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Five year financial record

1996	2.5
1997	2.9
1998	3.5
1999	3.6
2000	5.2
Shareholders' funds (£bn) at 31 March	
1996	3.1
1997	3.5
1998	3.9
1999	4.3
2000	4.6
Dividend per share (£)	
1996	0.11
1997	0.12
1998	0.13
1999	0.14
2000	0.15

1996	21
1997	22
1998	23
1999	24
2000	44

Return on opening shareholders' funds

Financial highlights of the year

Total return	£1.6bn
Return on opening shareholders' funds	44%
Unrealised value growth	£1.2bn
Net realised profit of £350 million	+94%
Uplift over opening valuation on equity realisations	83%
Investment £1.4 billion	+20%
Diluted net asset value per share 847p	+41%
Dividend per share 12.2p	+8%

Investment amounts referred to in this report relate to investments made by 3i Group and third party unquoted funds unless otherwise stated.

1996	0.5
1997	0.7
1998	1.0
1999	1.1
2000	1.4

Investment (£bn) year to 31 March

1996	41
1997	49
1998	53
1999	61
2000	83

Uplift over opening valuation on equity realisations (£m) year to 31 March

1996	423
1997	488
1998	582
1999	601
2000	847

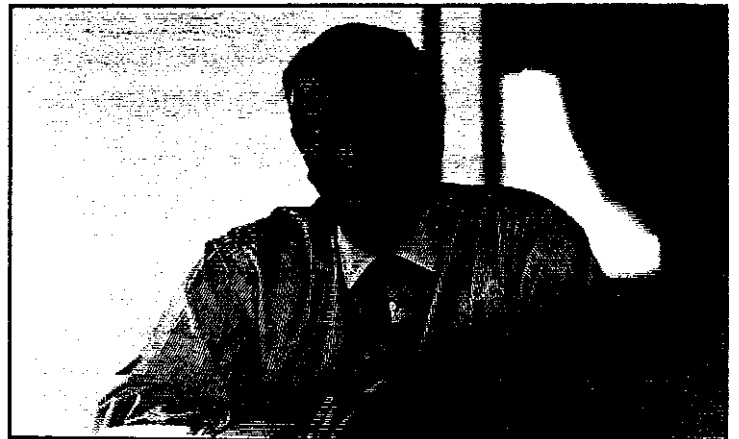
Diluted net asset value per share (£) year to 31 March

3i is Europe's leading venture capital company, with 39 offices in ten countries.

We are developing significant businesses in Asia Pacific and the United States.

We invest in a wide range of opportunities from start-ups to buy-outs and buy-ins, focusing on businesses with high growth potential and strong management.

3i has invested almost £12 billion in nearly 13,500 businesses.



Chairman's statement

3i has made excellent progress with its strategic objectives and has achieved very good financial results.

Total return for the year of £1.6 billion represents a return of 44% on opening shareholders' funds. This is a record for 3i and demonstrates the benefits of the Group's strategy and a strong underlying financial performance.

During the year the share price rose from 626p to 1318p, increasing the market capitalisation of 3i to almost £8 billion. The Board is recommending a final dividend of 7.6p, making a total dividend of 12.2p, an increase of 8% for the year.

We have continued to build our capabilities and grow our international business.

In the UK, we have maintained our leadership against the background of an increasingly competitive market. Technology based companies have performed well while the strength of sterling against the Euro has continued to make trading conditions difficult for traditional manufacturing and exporting companies.

Continental European venture capital markets are growing rapidly and 3i has added to its network and capabilities both by expanding organically and through the acquisition of Technologieholding, a leading German early stage venture capital company.

Our Asia Pacific teams continue to develop and are well placed to take advantage of economic restructuring in Japan and renewed growth in the ASEAN region.

The US remains the leading international technology market and during the year we opened offices in Boston and Palo Alto. 3i's ability to provide international reach to US technology businesses is proving to be a significant competitive advantage.

I am delighted to welcome three new Directors to the Board. Rod Perry, who has executive responsibility for Asia Pacific and Group Services, has been a member of the Executive Committee since 1996. Danny Rosenkranz, formerly Chief Executive of BOC, and Oliver Stocken, previously Finance Director of Barclays Bank, have joined the Board as non-executive Directors.

I would also like to thank John Melbourn, Deputy Chairman, who will be retiring at the conclusion of the Annual General Meeting after serving as a Director for almost ten years. His wise counsel has made an important contribution to 3i, especially during the flotation of 3i in 1994 and as Chairman of the Audit & Compliance and Remuneration Committees. I am delighted that he will be succeeded as Deputy Chairman by Sarah Hogg who has been a Director since 1997.

Our achievements this year result from the outstanding contribution made by our employees and reaffirm the importance of highly motivated teams to the business. I would like to thank everyone.

3i faces an exciting and challenging period ahead, with a clear strategy to grow the business. We will continue to build our capabilities to reinforce our position as the leading venture capital company in Europe and increase our presence in other international markets.



Sir George Russell CBE
24 May 2000

Chief Executive's review

I am pleased with the progress made with our strategic objectives and the financial results we have achieved.

In this review, I comment on market developments and the impact of these on the competitive environment for venture capital. I then outline 3i's strategy.

We have a positive view of global economic prospects although dramatic technological change will create greater imbalances in individual markets and industry sectors than we have seen in recent years.

Much has been written about the divergence of growth prospects for "old" and "new" economies and the stock market valuation of technology companies. We are confident that technology provides businesses with the potential for rapid growth. Ultimately, a successful company has to provide a high quality product or service to its customers and generate profits and cash flow. In other words, business fundamentals have not changed. At 3i, we have and continue to be focused on the fundamentals of *management ability and market potential*.

We also believe that there will be good prospects for growth in both old and new economies as so called traditional businesses utilise new technologies to establish competitive advantage in their markets. This change process will create increased opportunities for all parts of our business, including the setting up of many new companies. Buy-out activity is likely to increase as companies restructure to meet a new challenging environment and 3i will be a catalyst in making change happen.

Competitive background There has been a significant increase in venture capital funds raised in Europe targeted at both early and later stage businesses. Many new entrants to the market have emerged. However, the market itself has also grown, with demand for venture capital increasing greatly. Venture capital is also taking on additional importance as a separate asset class, with both investors and governments acknowledging the vital role that it plays in wealth creation.



1996	61
1997	87
1998	121
1999	241
2000	422

Investment in Continental Europe (£m) year to 31 March

1996	136
1997	131
1998	164
1999	291
2000	656

Technology investment (£m) year to 31 March

Chief Executive's review

3i Strategy Our strategy is to build on 3i's position as Europe's leading venture capital company and to expand internationally to take advantage of growing markets.

To achieve this we have been pursuing the following objectives, to:

- maintain our market leading position in the UK;
- increase investment in continental Europe to 20% of the Group's portfolio by 2003;
- build a leading technology venture capital business that invests in key international technology markets, increasing technology assets to over 30% of the Group's portfolio;
- develop a business in both the US and Asia Pacific which both complements our European operations and contributes significant returns;
- grow funds under management to support our core investment activities.

Strategic progress 3i has maintained its leading position in the UK. We have made some significant changes to the way we operate, increasing our specialisation, making fewer but larger investments and re-organising the business on a regional basis.

Investment activity in continental Europe reached record levels for the fourth consecutive year. Our network of offices throughout Europe is now very well developed. During the year, teams were established in Nantes in France and in

Padua and Bologna in Italy. Since the year end we have opened an office in Zurich and agreed to acquire a venture capital business based in Helsinki. We are ahead of our plan to have 20% of the portfolio in continental European businesses, with 18% of our assets currently in the region.

We now have almost as many investment executives internationally as in the UK and we expect the balance of the Group's investment assets to become increasingly international.

Technology investment has increased this year to £656 million compared with £291 million last year. Our technology portfolio includes a broad range of investments in many sectors and ranges from start-ups to buy-outs and quoted companies. Technology investment now represents 40% of the portfolio. Our technology investment capability was enhanced by the acquisition of Technologieholding in February. This helped to establish 3i as Germany's leading technology venture capital investor.

The availability of highly skilled investment professionals is key to growing our business to take advantage of increasing opportunities, particularly in continental Europe. We now have over 100 people in Germany in seven teams including the new locations for 3i of Leipzig and Berlin.



1996	0.5
1997	0.5
1998	1.3
1999	1.5
2000	2.3

Third party unquoted funds managed by 3i (£bn) at 31 March

Chief Executive's review

We are also expanding our presence in other international markets. Our teams in Asia Pacific based in Singapore and Tokyo are seeing an increasing flow of good opportunities.

The US is the world's leading technology market and to be a major investor in this field requires a physical presence. We aim to build a significant technology business there and have established offices in Silicon Valley (Palo Alto) and Boston. Our US teams have made a flying start.

Funds under management We have substantially increased the funds that we manage for both quoted and unquoted investment. Our third party unquoted funds under management have increased to £2.3 billion during the year and with the launch of 3i Bioscience Investment Trust and 3i European Technology Trust, 3i now manages four quoted investment companies.


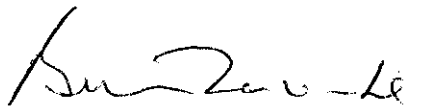
These funds build our expertise in the quoted markets which is essential to the development of our unquoted portfolio.

People 3i's greatest resource is its people and we continue to devote significant effort to recruiting, developing and rewarding the best employees. We now have around 350 investment executives working from 39 offices in ten countries. They are supported by teams of dedicated professionals who are equally important to the success of our business.

Results 3i has produced good results for the year to 31 March 2000. Total return of £1.6 billion was a return of 44% on opening shareholders' funds, a record for 3i. All of our activities, in the UK, elsewhere in Europe and across the world made a full contribution to this result.

Over £1 billion was invested for the third consecutive year and realisation proceeds from equity sales of £822 million were achieved at an uplift over valuation of 83%, again a record for 3i.

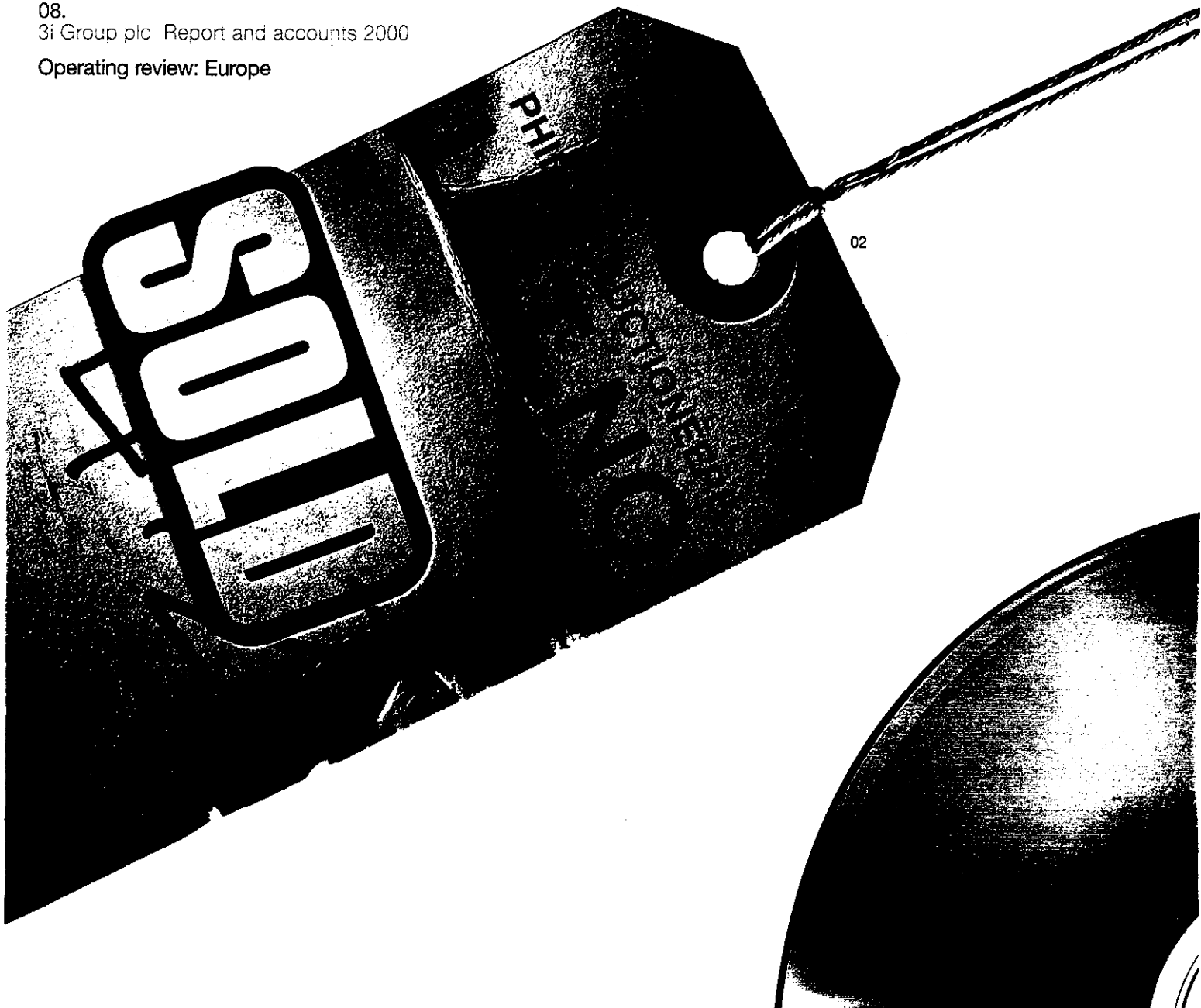
Summary 3i has performed well and we have reinforced our leadership position in Europe. Many others have recognised the potential of venture capital and are entering the market. To stay ahead, we will continue to build our international capabilities and use our extensive resources to support the companies in which we invest.



Brian Larcombe, Chief Executive
24 May 2000



INTERNATIONAL OPERATIONS AND PARTNERSHIPS The following section provides a review by region of 3i's operating performance during the year, illustrating how its international network helps to develop key partnerships and make valuable connections.



01.(from left) Jonathan Russeli and Peter Williams – executive Directors with joint responsibility for UK Investment.



Operating review: Europe

United Kingdom The venture capital market in the UK is well developed and remains highly competitive, with many new entrants and significant funds available for investment. The market itself is also growing as demand for venture capital continues to rise. Against this backdrop, 3i's strategic objective for the UK is to maintain our leading market position.

Our UK business is now reaping the rewards of the groundwork laid in earlier years, reporting high levels of both investments and realisations. Our UK network comprises six operating regions, providing a strong competitive advantage by combining local knowledge with the benefit of a wide international network.

The power of this network is evidenced by some of the businesses that 3i has invested in, companies like Virata (see below). This start-up, backed by 3i, was spun out from Cambridge University and Paragon Software (details are given on page 12), a winner of 3i's Technology Catapult competition.

More importantly, we are able to harness the strength of our international network, not just in continental Europe but also in Asia Pacific and the US. This brings the best teams to work on each investment opportunity, sharing ideas and drawing on appropriate expertise from across 3i to complement our teams in local markets.

Technology is playing a key role in this process, allowing us to create virtual teams to share knowledge and ideas around 3i. This takes several forms. The intranet (3i's internal internet) is a powerful tool for sharing knowledge around the Group. A message posted on the intranet draws responses from around the network of offices across the world.

Complementing this is the launch of a new 'closed' internet site – InsideEdge. This is a bespoke site, available only to the businesses in our technology portfolio, which enables them to share ideas and knowledge and even forge trading links.

04

02. Phillips. In 1998 3i led a buy-out investing £11 million (including co-investment funds) in this auctioneering business. 3i helped identify a new Chief Executive and management team who worked to transform the business. Negotiations with LVMH, the world's largest luxury goods business, resulted in the sale of the business generating for 3i, and the management team, a significant return on the original investment.

03. Chris Thomson, Chief Executive, Phillips.

04. Virata, a technology spin-off from Cambridge University, delivers highly-integrated semiconductors and communications software to Internet access equipment suppliers, targeting DSL and broadband wireless devices. It is an excellent example of a company spun out of academia which 3i backed at early stage, and then through further funding stages.

05. Charles Cotton, Chief Executive, Virata.



05



Operating review: Europe



01

UK performance The UK return was £1,302 million, largely driven by significant returns from the sale or IPO (Initial Public Offering or flotation) of technology businesses and the increase in valuations of recently floated buy-outs where 3i has retained a stake. £894 million was invested in 354 businesses (1999: £899 million in 495 businesses).

There were four IPOs from the UK technology portfolio, including Virata, details of which are given on page 9. The majority of technology realisations arose from the sale of quoted shares in companies backed by 3i prior to IPO (flotation). In addition, there were 18 sales to trade buyers in the year, including Integralis (see opposite for details). UK technology realisations achieved a substantial uplift over valuation.

