluses of associated undertakings, above, £3,385,000; 1991 £3,410,000 is not regarded as distributable. The remaining balances of the revenue and investment realisation profits reserves are distributable.

37 Reserve movements of the Company

Revenue and investment realisation profits reserves

	Revenue 1992	Revenue 1991	Investment Realisation Profits 1992	Investment Realisation Profits 1991
1 April as previously reported	337,781	85,184	(22,055)	—
Prior year adjustments				
Taxation	560	—	(560)	—
1 April as restated	338,341	85,184	(22,615)	—
Retained for year	45,491	334,614	39,923	(106,503)
Transfer arising on Group reorganisation	—	(83,888)	—	83,888
Currency translation adjustment	260	2,431	—	—
31 March	384,092	338,341	17,308	(22,615)

Of the retained surpluses, above, £17,481,000: 1991 £6,606,000 is not regarded as distributable. The remaining balances of the revenue and investment realisation profits reserves are distributable.

Unrealised appreciation reserve	1992	1991
1 April as previously reported	351,494	—
Prior year adjustment:		
Unrealised appreciation	30,094	—
Taxation thereon	(9,931)	—
1 April as restated	371,657	—
Arising on assets transferred from subsidiaries on 28 February 1991	—	442,049
Unrealised appreciation at 1 April 1991 on investments realised during the year	(36,241)	(142)
Change in value of investments during the year	107,176	11,897
	442,592	453,804
Deferred tax	14,554	82,147
31 March	428,038	371,657

38 Goodwill

The amount of goodwill written off in respect of acquisitions made prior to 23 December 1989 cannot be calculated without unreasonable expense and delay and therefore is not disclosed. No acquisitions have been made since that date.

39 Further commitments

		The Group 1992	The Group 1991	The Company 1992	The Company 1991
a	Under contract				
	Shares and loans	175,335	133,230	136,809	91,934
	Finance leases and hire purchase	2,840	8,890	—	—
	Properties	13,651	14,149	—	—
		191,826	156,269	136,809	91,934
b	On offer subject to acceptance and contract				
	Shares and loans	51,717	56,082	35,177	40,810

40 Contingent liabilities

	The Group 1992	The Group 1991	The Company 1992	The Company 1991
Contingent liabilities relating to the guarantee of recourse agreements and loans	86,895	45,827	33,276	11,304

The Company, 3i Holdings plc and 3i International Holdings have jointly and severally guaranteed the payment of principal and interest on the undermentioned unsecured loan stocks of 3i plc

		amount outstanding
8¼%	1992-97	9,141

The Company has guaranteed money market borrowings of 3i plc. At 31 March 1992, these amounted to £183,768,000. The Company, 3i Holdings plc and 3i plc have jointly and severally guaranteed the payment of principal, premium, if any, and interest on the Bonds and Notes issued by 3i International BV as listed in note 32 except DM 200,000,000 6¼% 1998 which have been jointly and severally guaranteed by the Company and 3i plc.

41 Reconciliation of operating profit to cash inflow from operating activities

	1992	1991
[illegible]	173,725	[illegible]
[illegible]	6,690	[illegible]
[illegible]	39,658	[illegible]
[illegible]	(3,520)	[illegible]
[illegible]	5,220	[illegible]
[illegible]	4,263	[illegible]
[illegible]	18,775	[illegible]
[illegible] companies	(17,449)	(18,850)
Increase in accrued investment interest income	(708)	394
Decrease in debtors and prepayments	10,492	(27,452)
Decrease in other creditors and accruals	(4,785)	5,410
Minority interest	(336)	(160)
Exchange difference	2,081	169
Reversal of Associates' profits less dividends receivable	1,757	(473)
Profit on sale of fixed assets	(552)	—
	235,311	[illegible]

42 Analysis of changes in cash and cash equivalents during the year

	1992	1991
Balance at 1 April	(157,665)	(46,402)
Net cash inflow before adjustment for the effect of foreign exchange rate changes	94,332	(116,525)
Effect of foreign exchange rate changes	(1,985)	5,262
Balance at 31 March	(65,318)	(157,665)