Despite an increasingly competitive market, we are continuing to see attractive opportunities to invest in technology companies. We made 202 technology investments during the year and now have 485 UK technology businesses in the portfolio.

Within the buy-out sector, we have sought to balance our business within all segments. This has involved reducing the number of investments while increasing the average size. While our overall buy-out market share has fallen, we have maintained leadership in the mid-market (£5 million to £250 million). Jonathan Russell has been appointed to the Executive Committee with responsibility for European buy-outs to co-ordinate a pan-European approach to this important market. We completed 52 UK buy-outs during the year, investing £424 million and also achieved a number of highly successful realisations from the buy-out portfolio, including the sale of TDL (further details provided opposite).



02



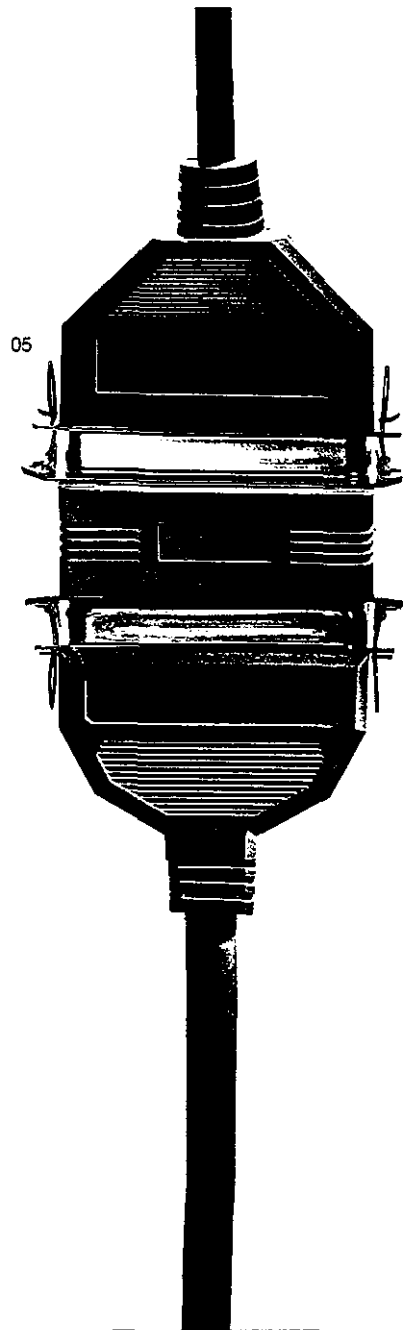
01. Atlantech, one of the world's leading suppliers of network management software products to telecommunications operators which provides internet-based services, was founded in 1992. The development of its software platform was assisted by three rounds of funding from 3i totalling more than £4 million. With the much-publicised sale of

Atlantech to Cisco Systems Inc at a capitalisation of \$180 million, 3i received £17 million – more than four times the original investment.

02. (from left) Rob Brading, Vice President of Market Development and co-founder, Roger MacDonald, Finance Director and David Sibbald, Chief Executive, Atlantech.



03



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06

03.3i's investment in TDL (Thomson Directories) three years ago to fund a buy-out has realised significant returns following the company's sale to TDL Infomedia for £230 million. 3i has realised profits over cost of £71 million. TDL was originally acquired from US West in an £80 million MBO led by 3i in 1997.

04.Gary List, Chief Executive, TDL.

05.Integralis is a network software integration business founded by four IT entrepreneurs in 1988 with the help of 3i. This successful business has acquired two new businesses and 'spun off' a separate entity. Integralis' recent merger with Articon Information Systems has created a significant business, quoted on the Neuer Markt.

06.(from left) Martyn Webster, Chief Financial Officer, Dan Collins, Operations Director and Ian Calcutt, Chief Executive, Integralis.



01

01. The sale of Paragon Software to NASDAQ-quoted Phone.com Inc for a record \$515 million, increased 3i's stake in the business from an initial £500,000 investment. Paragon, a winner of 3i's Technology Catapult competition in 1997, is recognised as the leading synchronisation software and technology business within the mobile communications sector: 3i has

supported Paragon through three rounds of funding, backing the founder's entrepreneurial vision of how mobile phones, PCs and the internet would need to synchronise personal data between them.

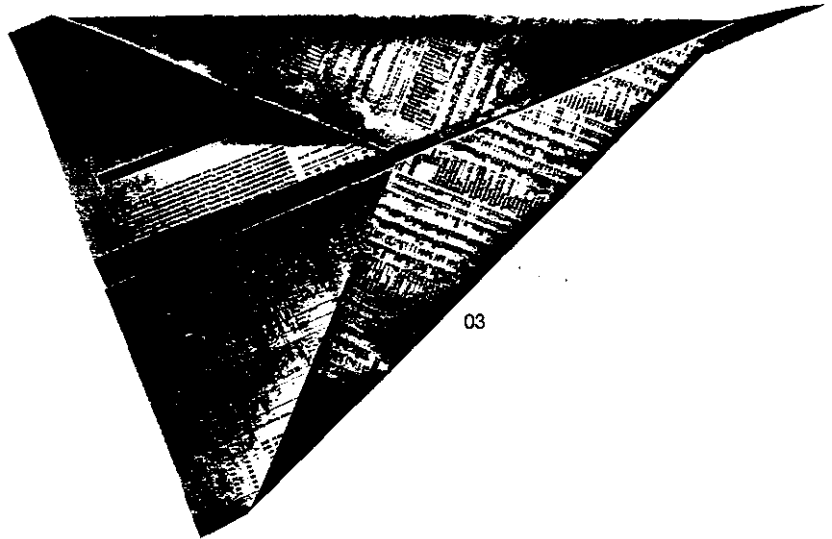
02. Colin Calder, Chief Executive, Paragon Software.



02



Operating review: Europe



Managing the UK portfolio Within the natural life cycle of venture capital backed companies which includes start-ups, growth, buy-outs and IPOs (flotations), there is usually a good time to invest and a good time to sell. Statistics from the British Venture Capital Association (BVCA) confirm that this year has been good for both. 3i has also been successful in our relationships with businesses post-flotation.

Many investee companies, especially in the traditional manufacturing sectors have struggled to cope with the high level of sterling and increasingly open markets. In these circumstances, we have used our extensive resources to work with management to strengthen these businesses.

Currently our UK portfolio comprises around 2,300 investments, including some 1,100 'smaller' investments. In order to more pro-actively manage these smaller investments, we established a new team during the year. This regionally based team will manage the portfolio with a set of clear objectives: to provide consistent levels of service with good communication channels and to generate value for all shareholders.



03.CityFlyer There are few better examples of the successful combination of entrepreneurial ambition and venture capital as the partnership between Robert Wright and Brad Burgess of CityFlyer and 3i. CityFlyer, one of the first ever British Airways franchise operations was sold last year to BA for £75 million, having grown the business to a turnover of £118 million and profit before tax of £7 million. 3i has backed Robert Wright in a number of similar ventures since 1985.

04.(from left) Brad Burgess, Chief Executive and Robert Wright, Chairman, CityFlyer.



04

05.Charles Richardson and Isabel Dolan, 3i's Small and Medium sized investment team.



05



Using our network of people

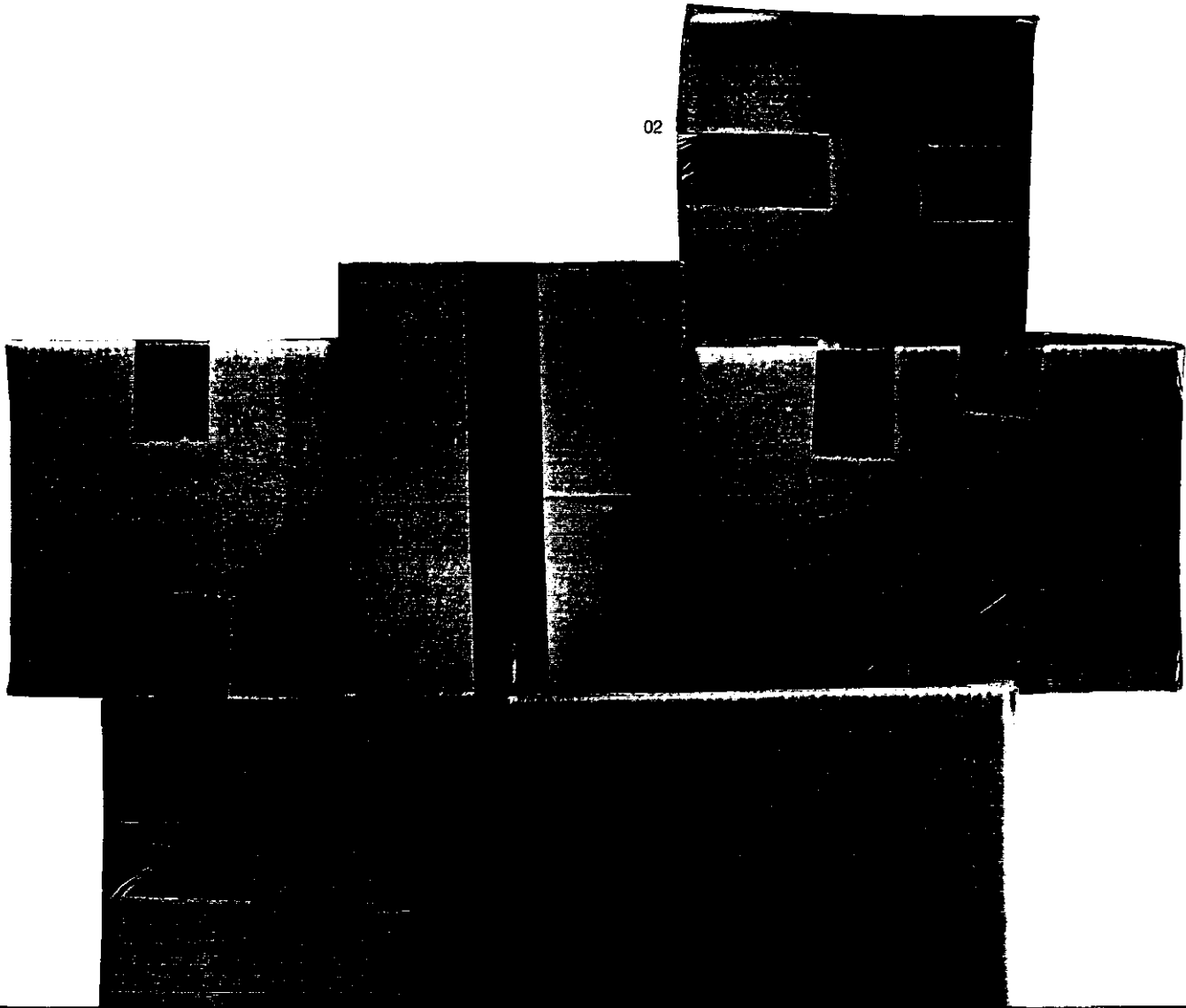


OpenShop, provides an excellent example of the power of 3i's network of people. The Ulm based e-commerce software provider, proved itself to be one of the fastest growing technology businesses in Germany by completing an IPO on the Neuer Markt just over a year after the company was founded. As well as providing the initial start-up finance in 1998 and further development capital last

year, 3i also introduced OpenShop to a non-executive director from the US Independent Directors Programme. The company has grown to establish a US presence, increasing its value. At the time of the flotation, 3i sold shares with a value of DM51 million, retaining an equity holding of 25%. (from left) Peter Kuhl, Finance Director and Thomas Egner, Chief Executive.

Operating review: Europe

02



01. Richard Summers, Group Director responsible for continental European Investment and Technology.

02. Transportes Gerposa 3i originally invested Ptas 800 million, in Transportes Gerposa – a leading transport and logistics business – in November 1995. Since then, the company has continued to expand, strengthening its management team with the appointment of a new board

and an independent chairman, and acquiring, with 3i's support, one of its competitors, Transportes Aiciendo.

03. (from left) Fernando Martinez Valle, Financial Director, Santiago Villaverde, Managing Director and Javier Toranzo, Human Resources and Legal Director. Transportes Gerposa.

01



03



Operating review: Europe

Continental Europe 3i has again had a successful year in building its business in continental Europe, making significant progress towards achieving the strategic objective of having 20% of portfolio assets there by 2003.

Investment levels grew strongly, rising from £241 million last year to £422 million. There has been an increased emphasis on technology investments and we achieved a number of successful trade sales and IPOs from the portfolio. Total return in continental Europe was £221 million, before currency adjustment.

Venture capital technology markets have been extremely active across continental Europe, in line with activity in the quoted technology markets. Technology IPOs have been prevalent, particularly in Germany where seven 3i backed businesses joined the Neuer Markt, including Web.de and Openshop.

3i also achieved a strong performance in Spain, investing £95 million, and a solid performance in France and Italy.

Markets are becoming increasingly competitive with significant funds being raised for investment in venture capital. In these circumstances it is important to have distinct competitive differentiators and we firmly believe that our growing network of offices in continental Europe provides a major competitive advantage to 3i. By having local people in local markets we can gain a greater understanding of the market dynamics and develop long term relationships with key decision makers. To achieve this, we have been building our teams on the continent, recruiting 42 staff during the year.

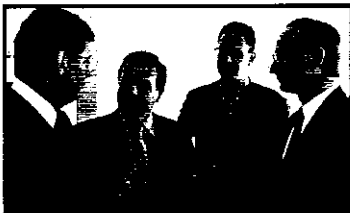
3i's Technology Catapult competitions have proved an innovative way to identify technology businesses in which to invest. These competitions aim to identify leading technology companies in each country. Following the success of this competition in the UK, this year we ran Catapult competitions in Germany and France. In Germany, we received 63 entries, and 3i invested DM5 million for a 20% stake in each of the three winners: Praxisline, which provides medical supplies over the internet; Curry, which produces work flow management software; and Applied Security, which produces computer security systems. In France, we received 81 entries. 3i will invest FF15 million for a 20% stake in each of the three winners.

We can also create opportunities to deliver value by working across our network. A good example of this was the sale of the logistics business, Transportes Gerposa to Christian Salvesen (see opposite for further details). 3i had developed a good relationship with Christian Salvesen through the previous sale of a UK investment.

During the year we strengthened our network, opening offices in Nantes in France and Padua and Bologna in Italy. We will continue to open further offices and since the year end have opened an office in Zurich and agreed to acquire a venture capital business based in Helsinki.



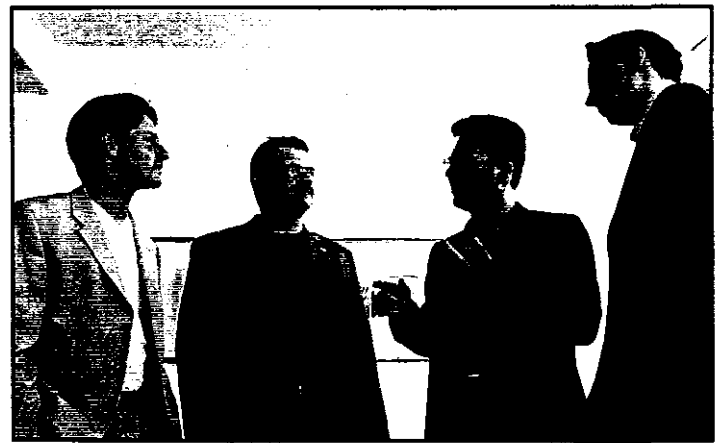
04. Loewe Opta In 1997, 3i invested DM*9 million in the buy-out of this business, which manufactures and sells high quality televisions, telephones and audio equipment. Loewe achieved an IPO (flotation) on the German stock market in July 1999 with an initial value of over €250 million. (from left) Klaus Deiser, Sales Director, Dr Rainer Hecker, CEO, Dr Burkhard Bamberger, Finance Director and Gerhard Schaas, Technology & Production Director.

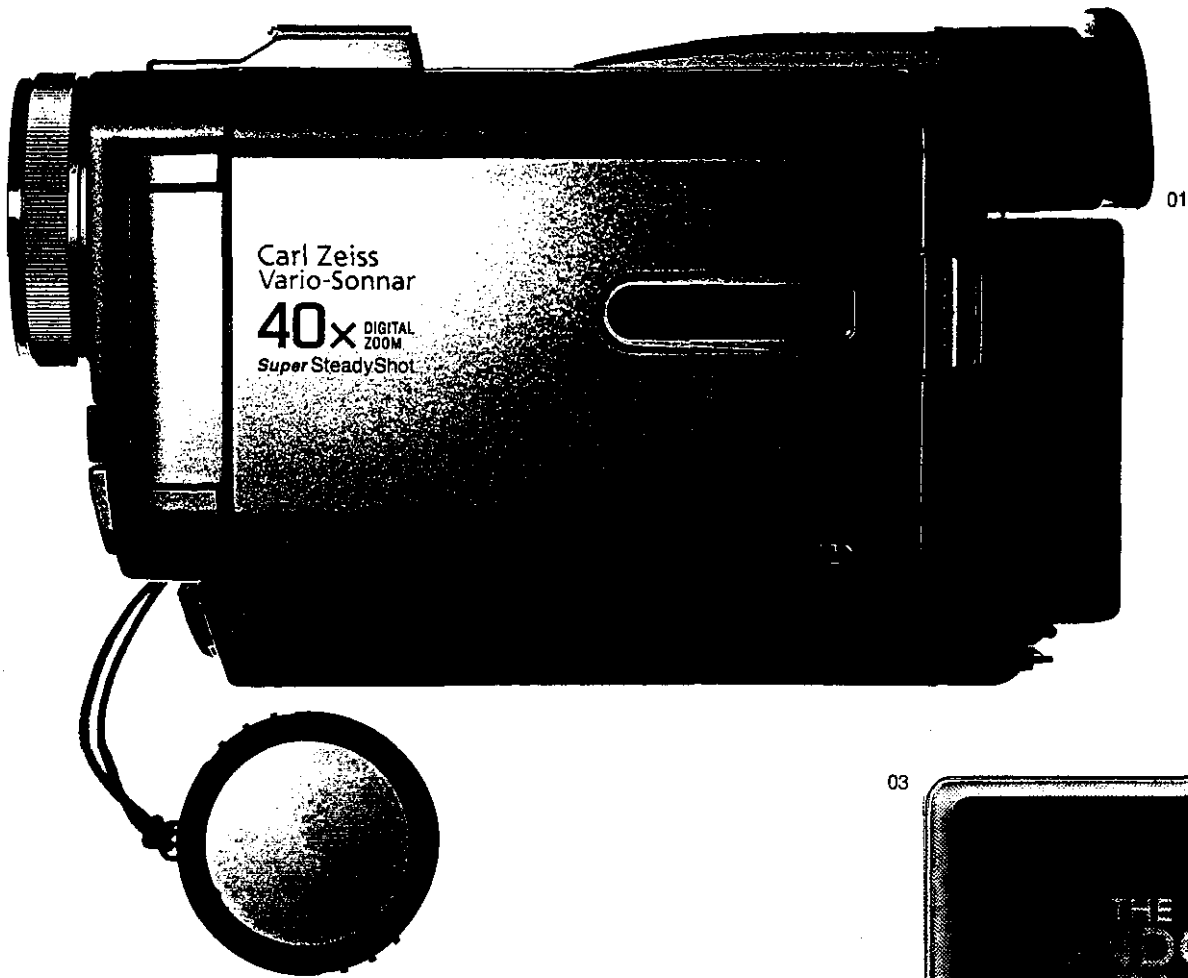


05. DCI AG 3i initially invested approximately €3 million growth capital in August 1999. DCI operates a leading vertical business-to-business marketplace for information technology products. 3i worked closely with the company on strategy and acquisition projects and helped to recruit the new

CFO Klaus Zuber, from Virgin Records, and John Thorpe, an experienced manager from GE Information Systems. 3i led the pre-IPO (flotation) funding round in December with a further €3 million. DCI listed in March on Neuer Markt Frankfurt and was valued at over €550 million on the first day of trading.

06. (from left) Gerard Trinkl, Chief Sales Officer, Klaus Zuber, Chief Financial Officer, Michael Mohr, CEO, and Andrew Röthinger, Chief Technology Officer. DCI AG.



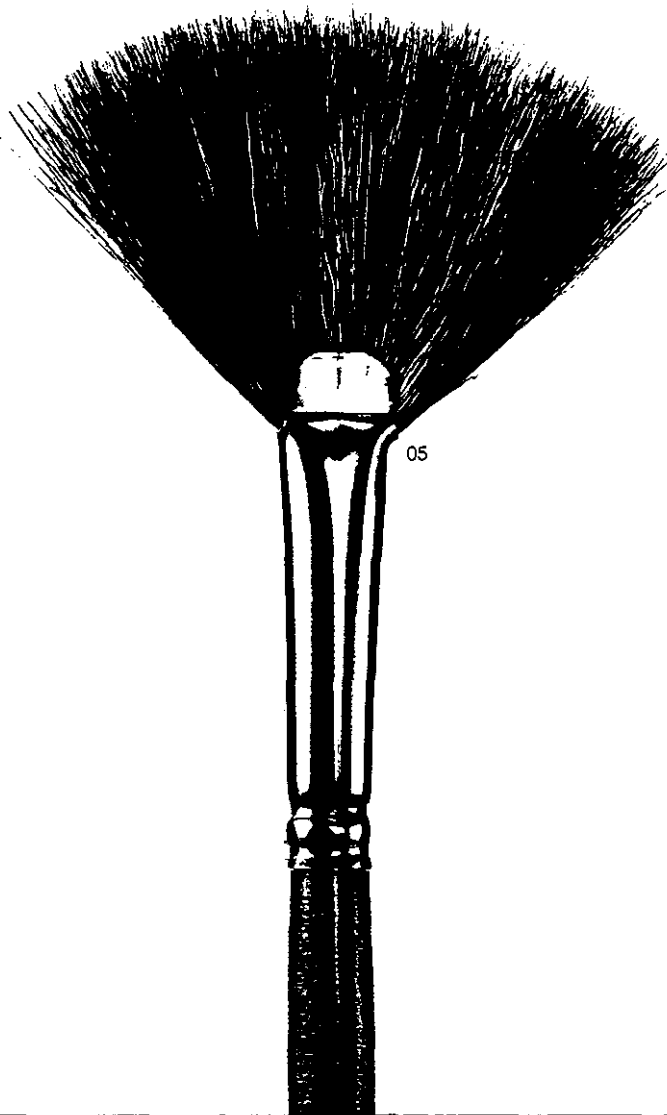


01. Vision Share was started in 1986 by two students and specialises in the distribution of audio-visual products. Within 10 years sales had risen to FF94 million and in 1998 it acquired another distributor, ASV which provided it with a network of regional outlets. Although sales increased, the costs of restructuring were significant. 3i became involved, introducing them to IEC Professional Media, another 3i investment, recently quoted on the Second Marche. The two companies merged in December 1999, and in January, shares were placed on the market that will provide the financing for the restructuring of ASV and for new growth.

02. (from left) Bruno Martinaud, Managing Director/CEO and Serge Hayat, Chairman. Vision Share.



Operating review: Europe



In Germany we had an exceptionally good year, investing £130 million, an increase of 56% over last year, in 113 businesses. Realisations also flourished with seven IPOs and the sale of quoted equity investments, achieving large uplifts over March 1999 valuations.

Our Benelux office in Amsterdam has made significant progress making seven investments during the year. France, Spain and Italy also made a positive contribution to the Group's results. 3i has made great progress in building its market share in the continental markets we have chosen to enter. We are the leading technology investor in Germany, the leading venture capitalist in France and the leader in buy-outs in Spain.

One of the significant events for 3i in continental Europe was our acquisition of one of Germany's most active, early stage technology investors.

The acquisition of Technologieholding for £102 million was the culmination of more than a year of discussions and brings a new dimension to 3i. It completes our network of offices in Germany with the addition of Leipzig and Berlin. More importantly, it raises the number of staff we have in Germany to 100 across seven offices.

Technologieholding has made many successful early stage technology investments, including POET software, which specialises in object oriented database systems, and ricardo.de, the oldest internet auction channel in Germany. Both companies listed on the Neuer Markt during the year.

One of Technologieholding's co-founders, Gert Köhler has joined 3i's Investment Committee and has been appointed a Managing Director of 3i Europe, responsible for developing 3i's early-stage technology investments.

We are continuing to build our network in continental Europe and are seeing clear evidence of the success of this strategy. With investments on the continent representing 18% of our total portfolio we are well on track to achieve the strategic target of 20% by 2003.

03. Founded in 1995, ACG has grown to become Europe's leading high-tech broker for smartcards, chips and related products, with sales increasing from DM35 million in 1998 to DM202 million last year. 3i led the first round of venture capital funding in 1998 with an investment of DM4.4 million. In July 1999, ACG was listed on the Neuer Markt at €46 million. Following an exciting period of growth, both organically and through acquisition, a secondary placing in March 2000 enabled 3i to realise a significant profit on the sale of shares.

04. (from left) Dr Cornelius Boersch, Board member and Peter Bohn, CEO, ACG.

05. Mirato This leading cosmetics and spray perfume company, was bought out by managing director Corrado Ravanelli and his family with the help of a Lire 14 billion investment from 3i. Within three years of the buy-out, the company completed a successful IPO (flotation), in June 1999, with a market capitalisation of Lire 200 billion, realising 3i a significant return on its 34% stake.

06. (from left) Fabio Ravanelli, Managing Director and Corrado Ravanelli, Chairman and CEO, Mirato.



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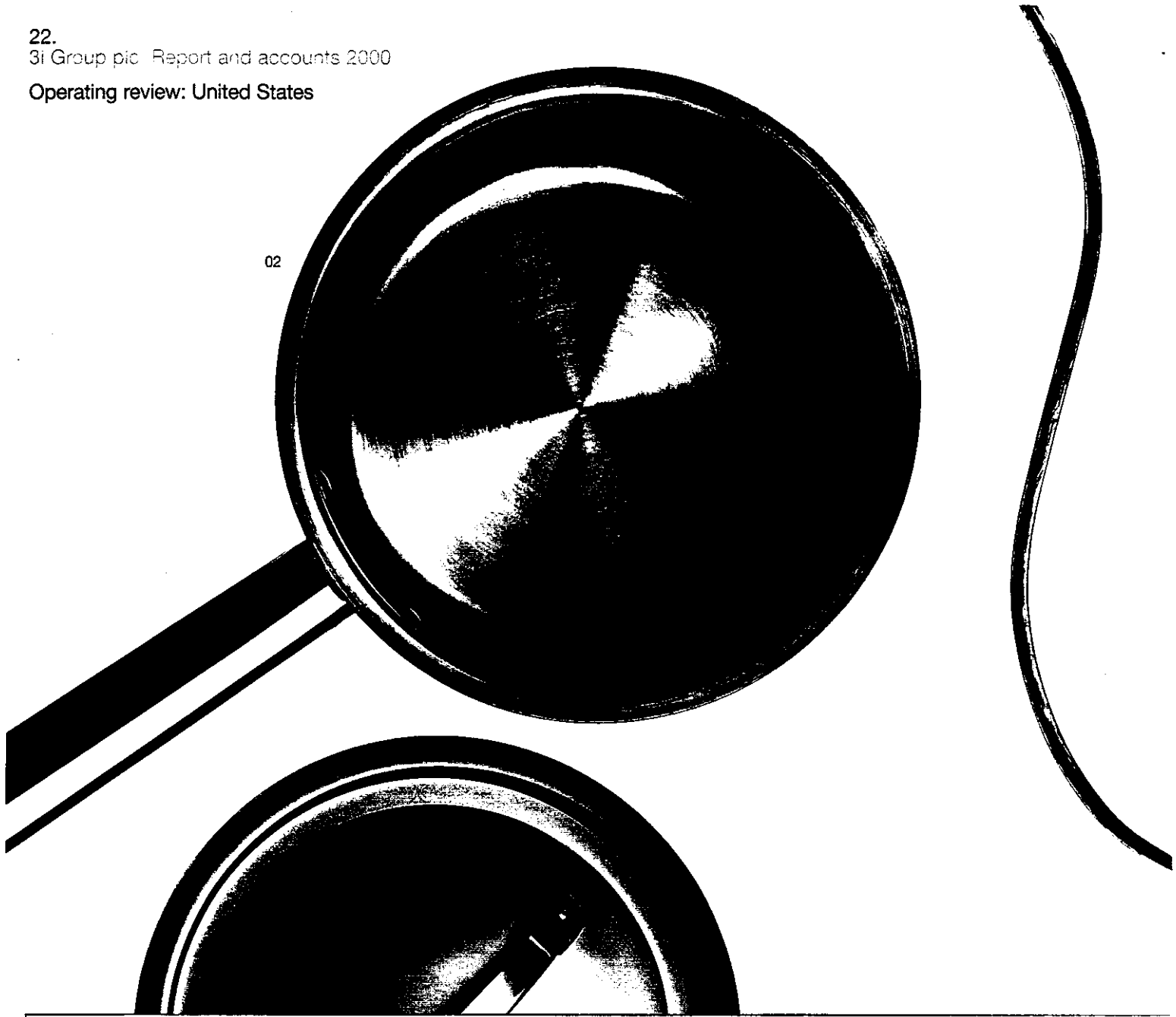
Developing key partnerships



An exciting example of how 3i's partnerships work well is EPS, the Banbury based supply chain manager and value added logistics business, which focuses on the mobile telecommunications sector, and in which 3i invested £9.5 million four years ago. It was itself acquired by business services group Hays plc this year for £55 million. 3i and its unquoted funds realised nearly £36 million from the sale. 3i introduced this buy-in opportunity to entrepreneur Peter Ashton, who 3i had

previously successfully backed in a different venture. Peter's ideas and experience were key in taking the business forward. EPS has proved itself to be a successful business that has continued to innovate and anticipate market and technology developments to deliver value to its customers and investors. A prime example of 3i sharing knowledge and ideas and linking people with opportunities. (from left) John O'Brien, Finance Director, Peter Ashton, Chief Executive and John Hillidge, Commercial Director.

02



01

01.Martin Gagen, Group Director responsible for USA



Operating review: United States

The US remains the world's largest technology market and we believe that to be a leading investor in this field requires a physical presence, both to support our technology portfolio companies in Europe and Asia Pacific and also to make new investments in US technology businesses. Our US offices also provide a window on the high technology market, helping 3i to identify trends that we are likely to see in Europe in the near future.

While it is early days, the first six months of operation have been very encouraging. In addition to establishing operations in California (Palo Alto) and Massachusetts (Boston), 3i is already seeing a high quality deal flow that offers significant value opportunities for us.

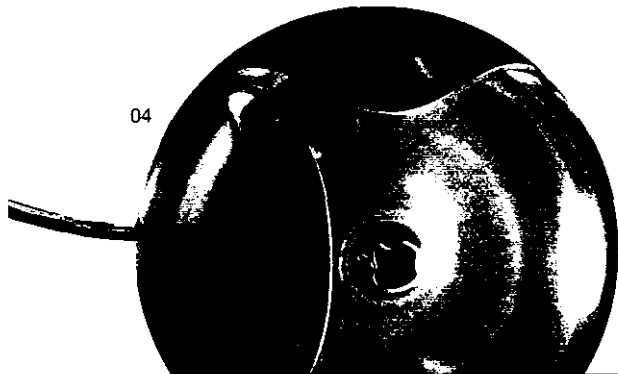
We have invested US \$44 million in nine transactions, including the pre-flotation financing of YET2.com (see below). We have been the main venture capital investor in four of these deals, primarily on the strength of our ability to deliver genuinely international reach to US entrepreneurs. This is 3i's key differentiator and the cornerstone of our strategy for the US. We are focusing on the strength of our international network, bringing in effect a Silicon Valley network outside the Silicon Valley.

3i's network of 39 offices across three continents and a portfolio of around 750 technology investments is proving extremely attractive to US technology businesses and is being seen by US venture capitalists as complementary to their own capabilities. The launch of InsideEdge (our 'closed' internet site for 3i technology investments) creates further competitive advantages.

3i's presence in the US also offers significant opportunities to create value for our wider technology portfolio. The new offices can support European based technology investments, for example, those which need access to the US market to expand their own networks and to achieve an IPO on a US stock market.

3i has completed the recruitment of its initial teams in Palo Alto and Boston and is now looking to expand by recruiting locally. While recognising that the market is very competitive, we are pleased with the progress we have made in the US technology market and are confident of future success.

04



02. Sand Hill Systems Harnessing the inherent strength within the 3i network, executives from Asia, Europe and the US all played a key role in 3i's \$8 million investment in Sand Hill Systems (SHS). California-based SHS was spun out of a major packaging manufacturer committed to lowering order processing costs and reducing errors. It stands alone as an Application Service Provider (ASP) within the food manufacturing sector. 3i led the deal on the strength of its relevant sector expertise and has since introduced SHS to other businesses within its portfolio to help accelerate its entry into the European market.