43 Cash and cash equivalents

	Balance sheet total	Cash and cash equivalents	Non cash equivalents
At 31 March 1992			
Money market assets and balances with banks	583,709	354,120	229,589
Short term borrowings	(510,618)	(419,438)	(91,180)
	73,091	(65,318)	138,409
At 31 March 1991			
Money market assets and balances with banks	[illegible]	179,376	278,852
Short term borrowings	[illegible]	(337,041)	(96,314)
	24,873	(157,665)	182,538
At 31 March 1990			
Money market assets and balances with banks	426,056	239,241	186,815
Short term borrowings	(413,636)	(285,643)	(127,993)
	12,420	(46,402)	58,822

44 Analysis of changes in financing during the year

	Share Capital & Share Premium 1992	Loans 1992	Share Capital & Share Premium 1991	Loans 1991
Balance at 1 April	237,104	1,295,767	233,685	1,311,994
Effect of foreign exchange differences	—	(409)	—	(5,624)
Cash inflow from financing	1,036	497,267	3,419	47,697
Cash outflow from financing	—	(359,257)	—	(80,700)
Other movements	—	—	—	22,400
Balance at 31 March	238,140	1,433,368	237,104	1,295,767

45 Analysis of changes in non cash equivalents

	1992	1991
Balance at 1 April	182,538	58,822
Net movement before adjustments for the effect of foreign exchange rate changes	(41,006)	99,100
Effect of exchange rate movements	(3,123)	2,216
Other movements	—	22,400
Balance at 31 March	138,409	182,538

Deposits with an initial maturity of more than 3 months are defined as non cash equivalents.

46 Equity accounting

As explained in accounting policy B, the Group has not equity accounted for its equity share investments. Based on the latest accounts received by 3i in respect of each investment, if such equity accounting had been incorporated in these financial statements, the Group revenue before tax shown on page 42 would have been increased by approximately £171m; 1991 £82m in respect of companies which are profitable and reduced by £141m 1991 £48m in respect of companies which are loss making. The tax on Group revenue would have increased by approximately £23m; 1991 £27m and the revenue surplus for the year would have increased by approximately £7m, 1991 £7m. There would have been no effect on total capital and reserves in the Group balance sheet.

Subsidiary & Associated Undertakings

Principal Subsidiary Undertakings

Involved in Fund Raising Activities

3i International BV *(The Netherlands)*

Involved in Investment Activities

3i Holdings plc*
3i Investments plc
3i UK Holdings
3i International Holdings*
London Atlantic Investment Trust plc*
3i SA *(France)*
3i Gesellschaft für Industriebeteiligungen mbH *(Germany)*
3i Ibérica de Inversiones Industriales SA *(Spain)*
3i Investors in Industry SpA *(Italy)*
3i Jersey Ltd *(Jersey)*
3i Guernsey Ltd *(Guernsey)*
3i Isle of Man Ltd *(Isle of Man)*
3i Corporation *(USA)*
3i Australia Ltd *(Australia)*

Providing Services

3i plc
3i Corporate Finance Ltd
3i Portfolio Management Ltd
3i Research Exploitation Ltd
3i Trustee Company Ltd
Ship Mortgage Finance Company plc
Gardens Nominees Ltd
Gardens Pension Trustees Ltd

The list above includes the principal subsidiary undertakings which are wholly owned except for London Atlantic Investment Trust plc which is 55% owned. They are incorporated in Great Britain and registered in England and Wales unless otherwise stated

Associated Undertakings

Incorporated in Great Britain and registered in England and Wales unless otherwise stated

Listed	% of voting equity held by the Group	Group's share of results based on audited accounts for the year ended
The North British Canadian Investment Company plc* registered in Scotland *investment trust*	28	28 February 1992
Unlisted		
Gilde Venture Fund BV *(The Netherlands)** *venture capital fund*	20	31 December 1991
Gilde Investment Fund BV *(The Netherlands)** *venture capital fund*	12	31 December 1991
RDC Properties Ltd* *property development*	50	31 December 1991
ANZ Grindlays 3i Investment Services Ltd* *(Guernsey)* *investment capital fund managers*	50	31 March 1992
Albert Bridge Ltd* *property development*	50	30 September 1991
Inter Risco-Sociedade de Capital de Risco SA* *(Portugal)* *venture capital company*	20	31 December 1991
3iBJ Ltd *(Japan)** *investment capital fund managers*	40	31 March 1992

Unlisted Limited Partnership	% share of profits	
Aspen Venture Partners L.P. *(USA)* *venture capital fund*	94	31 March 1992

*These companies were direct subsidiary undertakings or associated undertakings of the Company at 31 March 1992.