03. Ray Villeneuve, President and CEO, Sand Hill Systems.

03

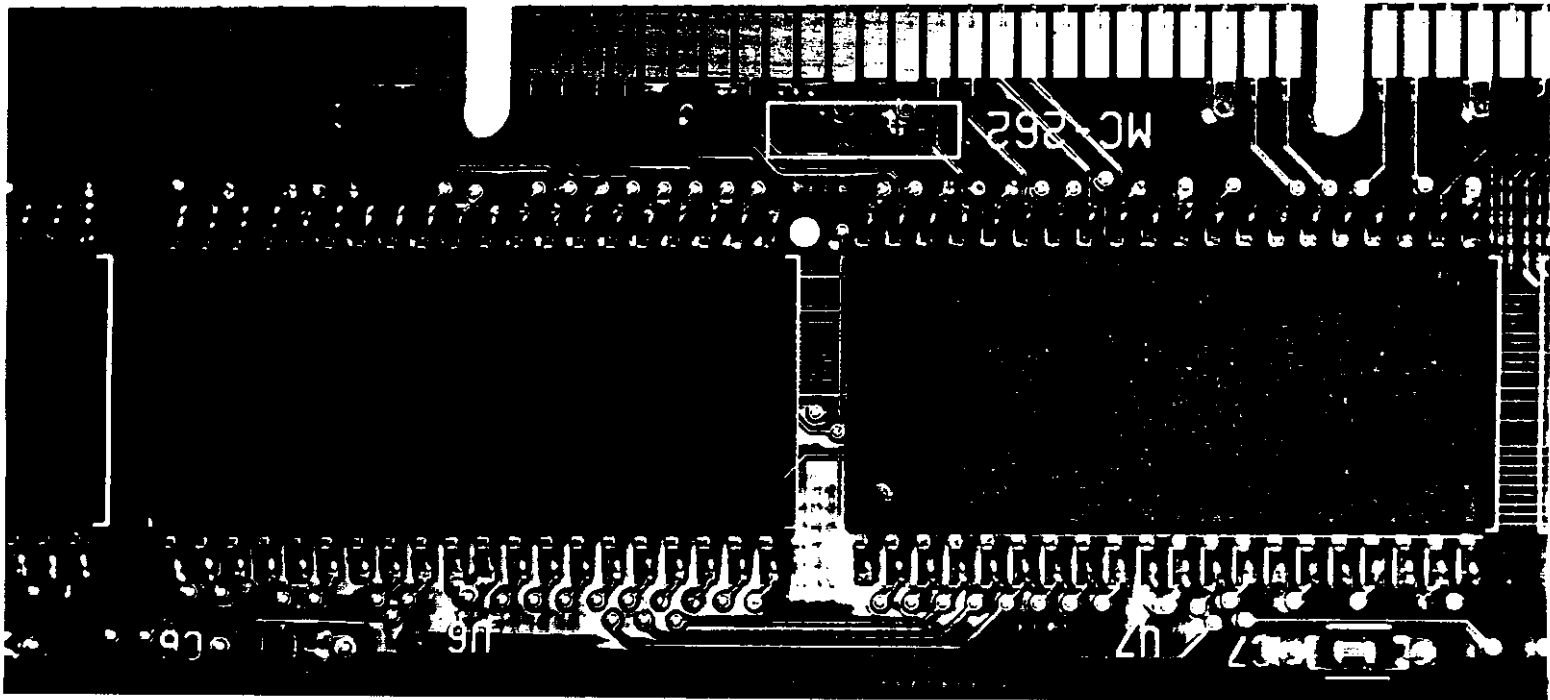
04. YET2.COM is an internet company establishing a service for the optimisation of the management of intellectual property. The company makes introductions across industries where a technology invented for one industry may have applications in another. 3i invested \$7.5 million in November 1999 as the lead investor, and continues to add value through potential corporate partner introductions both in the US and Japan, bringing strength through its global network.

05. (from left), Phil Stern, Chief Financial Officer and Chris DeBleser, Chief Executive Officer and co-founder, YET2.COM.



05

02



01. Rod Perry, Group Director with responsibility for Asia Pacific, and Jane Crawford, Managing Director of 3i Asia Pacific.

01



Operating review: Asia Pacific

In Asia Pacific we are developing a profitable venture capital business. Our South East Asian business continues to expand from its base in Singapore. Investment activities are focused on the more developed markets of the region and are split between technology and buy-outs, areas which we believe have the greatest potential.

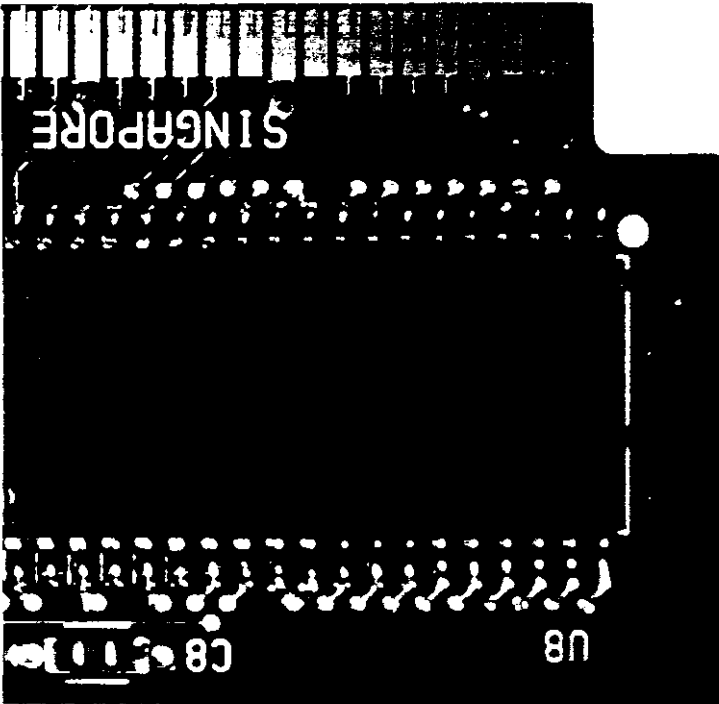
Throughout the region, we are anticipating a fast changing business environment. Our experience in Europe suggests that this is an excellent time for successful investments. Change is creating opportunity and, during the year, we have invested in 11 companies. We expect growth in investment levels again next year.

In Japan, our joint venture with The Industrial Bank of Japan, 3i Kogin Buyouts, is focused on buy-outs in line with our strategy. The Japanese economy is undergoing major structural changes and buy-outs have been identified by the Japanese Government as one of the key methods to achieve these changes. The business is well advanced, recruiting local expertise to take advantage of the opportunities that are predicted to result from these developments.

Future expansion in this region will be greatly assisted by the launch of the 3i Asia Pacific Technology Fund. This US \$400 million fund, which includes an investment of US \$100 million from the Government of Singapore's Technopreneurship Investment Fund (TIF), will focus on ambitious growing businesses in the telecommunications, information technology, life science and healthcare sectors

The fund is well placed to increase our opportunities for investment in technology companies in the region and the significant commitment by TIF is a strong endorsement of 3i's expertise in technology investing.

The new fund completed its first investment during the year, a commitment of S\$15 million to SingaTrust, a company providing a range of services for the semi-conductor industry.



02. The US \$400 million 3i Asia Pacific Technology Fund targets ambitious growing businesses in the telecommunications, information technology, life science and healthcare sectors, with investments of between US\$1 million and US \$25 million in early stage, growth capital and pre-IPC investments. The Fund includes US \$100 million from the Government of Singapore's Technopreneurship Investment Fund (TIF). The significant commitment by TIF is seen as a strong endorsement of 3i's expertise in technology investing in the region.

03. The photograph shows Jane Crawford, Managing Director of 3i Asia Pacific (right), with Dr Teh Kok Peng, President of The Government of Singapore Investment Corporation Special Investments, and Dr Finian Tan, Deputy Chairman, National Science and Technology Board, at the launch of the fund.

03





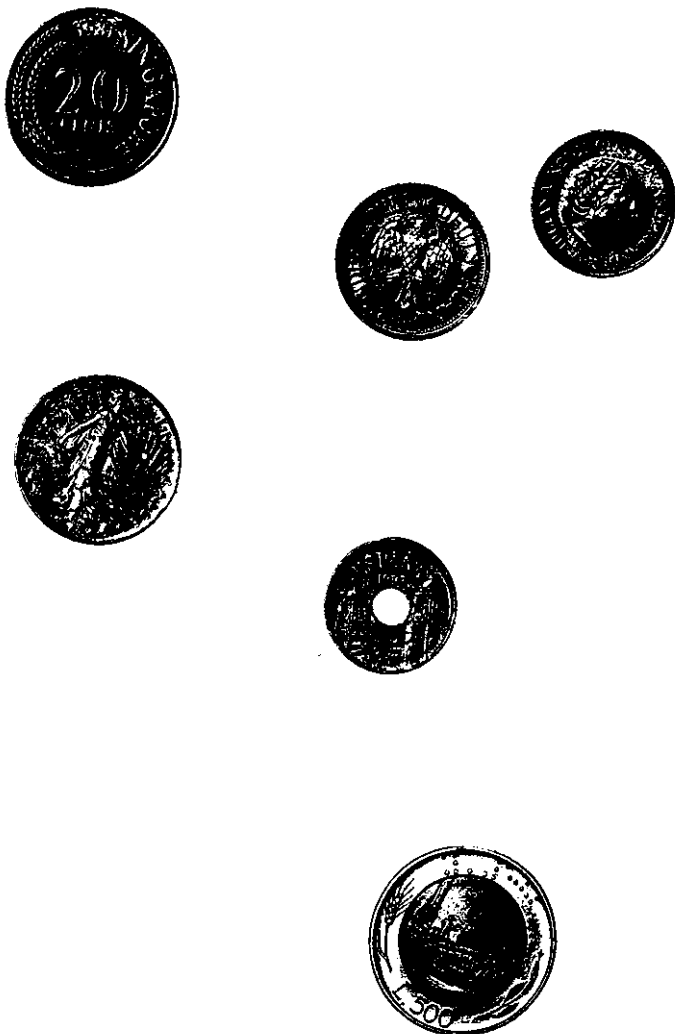
Making valuable connections



The acquisition in February of Technologieholding is a significant step towards building a leading global technology investment business. Technologieholding, one of Germany's leading early stage technology investors, was established by Gert Köhler and Falk Strasczeg. At the time of the acquisition, it had 40 people, including 24 investment professionals operating through seven offices. As well as increasing the number of 3i investment professionals in Germany, the £102 million acquisition adds 3i teams in Leipzig and Berlin.

The acquisition of Technologieholding by 3i creates Germany's leading technology venture capital investor. Gert Köhler (pictured, above left, with Richard Summers, above centre, Group Director responsible for continental Europe, and Andrew Richards, above right, Managing Director of 3i Germany) becomes a Managing Director of 3i Europe plc with responsibility for developing 3i's early stage technology business in continental Europe.

Operating review: fund management

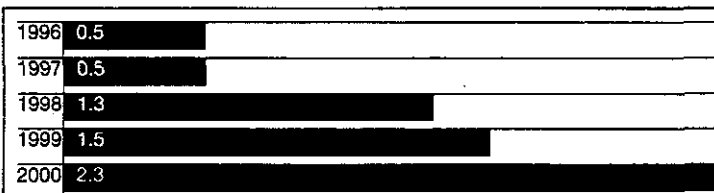


Unquoted funds Unquoted fund management has become integral to 3i's business and we will add to these funds where their use can increase the returns to our own shareholders. We currently manage around £2.3 billion of third party co-investment funds, which are invested alongside 3i's own capital, normally on a 50:50 basis and typically where 3i would otherwise need to syndicate investments to competitors. During the year, new funds were launched for continental Europe and for Asia Pacific. In the UK we increased the size of the Smaller Buy-out Plan. Most notable was the successful launch of our third Eurofund which will focus on investments in continental Europe for the first 18 months, before widening its scope to include investments in the UK to become our first pan European fund. The acquisition of Technologieholding also increased our funds under management.

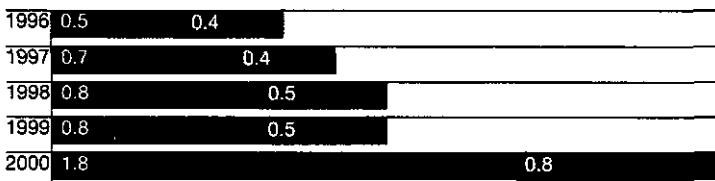
Quoted funds 3i Asset Management manages the Group's own £1.8 billion portfolio of quoted assets (largely built from the IPO (flotation) of our unquoted investments) and in addition £0.8 billion of third party quoted funds; comprising the Group's own pension fund and several quoted investment companies, including 3i Smaller Quoted Companies Trust and 3i UK Select, which focus on smaller UK companies and on larger UK stocks respectively.

3i Asset Management was appointed Manager of 3i Bioscience Investment Trust ("3i Bioscience") during the year. 3i Bioscience invests in life science and healthcare companies.

3i European Technology Trust commenced its fundraising in mid-March 2000 and started investing on 10 April 2000, with an initial capital of £377 million. This trust invests in quoted companies across Europe which have a significant focus on technology oriented activities, excluding life sciences.



Third party unquoted funds under management (£bn) at 31 March



Quoted funds under management (£bn) at 31 March

■ 3i quoted ■ Managed

01. Paul Waller, Executive Director, Fund Management.

02. (from left) John Davies, Henrietta Marsh, Simon Howard and Andy Musson, of 3i Asset Management.

01



02



Community and environment



Significant charitable donations this year included support for the Social Enterprise Zone initiative, a Community Links pilot project in Newham, East London. This project aims to look for new ways of utilising resources in the most deprived urban areas to tackle poverty.

Our long-standing association with Understanding Industry, which works with schools to give pupils an insight into business and commerce, has continued.

We have created a new educational award in memory of Lord Caldecote who was Chairman of 3i from 1979 to 1987 and who died during the year. The Caldecote award will enable students to further their education through a special project.

Other projects we continued to support in the year included the Prince's Trust, the Judge Institute, and the INSEAD Trust for European Management Education.

In London we supported the North Lambeth Day Centre – a drop-in centre for the homeless and the Young Vic, contributing to its New Opportunities Programme. Our long running association with the Royal Academy of Music, sponsoring the Sinfonia Orchestra, also continues.

Employee involvement We support our employees own charitable giving by matching pound-for-pound individual fund-raising efforts as well as through the payroll-giving scheme, Give As You Earn. This year, over half our employees participated in the Children's Promise Millennium appeal, raising a total of more than £22,000.

The Environment As a member of Business in the Environment we have participated in the Index of Corporate Environmental Engagement and Performance of the FTSE 100 companies since its start four years ago. The survey compares the progress made by UK companies in environmental management and performance. This underlines our commitment to recognising and limiting harmful environmental impact wherever possible. We have introduced procedures to reduce the use of energy and other resources where this is practical and within our control.

As a member of the Per Cent Club 3i donates 0.5% of pre-tax revenue profits each year to charity. The 3i Charitable Trust, through which most of the donations are made, favours charities that support education, the encouragement of young people in business ventures and charities in which 3i staff are personally involved.

03



03. Liz Hewitt, Director of Corporate Affairs and Director of the Trustee company of The 3i Charitable Trust.

04



04. Playworkers with children in the nursery based at Community Link's main centre in Canning Town.

05



05. Children at the Three Mills After School Club.

Financial review

Highlights The Group achieved a strong financial performance.

- Total return of £1.6 billion, a return on opening shareholders' funds of 44% and a record for 3i;
- Unrealised value growth of £1.2 billion;
- Net realised profits of £350 million, up 94%;
- Uplift over opening valuation on equity realisations of 83%;
- Investment of £1.4 billion, up 20%;
- Diluted net asset value per share of 847p, up 41%;
- Final dividend of 7.6p recommended by the Directors, making a total dividend for the year of 12.2p.

Total return The principal measure of the Group's financial performance is total return on opening shareholders' funds which comprises revenue profits, realised capital profits and unrealised value growth. The record return of 44% has been achieved through implementing a clear strategy and by a strong performance from technology investments.

Our UK business continues to account for the major proportion of the Group's total return, contributing £1,302 million, representing a return of 43%. The return from continental Europe was £221 million, a return of 46%, before an adverse currency adjustment resulting from the strengthening of sterling. Our returns in continental Europe were good overall, with Germany performing particularly

well. Our original joint venture in Japan investing in pre-flotation ('IPO') businesses contributed the majority of the £109 million total return in US and Asia Pacific.

In line with market trends, investments in technology based companies, including those where capital has been provided for start-ups, growth financing and buy-outs, have generated the majority of the Group's total return. This amounted to £1.1 billion, with the return from non-technology based companies amounting to £0.5 billion.

The number of technology investments has risen by 38% to 748 and the portfolio increased in value from £974 million to £2,379 million. About half of the unquoted equity technology portfolio continues to be valued at cost in line with our stated valuation policy. The performance of our buy-out portfolio was satisfactory given the more difficult environment for companies operating in traditional industry sectors.

Revenue profit Revenue profit before tax comprises mainly dividends, interest income and fees earned less interest costs and administrative expenses.

Revenue profit after tax grew by a satisfactory 4%. Underlying revenue yields on our investment portfolio have continued to fall as lower yielding investments have increased. This was offset by an increase in dividends received on realisations of investments, and by a higher allocation of costs to the capital reserve.

Fee income was marginally higher than in 1999. Fees from unquoted funds under management increased as more funds were raised, offset by lower fees generated from making investments.

Interest expense on net borrowings remained at the same level as last year with an increase in average net borrowings compensated by lower average interest rates.

Total administrative expenditure rose by 21% to £135 million. This results from an increase in staff from 789 to 885 to enhance our capabilities throughout the

Total return (£m)		
	2000	1999
Revenue profit before tax	119	109
Net realised capital profits	350	180
Unrealised value growth	1,167	(90)
Tax and other	(57)	(22)
Total return for the Group	1,579	177

Total return by geography (£m)		
	2000	1999
UK	1,302	52
Continental Europe	221	105
US and Asia Pacific	109	--
Currency adjustment	(53)	20
Total return for the Group	1,579	177



Financial review

business and higher variable remuneration following from the strong financial performance. Net costs as a percentage of shareholders' funds were 1.6% (1999: 1.6%).

Realised capital profits Overall, net realised profits from the sale of quoted and unquoted investments were strong at £350 million, 94% higher than the profit of £180 million achieved in 1999.

It was a good year for realisations. Total equity proceeds rose by 55% to £822 million with strong trade sales and sales of quoted investments. Including the repayment of loans and preference shares, the total cash inflow was £1,162 million. This increase in realisation activity resulted in 17% of the equity portfolio at March 1999 being realised at an average uplift over valuation of 83%.

Unrealised value growth The largest component of the Group's total return is unrealised value growth, which was £1,167 million in the year. This is the change in value of the portfolio held at the end of the year and comprises three main elements.

Value growth of the portfolio quoted throughout the year was £498 million resulting mainly from an increase in the valuation of UK technology investments held at 31 March 1999, which had previously achieved an IPO and where 3i had retained part of its original investment.

There were 17 IPOs from 3i's unquoted portfolio during the year of which 12 were technology companies, seven of which were floated on the German Neuer Markt. In addition,

nine 3i unquoted companies were taken over or merged with quoted companies. Value growth on these IPOs and takeovers during the year amounted to £331 million.

Value growth on the unquoted portfolio, excluding those investments which were sold, floated or taken over during the year, amounted to £252 million. Valuation increases resulted from recent investments valued above cost for the first time, movements in price earnings ratios and from the reported earnings growth of portfolio companies. Such increases were offset, to a larger extent than last year, by companies experiencing difficult trading conditions. A reduction in valuation of £205 million has been made in respect of companies which we consider may fail compared with an equivalent amount of £100 million last year. Price earnings ratios used to value the unquoted portfolio increased from an average of 8.8 to 10.1. Where investee company earnings have been used as the basis of valuations at both 31 March 1999 and 31 March 2000, those earnings rose by 7% on average.

Taxation Profits on the realisations of investments held by 3i Group plc are not subject to taxation because of its investment trust status. Tax charges for the year reflect taxes borne by some Group undertakings outside the UK and withholding taxes on foreign income.

Investment Investment (including co-investment funds) was £1,376 million. More than 30% of investment was in continental Europe. 48% of investment was in technology businesses. Investments in Asia Pacific and the US accounted for £32 million and £28 million respectively. In addition to Group investments of £1,376 million, £208 million was invested in FTSE 350 companies to provide a portfolio for liquidity purposes.

Balance sheet and cash flow There was a net cash outflow of £107 million in the year. Both investment and realisations were strong. The valuation of the Group's portfolio has increased by £1.6 billion to £6.2 billion. Largely as a result of

Realisations

	2000	1999
Total net realised profits (£m)	350	180
Equity proceeds (£m)	822	532
Uplift over opening equity valuation (%)	83	61
Percentage of opening equity portfolio sold (%)	17	12

Share and loan portfolio (£m)

Listed equity	1,103	742
Secondary market quoted	483	75
Unquoted equity	2,499	1,917
Loan investments	1,292	1,094
Fixed income investments	593	729
Total	5,970	4,557

The above excludes £201 million (1999: £nil) invested in FTSE 350 companies.

Financial review

this, shareholders' funds have risen to £5.2 billion, an increase of 44%. This has resulted in the Group's gearing falling from 29% at March 1999 to 23%. 3i has a strong balance sheet and has the financial capacity to grow the business in line with our strategic objectives.

Acquisitions In February 2000, 3i acquired, for £102 million, Technologieholding GmbH and an investment in Strategic European Technologies NV. The vendors reinvested £51 million in 4,927,796 new shares of 3i Group plc. Goodwill, in respect of the acquisition of Technologieholding GmbH, of £78 million, is being amortised over its estimated useful life of five years as set out in Note 22 on page 61.

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

Treasury risk management The overall funding objective of the Group continues to be that each category of investment asset is broadly matched with liabilities and shareholders' funds with corresponding characteristics in terms of risk and maturity. This overall objective continued to be met during the year to 31 March 2000.

All assets and liabilities are held in a non-trading book and as a result the Group does not have a trading book. The Group does not trade in derivatives and does not enter into transactions of either a speculative nature or unrelated

to the Group's investment activities. Derivatives are used only to manage the risks arising from the Group's investment activities.

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

3i's policy on exchange rate risk is not generally to hedge its overall portfolio in continental Europe or the US. In line with its funding policy, a small proportion of those assets are funded by borrowings in local currency and as a result a partial hedge exists. 3i's largest exposure is £1.0 billion in respect of net assets in continental Europe. The level of exposure to exchange rate risk is reviewed on a periodic basis.

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

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

3i's investment criteria focus on management ability and market potential. Due diligence is undertaken with the assistance of our industry analysts who have senior management experience in a wide range of industry sectors. All proposed investments over £5 million are presented to the Group's Investment Committee, a committee of senior management including all the executive Directors, for consideration and approval.

Investment

	2000				1999			
	3i (£m)	Unquoted funds (£m)	Total (£m)	No.	3i (£m)	Unquoted funds (£m)	Total (£m)	No.
UK	705	189	894	354	693	206	899	495
Continental Europe	306	116	422	218	137	104	241	152
Asia Pacific	31	1	32	11	6	-	6	5
US	28	-	28	10	1	-	1	2
Total	1,070	306	1,376	593	837	310	1,147	654

In addition, investments amounting to £208 million were made during the year (1999: £nil) in FTSE 350 companies.



Financial review

3i invests in all sectors of the economy. Management periodically reviews the portfolio, which is well diversified by industry sector, to ensure that there is no undue exposure to any one sector.

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

While it is not possible to protect against the risk of a downturn in stock markets generally or in any specific sector, there are regular reviews of holdings in quoted equities and exposure to individual sectors in order to monitor the level of risk and mitigate exposure where appropriate.

Economic risk 3i invests mainly in European companies and is expanding its operations internationally. However, the majority of investment is still in UK companies and there is an element of exposure to the UK economic cycle. To mitigate this, 3i has invested in different sectors of the UK economy with varying economic cycles. In addition, an increasing proportion of assets is invested in continental Europe and in other international markets, which have different economic cycles.

People risk The ability to recruit, develop and retain capable people is an important factor in achieving the Group's strategic objectives. 3i recognises the need to remunerate and develop people at all levels of the business. Accordingly, we adopt a competitive reward structure which is in place throughout the Group and all staff are encouraged to take advantage of both internal and external training opportunities.

Millennium risk The Group has experienced no problems with its systems and equipment. No material costs were incurred during the year. Similarly, there have been no significant effects on the Group's investment portfolio.

Change in accounting policy There has been a change in accounting policy in the year as a result of adopting Financial Reporting Standard 16 – Current Tax – for the first time. Dividend income is no longer shown inclusive of attributable tax credits. As required by Accounting Standards the comparative figures have been changed to reflect this revised accounting policy. There has been no effect on the comparative revenue profit after tax or reserves as adopting the revised policy reduces dividend income and the revenue tax charge by the same amount.

Summary 3i has achieved a strong financial performance and made good progress towards its strategic objectives.



Michael Queen, Finance Director
24 May 2000



Board of Directors

01. Sir George Russell CBE Chairman since 1993 and a non-executive Director since 1992. Chairman of the Nominations Committee and the Valuations Committee and a member of the Remuneration Committee. Chairman of Camelot Group plc. A Director of Northern Rock plc, Taylor Woodrow plc and Alcan Aluminium Limited. Formerly Chairman of Northern Development Company, Marley plc and the Independent Television Commission. Aged 64.

02. John Melbourn CBE Deputy Chairman since 1996 and a non-executive Director since 1990. Appointed Senior Independent Director in September 1998. Chairman of the Audit and Compliance Committee and the Remuneration Committee and a member of the Nominations Committee. A Director of Saudi International Bank, Tesco plc and Tesco Personal Finance Limited. Vice President of The Chartered Institute of Bankers. Formerly a Director and Deputy Group Chief Executive of National Westminster Bank plc. Aged 62.

03. Brian Larcombe Chief Executive since July 1997 and an executive Director since 1992. A member of the Nominations Committee and the Valuations Committee. Joined 3i plc in 1974 becoming a Local Director in 1982 and a Regional Director in 1988. Appointed Finance Director and to the Executive Committee in 1992. Past Chairman of the British Venture Capital Association. Aged 46.

04. The Rt Hon The Lord Camoys GCVO DL Non-executive Director since 1991 and a member of the Audit and Compliance Committee and the Nominations Committee. Lord Chamberlain of the Queen's Household. A Director of Perpetual PLC, British Grolux Limited and The Royal Collection Trust. Formerly a Director of Barclays Bank plc and Deputy Chairman of Barclays de Zoete Wedd Holdings Limited, Sotheby's Holdings Inc and National Provident Institution. Aged 60.

05. Dr John Forrest FREng Non-executive Director since 1997 and a member of the Audit and Compliance Committee, the Remuneration Committee and Nominations Committee. A Director of Morgan Howard International Limited, Screen plc and Tricorder Technology plc. Senior Vice President of the Royal Academy of Engineering and Chairman of the UK Government Spectrum Management Advisory Group. Formerly Chief Executive of NTL, Technical Director of Marconi Defence Systems Limited and Professor of Electronic Engineering at University College, London. Aged 57.

06. Martin Gagen ACA Executive Director since 1997, responsible for US investment. Joined 3i plc in 1983 becoming a Local Director in 1990. Appointed to the Executive Committee in 1995. Formerly a member of the British Venture Capital Association Council. Aged 44.

07. The Baroness Hogg Non-executive Director since 1997 and a member of the Remuneration Committee and the Valuations Committee. Chairman of Frontier Economics Limited and Foreign & Colonial Smaller Companies PLC. A Director of GKN plc, Martin Currie Portfolio Investment Trust plc and The Peninsular and Oriental Steam Navigation Company. A Governor of the BBC. Formerly a Director of the Energy Group plc, National Provident Institution and Scottish Eastern Investment Trust PLC. Head of the Prime Minister's Policy Unit from 1990 to 1995. Aged 54.



Board of Directors

08.Rod Perry Executive Director since September 1999, responsible for Asia Pacific and Group Services. Joined 3i plc in 1985 as an Industrial Adviser and became Head of Information Systems in 1989. Appointed to the Executive Committee in 1996. Aged 55.

09.Michael Queen FCA Executive Director since 1997, responsible for finance and planning and a member of the Valuations Committee. Joined 3i plc in 1987 becoming a Local Director in 1990 and Group Financial Controller in 1996. Appointed to the Executive Committee in 1997. Aged 38.

10.Danny Rosenkranz Non-executive Director since January 2000 and a member of the Remuneration Committee. Formerly Chief Executive of The BOC Group plc. Aged 54.

11.Oliver Stocken Non-executive Director since September 1999 and a member of the Audit and Compliance Committee. A Director of Bunzl plc, The Great Universal Stores plc, MEPC plc, Pilkington plc and The Rank Group plc. Formerly Finance Director of Barclays plc. Aged 58.

12.Dr Richard Summers Executive Director since 1991, responsible for continental European investment and for technology investment throughout Europe. A Director of 3i Bioscience Investment Trust plc and 3i European Technology Trust plc. Joined 3i plc in 1973 becoming a Local Director in 1981. Appointed to the Executive Committee in 1990. Aged 55.

13.Peter Williams FCA Executive Director since 1997, jointly responsible for UK investment. Joined 3i plc in 1970 becoming a Local Director in 1978 and a Regional Director in 1990. Appointed to the Executive Committee in 1995. Aged 54.

Other members of Executive Committee

14.Tony Brierley Company Secretary since 1996, responsible for the Group's legal, compliance, internal audit and company secretarial functions. Joined 3i plc in 1983 becoming joint head of Legal department in 1990 and Deputy Company Secretary in 1994. Appointed to the Executive Committee in 1996. Aged 50.

15.Jonathan Russell A member of the Executive Committee since September 1999, jointly responsible for UK investment. Joined 3i plc in 1986 becoming a Local Director in 1992 and a Regional Director in 1998. Aged 40.

16.Paul Waller A member of the Executive Committee since September 1999, responsible for unquoted funds, quoted fund management and acquisitions. Joined 3i plc in 1978 becoming a Local Director in 1983 and a Regional Director in 1988. Formerly Chairman of the European Venture Capital Association. Aged 45.



Directors' report

Principal activity 3i Group plc is Europe's leading venture capital company. The principal activity of the Company and its subsidiaries ("the Group") is investment. It invests in a wide range of growing independent businesses. Its objective is to maximise shareholder value through growth in total return.

Tax and investment company status The Company is an investment company as defined by section 266 of the Companies Act 1985.

The Inland Revenue has approved the Company as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the financial period from 1 April 1998 to 31 March 1999. Since that date the Company has directed its affairs so as to enable it to continue to be so approved.

Regulation The Company is an authorised institution under the Banking Act 1987. The Company, 3i plc, 3i Asset Management Limited and 3i Japan GP Limited (formerly 3i Corporate Finance Limited) are authorised persons under the Financial Services Act 1986 and are regulated in the conduct of investment business by the Financial Services Authority. Where applicable certain Group subsidiaries' businesses are regulated by relevant overseas authorities.

Results and dividends The accounts of the Company and the Group for the year to 31 March 2000 appear on pages 47 to 78.

Consolidated total return for the period was £1,579 million (1999: £177 million). An interim dividend of 4.6p per share was paid on 28 January 2000. The Directors recommend a final dividend of 7.6p per share be paid in respect of the year to 31 March 2000 to shareholders on the register at the close of business on 9 June 2000.

By a deed of waiver dated 9 June 1994 Maurant & Co. Trustees Limited as trustee of The 3i Group Employee Trust waived (subject to certain minor exceptions) all dividends declared by the Company after 26 May 1994 in respect of shares from time to time held by it (currently 9,761,322 shares) as trustee of that trust.

Operations The Company owns substantially all the Group's investments. The Group operates through a network of 35 offices across Europe. The Group also has offices in Singapore, Japan and the USA.

3i plc acts as investment manager to the Company.

The Group manages a number of funds established with major institutions and pension funds to make equity and equity related investments in unquoted businesses in Asia Pacific, Japan and continental Europe and investments in UK management buy-outs and buy-ins led or co-led by 3i.

3i Asset Management Limited acts as investment manager to 3i Smaller Quoted Companies Trust plc, 3i Bioscience Investment Trust plc and 3i European Technology Trust plc, investment trusts listed on the London Stock Exchange, and 3i UK Select Trust Limited, an investment company listed on the London Stock Exchange. It also manages the 3i Group Pension Plan.

3i Japan GP Limited is the general partner company and operator of 3i Nippon Buyouts Venture Capital Investment Limited Partnership.

Business review The Chairman's statement on page 3, the Chief Executive's review on pages 4 to 6, the Operating review on pages 7 to 29 and the Finance Director's review on pages 30 to 33 report on the Group's development during the year to 31 March 2000, its position at that date and the Group's likely future development.

Share capital In the year to 31 March 2000 the issued share capital of the Company increased by 8,137,012 shares to 603,568,709 shares as a result of the issue of shares to the trustee of The 3i Profit Sharing Plan, the exercise of options under The 3i Executive Share Option Plan, The 3i Group 1994 Executive Share Option Plan and The 3i Group Sharesave Scheme and the issue of shares to the vendors of TH Technologiefholding GmbH. Details of these share issues are given in note 37 to the accounts on page 71.

Major interests in shares The Company has been notified of the following interests in the Company's shares in accordance with sections 198 to 208 of the Companies Act 1985 as at 12 May 2000.