Auditors' Report

To the members of 3i Group plc

We have audited the accounts on pages 38 to 61 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 March 1992 and of the surplus and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants

Registered Auditor

London 6 July 1992

Operating Boards & Management

3i plc
Chairman
Sir John Cuckney
Deputy Chairman
Jon Foulds FCIB CBIM
Executive Committee
Ewen Macpherson *(Chief Executive)*
Dr Neil Cross FCIS
Brian Larcombe
John Platt FCA
Dr Richard Summers
Rupert Wiles FCA
UK Investments
Eric Barton
Paul Bradbury
Clive Brook FCA
David Cheesman
Roger Colwill
Jane Crawford
Stephen Denford
Martin Gagen ACA
Malcolm Gloak
Philip Goodwin
Tim Harrison ACA
David Hunter FCA
Roger Lawson FCA
Gordon MacLean FCA
Keith Mair CA
Jim Martin CA
Alastair Morrison
John O'Neill FCA
Michael Pacitti CA
John Petrie
Michael Piper
Hugh Richards
Charles Richardson
Chris Rowlands
Alex Shinder
Graham Spooner
Dr Robert Toomey ACMA
William Watt
David Wilkinson FCA
Peter Williams FCA
International Investments
Michel Biegala
Roger Cottrell FCA
Paul Waller
Financial Controller
Peter Ewins ACA
Deputy Financial Controller
Mark Rowlinson FCMA FCCA
Group Solicitor
Colin Garrett
Human Resources
Janet Gunn MIPM
Compliance Officer
David Herbert
Business Analyst Team
Elizabeth Hewitt ACA
Chief Industrial Adviser
John Kirkpatrick
Chief Internal Auditor
Robin McIntosh CA

3i plc (continued)
Taxation
John Moore FCA ATII
Information Systems
Roderick Perry C Eng MIEE
Corporate Treasurer
Nick Shapland
Corporate Development
Alan Walker AIA ACIB
Marketing
Christopher Woodward

3i Corporate Finance Ltd
Directors
Neil Williamson
David Chassels CA
David Hughes
Philip Marsden
John Yetman FCA

3i Portfolio Management Ltd
Managing Director
John Davies

3i Research Exploitation Ltd
Managing Director
Dr Charles Desforges

3i SA (France)
Managing Director
Michel Biegala

3i Gesellschaft für Industriebeteiligungen mbH (Germany)
Joint Managing Directors
Andrew Richards
Thomas Schlytter-Henrichsen

3i Ibérica de Inversiones Industriales SA (Spain)
Managing Director
Gabriel Gutierrez Ugalde

3i Investors in Industry SpA (Italy)
Managing Director
Sergio Sambonet

3i Corporation (USA)
Chairman
John Ward

Associates

3iBJ Ltd (Japan)
Joint Managing Director
David Wilson

BLE Capital Ltd (Australia)
General Manager – Branch Operations
Sandy Walker

ANZ Grindlays 3i Investment Services Ltd
(Registered in Guernsey – Managing funds in India)
John Levack

Directory of Offices

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Graham Spooner

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Jim Martin

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3i Jersey
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Alan Killip

3i Guernsey
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Bill Hiscocks

3i Isle of Man
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Robert Toomey

3i in The USA
3i Corporation
617 542 8560
John Ward

3i has a policy of non-exclusivity. This means that we sometimes invest in businesses which compete with each other or support competing bids for the same business. We are always careful to ensure that information disclosed to us in confidence is treated confidentially.

Crown Way Cardiff CF14 3UZ
www.companieshouse.gov.uk

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Companies House regrets that documents in this company's microfiche record have pages which are illegible.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

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