	%	Number of shares
Prudential plc and related companies	6.48	39,166,971

Directors and their interests The names of the present Directors are set out on pages 34 and 35. In accordance with the Articles of Association Mr M M Gagen, Dr R D M J Summers and Mr P B G Williams retire by rotation and, being eligible, offer themselves for reappointment. Having been appointed as Directors since the Annual General Meeting in 1999, Mr R W Perry, Mr F D Rosenkranz and Mr O H J Stocken retire in accordance with the Articles of Association and, being eligible, offer themselves for reappointment.

After almost ten years' service as a non-executive Director, Mr J W Melbourn has indicated his intention to retire as a Director and not seek reappointment at the Annual General Meeting on 12 July 2000.

Details of the Directors' interests in the Company's shares are shown in note 37 to the accounts on page 73.

Save as shown on pages 42, 43 and 73 no Director had any disclosable interest in the shares, debentures or loan stock of the Company or in the shares, debentures or loan stock of its subsidiaries during the period. There have been no changes in the above interests between 31 March 2000 and 12 May 2000. No Director was materially interested in any contract or arrangement subsisting during or at the end of the financial period that was significant in relation to the business of the Company.

Directors' service contracts Details of Directors' contracts of service are set out in the Remuneration report on page 45.

Management arrangements 3i plc provides the Company with secretarial and administration services under a contract which provides for fees based on a percentage of the value of investments under management.

Corporate governance Throughout the year to 31 March 2000 the Company complied with the provisions set out in Section 1 of the Combined Code on corporate governance ("the Combined Code") save in relation to Code Provision A.6.2 (re-election of Directors) further details of which are set out below.

The Company's approach to corporate governance The Company has a policy of seeking to comply with established best practice in the field of corporate governance. In addition, one of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business. The Group has an express aim of respecting the needs of shareholders, staff and businesses in which it invests.

The Board's responsibilities and processes The Board is responsible to shareholders for the overall management of the Group. It determines matters including financial strategy and planning and takes major business decisions. It is assisted by various specialised Committees of the Board, all of which have written terms of reference that are reviewed from time to time. Details of the principal Board Committees are set out below. The organisational structure put in place by the Board is further described below under the heading "internal control".

Directors' report

The regular reports and papers received by the Directors before Board and Committee meetings are supplemented by information specifically requested by the Directors from time to time.

Roles of the Chairman and the Chief Executive The division of responsibilities between the Chairman and the Chief Executive is clearly defined and has been in place for some years. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. He is responsible for organising the business of the Board but has no involvement in the day to day business of the Group. The Chief Executive has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

The Board's membership All the non-executive Directors including the Chairman are considered by the Board to be independent for the purposes of the Combined Code. The Board has regard to the potential relevance and materiality of a Directors' interests and relationships when assessing independence rather than applying rigid criteria in a mechanistic manner. Mr J W Melbourn is the Senior Independent Director.

The balance of the Board's membership as between executive and non-executive Directors has been reviewed by the Nominations Committee and the Board. A formal and transparent process for the appointment of Directors has been established with the objective of identifying the skill and experience profile required of new Directors and identifying suitable candidates.

The varied backgrounds of the non-executive Directors (details of which are set out in the biographies on pages 34 and 35) enable them to bring an independent judgement to bear on the Board's deliberations and help to ensure the continuing effectiveness of the executive Directors and the Group's management.

The Company's Articles of Association provide for Directors to be re-elected at the first Annual General Meeting ("AGM") after their appointment as Directors. Under the Articles the number nearest to, but not exceeding, a third of Directors are required to retire by rotation. Additionally, at the Company's 1999 AGM, the Articles were amended to provide that all Directors are required to submit themselves for re-election at least every three years as required by the Combined Code.

The Directors The Company has developed a training programme, which provides a framework within which training for new Directors can be planned. Newly appointed Directors are offered relevant training on the responsibilities of Directors of a listed company.

All non-executive Directors on appointment have discussions with the Chairman and the Chief Executive following which appropriate briefings on the Company's business and its procedures are arranged. The Company provides opportunities for non-executive Directors to obtain a thorough understanding of the Company's business by meeting members of the senior management team who in turn arrange as required visits to key investment offices and support departments. The non-executive Directors are encouraged to let either the Chairman or the Company Secretary know if there are any particular individuals in the Company they would like to meet or if there are any areas of the Company's business in which they are particularly interested.

The Company has procedures for Directors to take independent legal advice, if necessary. All the Directors have access to the advice and services of the Company Secretary.

The Board's Committees The Board has established a number of Committees to assist it in fulfilling its responsibilities.

Details of the work and composition of the Audit and Compliance Committee are set out below under the heading "internal control".

The Nominations Committee comprises Sir George Russell (Chairman), Mr J W Melbourn, Lord Carnoys, Dr J R Forrest and Mr B P Larcombe. At the request of the Board, the Committee considers and makes recommendations to the Board on the appointment of Directors and proposes which non-executive Directors should be invited to retire, having regard to the changing needs of the Board as a whole from time to time.

Details of the work and composition of the Remuneration Committee are set out in the Remuneration report.

The Valuations Committee comprises both executive and non-executive Directors and considers and recommends to the Board the valuations of the Group's investments to be included in the interim and final accounts of the Group.

The Company's relationship with its shareholders The Company recognises the importance of maintaining a purposeful relationship with all its shareholders. The Company uses its AGM as an opportunity to communicate with its shareholders. At the meeting business presentations are made by the Chief Executive and the Finance Director. The Chairmen of the Remuneration, Audit and Compliance and Nominations Committees are available to answer shareholders' questions. In addition, the Chief Executive and the Finance Director, together with the Director of Corporate Affairs, meet with the Company's principal shareholders to discuss relevant issues as they arise.

At the AGM held on 14 July 1999, details of proxy votes received were made available in accordance with the recommendations of the Combined Code.

In accordance with the Combined Code, the Notice of the 1999 AGM was dispatched to shareholders not less than 20 working days before the meeting.

Portfolio management and voting policy In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources and contacts. In relation to quoted investments, the Group's policy is to exercise voting rights on matters affecting the interests of the Group and its managed funds. The Group would in general support resolutions which are within the guidelines issued by the Association of British Insurers and the National Association of Pensions Funds.

Environmental and ethical policy An executive Director is responsible for the Group's environmental policy and for monitoring environmental performance, including both environmental issues relating to businesses in which the Company invests and the Group's direct impact on the environment through the consumption of energy and other resources.

Although the Group does not control the businesses in which it invests, account is taken of environmental issues when making investment decisions. The Group endeavours to invest in businesses whose managers act responsibly in environmental matters.

The Group's policies and performance are reviewed on a regular basis. The Group's policy in relation to its direct impact on the environment, is to measure energy and resource usage where practicable and to set targets for improvements. Environmental issues are considered when choosing suppliers. Paper and other materials are recycled where feasible.

Ethical issues are also considered in the normal course of business. The Group has corporate values designed to help guide all the Group's employees in their conduct and business relationships. In everything the Group does it aims to be commercial and fair and to maintain its integrity and professionalism.

Charitable and community support No political donations were made during the period. Charitable donations made by the Group in the year to 31 March 2000 amounted to £412,489.

Directors' report

Employment The Group's employment policies are designed to provide a competitive reward package which will attract and retain high quality staff, whilst ensuring that the cost element of these rewards remains at an appropriate level. Remuneration policy is reviewed by the Remuneration Committee of the Board, comprising five non-executive Directors including the Committee Chairman, Mr J W Melbourn.

All UK employees receive a basic salary and are eligible for a performance related bonus. The Group operates an Inland Revenue approved employee profit sharing plan and an Inland Revenue approved savings related share option scheme to encourage employees' involvement in the performance of the Group and also operates share option plans and the Management Equity Investment Plan for senior executives and investment staff. Further details relating to these plans and the numbers of employees who participate in them are set out in the Remuneration report.

As at the most recent valuation date over 96% of UK employees were members of the 3i Group Pension Plan (details of which are set out in the Remuneration report).

In its international operations, the Group's remuneration policy is influenced by market conditions and practices in the countries in which it operates. The overall remuneration package of overseas employees is similar in structure to that available to UK employees, except that employees outside the UK (other than expatriate UK employees) do not participate in the 3i Group Pension Plan. Instead they participate in local state or private pension schemes as appropriate to local market conditions. Continental European and US executives may also participate in "carried interest" schemes, which link executive remuneration to the performance of investments in continental European countries and the US.

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees, whether disabled or otherwise. The Group treats applicants and employees with disabilities equally and fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Should employees become disabled during their employment efforts are made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within the Group.

Employee appraisals and informal consultations, which are the Group's principal means of keeping in touch with the views of its employees, have been maintained and developed during the period. 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 structured communication including regular meetings of employees.

Health and safety The Group recognises the high standards required to safeguard the health, safety and welfare of its employees at work, its customers and the general public. To ensure these high standards are met the Group has put in place appropriate policies and procedures.

Policy for paying creditors The Group's policy is to pay creditors in accordance with the CBI Prompt Payers Code of Good Practice copies of which can be obtained from the Confederation of British Industry at Centre Point, 103 New Oxford Street, London WC1A 1DU. The Company had no trade creditors during the year. 3i plc, the main trading company of the Group, had trade creditors outstanding at the year-end representing ten days of purchases.

Statement of Directors' responsibilities The Directors are required by UK company law to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of the period and of the profit for the period. The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Appropriate accounting policies, which follow generally accepted accounting practice and are explained in the notes to the accounts, have been applied consistently and applicable accounting standards have been followed. In addition, reasonable and prudent judgements and estimates have been used in the preparation of the accounts.

Going concern The Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the "going concern" basis for preparing the accounts.

Internal control The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The full Board meets regularly and has formally adopted a schedule of matters which are required to be brought to it or its duly authorised Committees for decision, aimed at maintaining full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. There are also established procedures for planning and capital expenditure, the making of investments and for information and reporting systems for monitoring the Group's businesses and their performance.

An Audit and Compliance Committee comprising Mr J W Melbourn (Chairman), Lord Camoys, Dr J R Forrest and Mr O H J Stocken, all independent non-executive Directors, reviews the effectiveness of the internal control environment of the Group and receives regular reports from the internal and external auditors and Risk Committee. Risk Committee is a management committee of the Chief Executive whose purpose is to review the business of the Group in order to ensure that business risk is considered, assessed and monitored as an integral part of the business.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks. This process was in place for the year ended 31 March 2000 and up to the date of approval of the annual Report and Accounts. The process is regularly reviewed by the Board and accords with the internal control guidance for Directors on the Combined Code, issued by the Turnbull Committee.

The process established for the Group includes:

Policies

- A planning framework which incorporates a Board approved rolling Three-Year Plan, with objectives for each business unit.
- Manuals of policies and procedures, applicable to all business units, with procedures for reporting weaknesses and for monitoring corrective action.
- A code of business conduct, with procedures for reporting compliance therewith.

Processes

- Appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities.
- A comprehensive system of financial reporting to the Board, based on an annual budget with monthly reports against actual results, analysis of variances, scrutiny of key performance indicators and regular re-forecasting.

Directors' report

- Formal business risk reviews performed by management which evaluate the potential financial impact of identified risks and possible new risk areas, set control, mitigation and monitoring procedures and review actual occurrences identifying lessons to be learnt.
- Regular treasury reports to the Board which analyse the funding requirements of each class of assets, track the generation and use of capital and the volume of liquidity, measure the Group's exposure to interest and exchange rate movements and record the level of compliance with the Group's funding objectives.
- Well defined procedures governing the appraisal and approval of investments including detailed investment and divestment approval procedures incorporating appropriate levels of authority and regular post investment reviews.

Verification

- An internal audit department which undertakes periodic examination of business units and processes and recommends improvements in controls to management.
- The external auditors who are engaged to express an opinion on the annual accounts.
- An Audit and Compliance Committee of the Board, consisting of independent non-executive Directors, which considers significant control matters and receives reports from the internal and external auditors on a regular basis.

The internal control system is monitored and supported by an internal audit function that operates on an international basis and reports to management and the Audit and Compliance Committee on the Group's operations. The work of the internal auditors is focused on the areas of greatest risk to the Group determined on the basis of a risk management approach to audit. The external auditors independently and objectively review the approach of management to reporting operating results and financial condition. In co-ordination with the internal auditors they also review and test the system of internal financial control and the information contained in the Report and Accounts to the extent necessary for expressing their opinion.

The Audit and Compliance Committee recognises the importance of ensuring the independence and objectivity of the Company's auditors and reviews the service provided by the auditors, the level of their fees and that element comprising non-audit fees. The non-audit fees are mainly in respect of work where it would not be sensible or economic for the Company to instruct other accounting firms.

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

By order of the Board

A W W Brierley, Secretary

24 May 2000

Registered Office
91 Waterloo Road
London SE1 8XP



Remuneration report

This report deals with Directors' remuneration for the year to 31 March 2000 ("the year"). Further details relating to the Group's employment policies are set out on page 38 in the Directors' report.

Composition and terms of reference of the Remuneration Committee
The Remuneration Committee (the Committee) consists only of independent non-executive Directors. Its members during the year were Mr J W Melbourn (the Committee Chairman), Sir George Russell, Dr J R Forrest and Baroness Hogg, all of whom served throughout the year, and Mr F D Rosenkranz who was appointed a member with effect from 22 March 2000. The Committee's terms of reference take into account the provisions of the Combined Code on corporate governance. In accordance with its terms of reference the Committee considered and determined the specific remuneration packages for each of the executive Directors. In addition the Committee has considered and made recommendations to the Board on the Company's framework of executive remuneration and its costs.

The Committee has the benefit of advice from the Company's Human Resources department and from an independent remuneration consultant who attends Committee meetings. Mr B P Larcombe, the Chief Executive, also attends Committee meetings except when the Committee discusses his remuneration. None of the Directors sit with each other on the boards of other quoted companies.

Market background The Company operates in the venture capital sector where most of its competitors offer senior employees co-investment schemes or "carried interest" schemes under which executives share directly in the profits on investments made by their employer. In order to ensure that staff of the right calibre are attracted and retained, the Company offers a package of rewards which are designed to align the interests of employees with those of shareholders and to be competitive with rewards offered elsewhere in the venture capital industry. At the present time competition for quality, trained investment executives is particularly aggressive. In continental Europe and the US, the Group operates a number of carried interest schemes. The Company is introducing a carried interest scheme for executives in the UK, Singapore and Japan which will be linked to the performance of investments in executives' business units. The executive Directors will not participate in this new scheme.

Executive Directors' remuneration The base salaries and other benefits of the executive Directors are determined by the Committee, on behalf of the Board, in the light of the need to attract, retain and motivate Directors of the calibre required. The Committee has due regard to competitive market data in relation to similar jobs in comparable organisations including other FTSE 100 companies and other financial institutions including venture capital organisations. The Committee is sensitive to wider issues including pay and employment conditions elsewhere in the Group when setting executive Directors' pay levels and takes into account the Company's reward strategy generally, before deciding specific packages for the executive Directors. The Company's policy is that the performance related elements of compensation should form a significant proportion of the potential total rewards of the executive Directors. The executive Directors' performance related compensation is also designed to encourage investment in, and the holding of, shares in the Company so as to align the interests of Directors and shareholders.

The remuneration packages of the executive Directors comprise:

- (a) base salaries;
- (b) annual cash bonuses;
- (c) profit share;
- (d) deferred share bonuses; and
- (e) long-term incentives.

Base salaries Executive Directors' base salaries are determined by the Committee in the manner referred to above.

Annual cash bonuses All employees, including executive Directors, are eligible for non-pensionable discretionary annual cash bonuses which are determined on the basis of a formal individual performance appraisal system and Group performance.

Profit share All eligible UK employees, including executive Directors, participate in an Inland Revenue approved profit sharing plan under which, at the discretion of the Board, a sum up to, but not exceeding, the lesser of £8,000 and 10% of base salary may be appropriated to enable the trustee of The 3i Profit Sharing Plan to acquire shares in the Company at current market value on behalf of each participant. The factors which the Board takes into account when exercising its discretion include Group performance. Eligible UK employees may instead choose to be considered for a discretionary cash bonus of an equivalent amount. These benefits are not pensionable.

Deferred share bonuses Share bonus awards are offered under the terms of The 3i Group Management Equity Investment Plan established with shareholder approval in 1994. These provide executives chosen at the discretion of the Committee with the opportunity to receive an additional bonus in the form of shares in the Company. Awards are considered annually by the Committee in the light of the Group's performance. Invitations to participate in respect of the year are proposed to be extended to approximately 270 executives including the executive Directors. Participants are awarded a conditional allocation of shares in the Company through an employee benefit trust and can exercise their right to acquire these shares at no cost to them after three years providing they remain in employment with the Group. In addition, executive Directors are required to maintain an agreed shareholding. The value of shares conditionally allocated to each participant is calculated as a fraction (which is the same for all UK participants in respect of the year) of annual cash bonus and profit share. These awards are not pensionable.

Long-term incentives

Share options In accordance with relevant institutional guidelines the aggregate exercise price of options granted since the Company's flotation to each participant under The 3i Group 1994 Executive Share Option Plan is limited to not more than four times annual remuneration. The Committee determines grants of options to executives in the light of individual performance. The Committee's policy is that awards should be phased so that the full award is achieved after three annual grants. Grants are also considered to reflect promotions or increases in remuneration since the previous grant. Options are exercisable subject to achievement of a performance target based on increases in Group net assets as described in note 2 on page 43 below. During the year options were granted to a total of 311 employees including the executive Directors.

Sharesave scheme All eligible UK employees, including executive Directors, may participate in the Inland Revenue approved savings related share option scheme approved by shareholders in 1998. In December 1999 three, five and seven year options (over a maximum of 2,355 shares in the Company) were granted to 199 employees at an exercise price of £7.80 per share in consideration of the employee entering into a related savings contract.

Long-term incentive awards Executives who receive a share bonus award under the Management Equity Investment Plan may also be offered, at the discretion of the Committee, awards linked to the longer term performance of the Group. Executives offered such performance linked awards under the plan are conditionally allocated shares which will vest at the end of a five year vesting period, depending on total shareholder return over a three year performance period. No shares vest unless a minimum performance hurdle, specified at the time of grant, is achieved. All shares vest if a stretching performance condition is satisfied and, at performance between these levels, a proportion of the shares vest. During the year performance linked awards were granted to 155 executives including the executive Directors. These awards are not pensionable.

Remuneration report

Non-executive Directors' remuneration The remuneration of non-executive Directors including the Chairman and Deputy Chairman is determined by the Board, within the limits set by the Company's Articles of Association, having taken advice from the Board's independent remuneration consultant. The basic non-executive Director's fee during the year was £20,000 per annum until 1 October 1999, £22,000 until 1 February 2000 and £25,000 thereafter (1999: £20,000). These fees are augmented by fees for service on certain Board Committees. Details of the Chairman's and Deputy Chairman's remuneration for the year are provided in the table below.

The table below provides details of Directors' emoluments during the year.

	Base salary/fees £	(Note 2) Annual cash bonus £	(Note 2) Profit share £	(Note 3) Benefits £	Total emoluments Year to 31 March 2000 £	Total emoluments Year to 31 March 1999 £	(Note 5) Annual deferred bonus – shares Year to 31 March 2000 £	(Note 5) Annual deferred bonus – shares Year to 31 March 1999 £
Executive Directors								
B P Larcombe	345,000	258,667	8,000	13,743	625,410	526,553	133,333	110,000
M M Gagen	316,222	175,333	8,000	13,276	512,831	343,208	91,667	67,000
R W Perry (appointed 1.9.99)	102,088	152,000	8,000	8,157	270,245	–	80,000	–
M J Queen	202,500	175,333	8,000	12,034	397,867	323,890	91,667	67,000
Dr R D M J Summers	226,250	192,000	8,000	13,113	439,363	388,931	100,000	84,000
P B G Williams	218,751	175,333	8,000	11,817	413,901	342,319	91,667	67,000
Non-executive Directors								
Sir George Russell	149,000	–	–	–	149,000	149,000	–	–
J W Melbourn	60,915	–	–	–	60,915	76,000	–	–
The Lord Camoys	28,883	–	–	–	28,883	26,000	–	–
Dr J R Forrest	28,883	–	–	–	28,883	26,000	–	–
W J R Govett (retired 15.7.98)	–	–	–	–	–	7,423	–	–
The Baroness Hogg	28,883	–	–	–	28,883	26,000	–	–
F D Rosenkranz (appointed 25.1.00)	4,672	–	–	–	4,672	–	–	–
O H J Stocken (appointed 1.9.99)	18,000	–	–	–	18,000	–	–	–
Pension contribution (before tax) – note 4	87,672	–	–	–	87,672	86,672	–	–
Total	1,817,719	1,128,666	48,000	72,140	3,066,525	2,321,996	588,334	395,000

Notes

- Mr R W Perry and Mr O H J Stocken were appointed as Directors on 1 September 1999 and Mr F D Rosenkranz was appointed a Director on 25 January 2000. Accordingly there are no prior year Directors' emoluments for these Directors and the emoluments shown are for the period from the date of appointment.
- The annual cash bonuses and profit share relate to the year to 31 March 2000 and have been accrued in the accounts for that period. These amounts are expected to be paid in June and July 2000 respectively.
- "Benefits" represent the estimated money value of benefits in kind received including the provision of company cars and benefits under the Staff House Loan Scheme save that the amounts shown for Mr B P Larcombe include an amount of £12,672 representing a cash allowance under the Group's car scheme.
- The pension contribution is in respect of a contribution to a funded unapproved retirement benefit scheme for Sir George Russell, the Chairman.
- Save as mentioned in this Note 5 the amounts shown as "Annual deferred bonus – shares" relating to the year to 31 March 2000 represent share bonus awards under the Management Equity Investment Plan. Providing the Director accepts the offer to participate in the plan, shares with a value equal to that amount will be conditionally allocated to the Director in June 2000 and the Director will be entitled to acquire those shares at no cost to him three years later, if the conditions referred to on page 40 have been met. The amounts shown for the year to 31 March 1999 represent share bonus awards made in respect of that period. For US legal and regulatory reasons the annual deferred bonus-shares for the year to 31 March 2000 shown for Mr M M Gagen may be provided through a separate arrangement providing equivalent benefits.
- Payments totalling £2,500 were made during the year to Mr W J R Govett, a former Director, in respect of his directorship of Gardens Pension Trustees Limited, one of the trustees of the 3i Group Pension Plan.

Remuneration report

Directors' share interests Details of Directors' interests in issued shares in the Company are set out in note 37 to the accounts on page 73.

Share options The table below provides details of executive share options held by the Directors who held office during the year.

Options to subscribe for shares

	Held at 1 April 1999*	Granted during the year	Exercised during the year	Held at 31 March 2000	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
B P Larcombe	59,247*		--	59,247*	1.68		30.07.96	29.07.03
	18,500		--	18,500	3.34		05.01.98	04.01.05
	20,600		--	20,600	4.23		14.12.98	13.12.05
	98,200		--	98,200	4.50		25.06.99	24.06.06
	99,802		--	99,802	5.20		16.06.00	15.06.07
	72,209		--	72,209	6.64		22.06.01	21.06.08
		45,654		45,654	7.28		06.07.02	05.07.09
	368,558	45,654	--	414,212				
M M Gagen	48,934*		24,467	24,467**	1.68	7.94	30.07.96	29.07.03
	10,000*		5,000	5,000**	2.72	7.94	22.06.97	21.06.04
	24,000		24,000	--	3.61	7.94	03.07.98	02.07.05
	78,850		78,850	--	4.50	7.81	25.06.99	24.06.06
	91,013		--	91,013	5.20		16.06.00	15.06.07
	30,454		--	30,454	6.64		22.06.01	21.06.08
		9,006		9,006	7.28		06.07.02	05.07.09
	283,251	9,006	132,317	159,940				
R W Perry (appointed 1.9.99)	18,350		--	18,350	1.68		30.07.99	29.07.03
	14,000*		--	14,000*	2.72		22.06.97	21.06.04
	1,600		--	1,600	3.61		03.07.98	02.07.05
	38,700		--	38,700	4.50		25.06.99	24.06.06
	40,800		--	40,800	4.91		06.01.00	05.01.07
	58,378		--	58,378	5.11		17.12.00	16.12.07
	29,381		--	29,381	5.67		16.12.01	15.12.08
	10,734		--	10,734	7.28		06.07.02	05.07.09
	211,943		--	211,943				
M J Queen	40,370		40,370	--	1.43	10.02	22.01.95	21.01.02
	12,233		12,233	--	1.43	10.02	31.07.95	30.07.02
	42,817*		42,817	--	1.68	10.02	30.07.96	29.07.03
	4,000*		--	4,000*	2.72		22.06.97	21.06.04
	1,800		--	1,800	3.61		03.07.98	02.07.05
	40,850		--	40,850	4.50		25.06.99	24.06.06
	37,073		--	37,073	5.20		16.06.00	15.06.07
	62,177		--	62,177	6.64		22.06.01	21.06.08
		36,002		36,002	7.28		06.07.02	05.07.09
	241,320	36,002	95,420	181,902				

Remuneration report

Options to subscribe for shares continued

	Held at 1 April 1999*	Granted during the year	Exercised during the year	Held at 31 March 2000	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
Dr R D M J Summers	22,714		–	22,714	1.68		30.07.99	29.07.03
	14,800		–	14,800	3.34		05.01.98	04.01.05
	15,050		–	15,050	4.23		14.12.98	13.12.05
	88,500		–	88,500	4.50		25.06.99	24.06.06
	111,180		–	111,180	5.20		16.06.00	15.06.07
	14,632		–	14,632	6.64		22.06.01	21.06.08
		35,270		35,270	7.28		06.07.02	05.07.09
	266,876	35,270	–	302,146				
P B G Williams	18,350		–	18,350	1.68		30.07.99	29.07.03
	10,000*		–	10,000*	2.72		22.06.97	21.06.04
	23,300		–	23,300	3.34		05.01.98	04.01.05
	29,350		–	29,350	4.23		14.12.98	13.12.05
	59,600		–	59,600	4.50		25.06.99	24.06.06
	95,343		–	95,343	5.20		16.06.00	15.06.07
	30,454		–	30,454	6.64		22.06.01	21.06.08
		9,006		9,006	7.28		06.07.02	05.07.09
	266,397	9,006	–	275,403				

* of these options half become exercisable on the date shown and half do not become exercisable for a further three years from that date.

** these options become exercisable three years from the date shown.

* options shown as held at 1 April 1999 and granted during the year are, in the case of Mr R W Perry, those held at 1 September 1999 (being the date of his appointment) and those granted during the year since that date.

Notes

- Options granted before 1995 were granted under The 3i Executive Share Option Plan (the 1984 Plan) and are normally exercisable between the third and tenth anniversaries of the date of grant. However, in the case of options granted in July 1993 and thereafter, half of the options granted may not normally be exercised before the sixth anniversary of the date of grant. In addition, options granted in July 1993 and thereafter are normally exercisable only if the net asset value per share on the last day of the financial period ending immediately before the third anniversary of the date of grant or on the last day of any financial period thereafter, is equal to or in excess of the net asset value per share on the date of grant compounded by the respective annual percentage movement in the Retail Prices Index. No further options can be granted under the 1984 Plan.
- Options granted in 1995 and thereafter were granted under The 3i Group 1994 Executive Share Option Plan (the 1994 Plan) and are normally exercisable between the third and tenth anniversaries of the date of grant provided that the relevant performance target has been met over a rolling three year period. The performance target requires that the adjusted net asset value per share (calculated after adding back dividends paid during the three year performance period) at the end of the three year period is equal to or in excess of the net asset value per share at the beginning of the three year period compounded annually over the three year period by the annual increase in the Retail Prices Index plus 4%.
- Options under the 1984 Plan and the 1994 Plan have been granted with exercise prices not less than the prevailing market value. Options are granted at no cost to the option holder.
- No options held by Directors lapsed during the year.
- The mid-market price of shares in the Company at 31 March 2000 was 1318p and the range during the period 1 April 1999 to 31 March 2000 was 627.5p to 1492p.
- The aggregate of the amount of gains made by Directors on the exercise of share options was £1,353,130 (1999: £nil). The amount attributable to Mr B P Larcombe was £nil (1999: £nil).

Remuneration report

Long-term incentive awards The following table provides details of the performance linked awards made to Directors under the Management Equity Investment Plan during the year. These amounts represent the number of shares provisionally allocated and which will vest in the Director at the end of a five year vesting period if a performance condition relating to total shareholder return over a three year performance period, specified by the Committee at the time the award is granted, is satisfied. No shares vest unless a minimum performance hurdle is achieved. All shares vest if the performance condition is satisfied in full. At performance between these levels, a proportion of the shares vest. In setting the performance condition which is the same for all recipients of the performance linked awards, the Committee adheres firmly to the principle that executives should only benefit where significant and measurable enhanced shareholder value has been created.

	Conditional allocation as at 1 April 1999 Shares	Conditional allocation made during the year Shares	Release year	Conditional allocations vested during the year Shares	Conditional allocations vested during the year Value £	Conditional allocations as at 31 March 2000 Shares
B P Larcombe	17,313		2002			
	7,682		2003			
		12,714	2004	-	-	37,709
M M Gagen	28,353		2002			
	1,652		2003			
		38,182	2004	-	-	68,187
R W Perry* (appointed 1.9.99)	23,540		2002			
		842	2004	-	-	24,382
M J Queen	27,348		2002			
		46,817	2004	-	-	74,165
Dr R D M J Summers	22,175		2002			
	4,119		2003			
		7,407	2004	-	-	33,701
P B G Williams	28,353		2002			
	1,652		2003			
		8,333	2004	-	-	38,338

* the conditional allocation made during the year to Mr R W Perry was made before his appointment as a Director.

Pension arrangements The Chairman and all the executive Directors are members of the 3i Group Pension Plan which is a defined benefit non-contributory scheme to which, at the most recent valuation date, over 96% of UK employees belonged. The plan provides for a pension, subject to Inland Revenue limits, of two-thirds of basic annual salary (limited to the Earnings Cap where this applies) on retirement (normally at age 60) after 25 years' service and less for service under 25 years. The plan also provides life cover of four times salary, pensions payable in the event of ill health and spouses' pensions on death. Further details of the plan are set out in note 8 to the accounts on page 56.

Details of the pension entitlements of Directors who served during the year are provided in the table below.

	Age at 31 March 2000	Complete years of service at 31 March 2000	Increase in leaver pension entitlement (excluding inflation) during the year to 31 March 2000 arising from employment as a Director £000 p.a.	Total accrued leaver pension entitlement at 31 March 2000 £000 p.a.
Sir George Russell	64	6	1.1	9.1
B P Larcombe	46	25	37.8	245.2
M M Gagen	44	15	15.3	89.4
R W Perry	54	14	2.0	68.8
M J Queen	38	12	12.0	59.1
Dr R D M J Summers	55	27	8.6	160.2
P B G Williams	54	29	11.4	154.2

Note
The total accrued leaver pension entitlement at 31 March 1999 of Mr B P Larcombe was £205,100 per annum.

Remuneration report

Pension arrangements continued The pensions shown above become payable at a Normal Retirement Age of 60 (or immediately if the member is already over the age of 60). Certain members have guaranteed early retirement rights in order to comply with EC sex equality requirements. In the figures given above, the value of these rights has been converted into extra deferred pension of equal value to these rights. On early retirement from active membership of the plan, there is a discretionary practice of permitting retirement in accordance with published enhanced terms. This is not available to deferred pensioners and no allowance for it is made in the calculations of cash equivalents under the plan.

Deferred pensions in excess of the guaranteed minimum pension (GMP) are increased in the deferment period according to statutory requirements (subject to an annual minimum of 3%). GMPs are increased at fixed rate revaluation with increases vesting at Normal Retirement Age. When in payment, pensions in excess of the GMP are increased in line with cumulative price inflation since retirement (subject to an annual maximum of 7.5% and minimum of 3%). On death in deferment or after retirement, a two-thirds pension is payable to the spouse. Dependents' pensions may be payable in the absence of a spouse's pension. In addition, on death within the first five years of retirement, a lump sum is payable equal to the balance of five years' pension.

Directors' service contracts The Company's policy is that in normal circumstances notice periods for Directors should not exceed one year. Each of the executive Directors has a contract of service with 3i plc (or in the case of Mr M M Gagen, 3i Corporation) under which the notice period is six months if given by the Director and 12 months if given by the employer.

The Committee considers that the payment of compensation in cases of early termination of service contracts should depend on individual circumstances and the duty of individual Directors to mitigate their loss will always be a relevant factor.

The Chairman is engaged by the Company under the terms of a letter dated 1 July 1993 as amended by letters dated 8 March 1994, 1 February 1995, 4 April 1997, 8 October 1997 and 26 July 1999. His engagement is subject to termination by six months' notice on the part of the Chairman or 12 months' notice on the part of the Company.

None of the non-executive Directors has a service contract.

On behalf of the Board



Sir George Russell CBE, Chairman

24 May 2000

Auditors' report

Report of the auditors to the members of 3i Group plc We have audited the accounts on pages 47 to 78 which have been prepared under the historical cost convention as modified by the revaluation of certain investments and fixed assets and on the basis of the accounting policies set out on pages 52 and 53.

Respective responsibilities of Directors and auditors The Directors are responsible for preparing the Annual Report including, as described on page 38, accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the UK Listing Authorities and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 36 and 37 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report including the corporate governance statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.


Basis of audit opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which, we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2000 and of the results of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young, Registered Auditor
London

24 May 2000



**Consolidated statement of total return
for the year to 31 March 2000**

	Revenue 2000 £m	Capital 2000 £m	Total 2000 £m	Revenue 1999 as restated £m	Capital 1999 £m	Total 1999 as restated £m
Capital profits						
Net realised profits over opening valuation		350.2	350.2		180.1	180.1
Net unrealised value growth in the year		1,167.0	1,167.0		(90.0)	(90.0)
		1,517.2	1,517.2		90.1	90.1
Total operating income before interest payable	324.8		324.8	307.9		307.9
Interest payable	(104.4)	(0.7)	(105.1)	(109.7)	-	(109.7)
	220.4	1,516.5	1,736.9	198.2	90.1	288.3
Administrative expenses	(101.9)	(33.1)	(135.0)	(90.1)	(21.2)	(111.3)
Amortisation of goodwill	-	(2.6)	(2.6)	-	-	-
Return before tax and currency translation adjustment	118.5	1,480.8	1,599.3	108.1	68.9	177.0
Tax	(3.4)	(13.0)	(16.4)	2.2	(5.4)	(3.2)
Return for the year before currency translation adjustment	115.1	1,467.8	1,582.9	110.3	63.5	173.8
Currency translation adjustment	3.7	(8.1)	(4.4)	(1.7)	5.0	3.3
Total return	118.8	1,459.7	1,578.5	108.6	68.5	177.1
Total return per share						
Basic (pence)	19.9p	244.1p	264.0p	18.3p	11.5p	29.8p
Diluted (pence)	19.7p	241.7p	261.4p	18.2p	11.5p	29.7p

Reconciliation of movement in shareholders' funds

	The Group 2000 £m	The Group 1999 £m
Opening balance	3,603.9	3,488.9
Revenue return	118.8	108.6
Capital return	1,459.7	68.5
Total return	1,578.5	177.1
Dividends	(72.2)	(66.3)
Proceeds of issues of shares	63.3	4.2
Movement in the year	1,569.6	115.0
Closing balance	5,173.5	3,603.9

**Consolidated revenue statement
for the year to 31 March 2000**

	Notes	2000 £m	1999 as restated £m
Interest receivable			
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments			
Interest receivable on loan investments	2	87.1	92.0
Fixed rate dividends	2	34.2	41.5
		121.3	133.5
Other interest receivable and similar income	3	31.4	37.8
		152.7	171.3
Interest payable	4	(104.4)	(109.7)
Net interest income		48.3	61.6
Dividend income from equity shares	5	116.7	82.9
Income from joint ventures		(1.0)	(1.2)
Fees receivable		54.4	53.5
Other operating income		2.0	1.4
Total operating income		220.4	198.2
Administrative expenses and depreciation	6	(101.9)	(90.1)
Profit on ordinary activities before tax	9	118.5	108.1
Tax on profit on ordinary activities	10	(3.4)	2.2
Profit for the year		115.1	110.3
Dividends			
Interim	12	(27.0)	(25.2)
Final	12	(45.2)	(41.1)
Profit retained for the year		42.9	44.0
Earnings per share			
Basic (pence)	13	19.3p	18.5p
Diluted (pence)	13	19.1p	18.5p

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

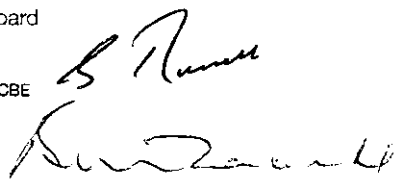
**Consolidated balance sheet
as at 31 March 2000**

Assets	Notes	2000 £m	2000 £m	1999 £m	1999 £m
Treasury bills and other eligible bills			–		15.5
Loans and advances to banks	15		478.6		270.8
Loans and advances to customers	16		0.4		0.8
Debt securities held for treasury purposes	17		190.7		173.8
Debt securities and other fixed income securities held as financial fixed asset investments					
Loan investments	18	1,291.6		1,094.3	
Fixed income shares	18	593.7		729.5	
		1,885.3		1,823.8	
Equity shares					
Listed	18	1,304.0		742.1	
Unlisted	18	2,982.2		1,991.4	
		4,286.2		2,733.5	
			6,171.5		4,557.3
Interests in joint ventures	20				
Share of gross assets		122.1		44.0	
Share of gross liabilities		–		–	
			122.1		44.0
Intangible fixed assets					
Goodwill	23		75.5		–
Tangible fixed assets	24		53.3		48.2
Other assets	25		121.0		138.1
Prepayments and accrued income	26		67.9		58.8
Total assets			7,281.0		5,307.3
Liabilities					
Deposits by banks	27		190.4		68.8
Debt securities in issue	28		1,613.3		1,425.9
Other liabilities	33		69.1		50.3
Accruals and deferred income	34		179.3		142.6
Provisions for liabilities and charges					
Deferred tax	35		22.8		15.8
Subordinated liabilities	36		32.6		–
			2,107.5		1,703.4
Called up share capital	37		301.8		297.7
Share premium account	38		315.7		256.5
Capital redemption reserve	38		1.3		1.3
Capital reserve	38		4,340.7		2,881.0
Revenue reserve	38		214.0		167.4
Equity shareholders' funds			5,173.5		3,603.9
Total liabilities			7,281.0		5,307.3
Memorandum items					
Contingent liabilities					
Guarantees and assets pledged as collateral security	46		15.9		23.2
Commitments	47		350.5		359.9

Approved by the Board

 Sir George Russell CBE
 Brian Larcombe
 Directors

24 May 2000



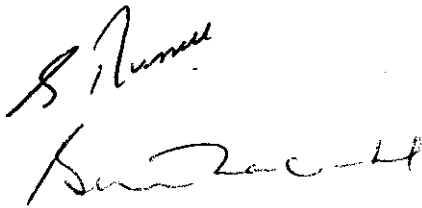
Parent company balance sheet
as at 31 March 2000

Assets	Notes	2000 £m	2000 £m	1999 £m	1999 £m
Loans and advances to banks	15		273.3		91.5
Debt securities held for treasury purposes	17		165.9		126.2
Debt securities and other fixed income securities held as financial fixed asset investments					
Loan investments	18	1,232.3		1,044.2	
Fixed income shares	18	584.4		715.9	
		1,816.7		1,760.1	
Equity shares					
Listed	18	1,272.0		725.3	
Unlisted	18	2,813.7		1,868.5	
		4,085.7		2,593.8	
			5,902.4		4,353.9
Interests in joint ventures	20		120.4		40.0
Shares in Group undertakings	21		58.9		99.1
Tangible fixed assets	24		28.5		27.5
Other assets	25		75.0		102.0
Prepayments and accrued income	26		50.8		41.3
Total assets			6,675.2		4,881.5
Liabilities					
Deposits by banks	27		62.2		68.8
Debt securities in issue	28		1,141.7		895.9
Other liabilities	33		280.6		523.5
Accruals and deferred income	34		73.3		50.6
			1,557.8		1,538.8
Called up share capital	37		301.8		297.7
Share premium account	38		315.7		256.5
Capital redemption reserve	38		1.3		1.3
Capital reserve	38		4,138.4		2,463.4
Revenue reserve	38		360.2		323.8
Equity shareholders' funds			5,117.4		3,342.7
Total liabilities			6,675.2		4,881.5
Memorandum items					
Contingent liabilities					
Guarantees and assets pledged as collateral security	46		11.5		19.3
Commitments	47		320.0		332.2

Approved by the Board

Sir George Russell CBE
Brian Larcombe
Directors

24 May 2000



**Consolidated cash flow statement
for the year to 31 March 2000**

	Notes	2000 £m	1999 £m
Operating activities			
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments		114.2	126.6
Other interest received and similar income		34.6	37.5
Interest paid on borrowings		(102.6)	(113.2)
Dividends received from equity shares		115.1	82.8
Fees and other net cash receipts		54.3	51.9
Operating and administrative costs paid		(109.5)	(81.3)
Net cash inflow from operating activities	40	106.1	104.3
Taxation received		18.6	9.4
Capital expenditure and financial investment			
Investment in equity shares, fixed income shares and loans		(1,277.7)	(836.9)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments		1,162.0	872.7
Repayment of loans and advances to customers		0.4	0.4
Investment administrative expenses		(33.1)	(21.2)
Investment interest paid		(0.7)	-
Net divestment of joint ventures		6.6	11.9
Disposal of investment properties and leases		3.7	6.8
Purchase of tangible fixed assets		(11.3)	(9.3)
Sale of tangible fixed assets		1.2	1.4
Net cash (outflow)/inflow from capital expenditure and financial investment		(148.9)	25.8
Acquisitions			
Acquisition of subsidiary undertakings	41	(78.2)	-
Equity dividends paid			
		(68.1)	(62.8)
Management of liquid resources	45	(189.3)	(20.5)
Net cash (outflow)/inflow before financing		(359.8)	56.2
Financing			
Debt due within one year	44	9.3	(15.5)
Debt due after more than one year	44	309.0	(42.4)
Issue of shares	42	63.3	4.2
Net cash inflow/(outflow) from financing		381.6	(53.7)
Increase in cash	44	21.8	2.5

Accounting policies

A Accounts presentation and convention. These accounts have been prepared under the historical cost convention modified to include certain investments and fixed assets at valuation, and in accordance with the Statement of Recommended Practice – Financial Statements of Investment Trust Companies – and applicable accounting standards, except as described below concerning the treatment of capital profits.

The Group has adopted Financial Reporting Standard 16 – Current Tax – (FRS16) for the year to 31 March 2000. This gives rise to a change in accounting policy. The implementation of FRS16 has no effect on the brought forward reserves of the Group. Certain comparative figures within the consolidated revenue statement have been restated to reflect the adoption of FRS16.

As the Company is an authorised institution under the Banking Act 1987 the accounts have also been prepared in accordance with the requirements of Part VII of the Companies Act 1985 in respect of banking groups.

The Articles of Association of the Company prohibit the distribution of its capital profits. Accordingly, the Company's capital profits, shown in note 38, are included in the capital reserve. In order to use consistent accounting policies in the Group accounts, the capital profits of subsidiary undertakings have been excluded from consolidated revenue, although the capital profits of these subsidiary undertakings are distributable. The Revenue Statement of the Company has been omitted from these accounts in accordance with section 230 of the Companies Act 1985.

B Associated undertakings and joint ventures. Entities whose business is in a field of activity which is closely related or complementary to that of the Group and in which holdings are intended to be retained on a long-term basis and are jointly controlled by the Group and one or more venturers under a contractual agreement are treated as joint ventures. The Directors consider that, in general, the Group's equity share investments do not come within the Companies Act definition of associated undertakings, since 3i does not usually exercise significant influence over the operating and financial policies of investees. However, it is possible that, in a small number of equity share investments, 3i does in fact exert significant influence on occasions, and that the Companies Act provides that these be treated as associated undertakings and accounted for using the equity method of accounting. The Directors believe that equity accounting for investments would not give a true and fair view of the income from the investment activities of the Group, since this is better measured by the inclusion of dividends and interest income. It is impracticable to quantify the effect of this departure on the revenue profit for the year and there would be no effect on net assets. The treatment adopted is in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures.

C Goodwill. Goodwill is the difference between the cost of acquisition of shares in subsidiary undertakings and joint ventures and the aggregate fair value of the entity's identifiable assets and liabilities at date of acquisition. Goodwill is capitalised as an intangible asset and amortised over its estimated useful economic life.

D Fixed assets in use by the Group. Fixed assets in use by the Group are depreciated by equal annual instalments over their estimated useful lives as follows: office equipment five years; computer equipment three years; computer software three years; motor vehicles four years. Properties in use by the Group are included at external professional valuation, which is carried out at each balance sheet date. Depreciation is not provided against the value of the buildings as the amount is immaterial. Motor vehicles being acquired on hire purchase are capitalised in the balance sheet and depreciated over their estimated 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.

E Financial fixed assets. Loan investments, fixed income and equity share investments, together with interests in joint ventures and the shares in Group undertakings are regarded as financial fixed assets, as they are held for long-term investment purposes.

F Valuation of financial fixed assets and investment properties. Investment packages comprising mixtures of equity shares, fixed income shares and loan investments, together with financial fixed assets of joint ventures, are included at valuation on the following bases:

a Listed investments are valued at mid-market price.

b Quoted shares for which an active market exists elsewhere are valued at mid-market price, except for shares quoted on secondary markets which are valued at latest traded price less an appropriate discount for illiquidity.

c 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 price-earnings ratios appropriate to similar listed investments. If the resultant valuation is less than half the book amount of net assets in those accounts, the valuation is based on half the book amount of those assets. Where the latest accounts show a loss, the valuation is based on half the book amount of net assets in those accounts. In each of these cases an appropriate discount is applied to the valuations to reflect restricted marketability and where appropriate they are modified to take account of special factors relating to each investment which are considered to affect the valuation. Where no accounts have been received for a period following the initial investment, the investment is valued at cost.

Accounting policies

d Unquoted fixed income shares and loan investments are valued at the lower of cost or recoverable amount.

e In all of the above categories of investment where failure has occurred the loss is charged against realised capital profits.

f Deferred consideration is included at the estimated present value of the expected proceeds. Investment properties are included at external professional valuation.

G Income recognition. Dividends receivable on listed shares are brought into account on the ex-dividend date. Dividends receivable on shares where no ex-dividend date is quoted are brought into account when the right to receive payment is established. The fixed return on a loan investment is recognised on a time apportionment basis so as to reflect the effective yield on the loan. Other income, including interest receivable from derivatives, is recognised on the accruals basis except for income from finance leases and hire purchase contracts, which is credited to revenue so as to result in a constant periodic rate of return on the net cash investment.

H Administrative expenses. Administrative expenses which comprise the costs of making and managing investments and the management of the Group are accounted for on an accruals basis. Costs associated with making and managing investments less fees generated as a result of these activities are allocated to revenue and capital profits. Costs of management of the Group are charged to revenue profit. Costs directly associated with the disposal of individual investments are charged to realised capital profits.

I Finance costs. Finance costs, including those of derivatives, are accounted for on an accruals basis. Discounts, premiums and expenses arising on the issue of bonds and notes are amortised over the period of the related borrowing.

Finance costs of borrowing that relates to the financing of investments where future capital profits as well as revenue profits can be earned, are allocated to revenue and capital profits. Other finance costs are charged to revenue profit.

J Trading assets. Loans and advances to customers and other non-investment assets are carried at the lower of book amount and recoverable amount.

K Deferred tax. Provision is made for deferred tax, using the liability method, on all material timing differences which are not expected to continue in the future. Provision is also made for deferred tax on the unrealised appreciation of investments held by certain subsidiaries, as reduced by losses, where these are expected to crystallise in the future.

L Foreign currency translation. Foreign currency revenue items, assets and liabilities, including those of non-UK 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, borrowing 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 or capital profit for the period as appropriate.

M Pensions. Contributions made to pension schemes are charged to revenue profit so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual periods 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, after interest, do not equate with cash contributions an accrual or prepayment is recognised in the balance sheet.

Notes to the accounts

1 Segmental analysis

The Group carries on its venture capital business in three geographical areas, the United Kingdom, continental Europe and the rest of the world, principally Asia Pacific and US, and has one principal activity – the making of investments.

	The Group United Kingdom 2000 £m	The Group Continental Europe 2000 £m	The Group Rest of the world 2000 £m	The Group Total 2000 £m
Geographical areas				
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	114.4	6.8	0.1	121.3
Dividend income from equity shares	100.6	16.0	0.1	116.7
Fees receivable	37.4	16.2	0.8	54.4
Other income	32.7	0.5	(0.8)	32.4
Total operating income before interest payable	285.1	39.5	0.2	324.8
Revenue profit before tax	116.4	7.7	(5.6)	118.5
Capital profit before tax	1,180.8	184.9	115.1	1,480.8
Total return before tax	1,297.2	192.6	109.5	1,599.3
Net assets	3,856.5	980.0	337.0	5,173.5
Total assets	5,604.9	1,288.9	387.2	7,281.0

	The Group United Kingdom 1999 as restated £m	The Group Continental Europe 1999 £m	The Group Rest of the world 1999 £m	The Group Total 1999 as restated £m
Geographical areas				
Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	128.3	5.2	–	133.5
Dividend income from equity shares	74.6	8.3	–	82.9
Fees receivable	42.3	11.0	0.2	53.5
Other income	39.0	(0.2)	(0.8)	38.0
Total operating income before interest payable	284.2	24.3	(0.6)	307.9
Revenue profit before tax	108.9	1.5	(2.3)	108.1
Capital profit before tax	(55.4)	120.4	3.9	68.9
Total return before tax	53.5	121.9	1.6	177.0
Net assets	3,047.4	486.4	70.1	3,603.9
Total assets	4,697.5	538.4	71.4	5,307.3

2 Interest receivable and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments

	The Group UK 2000 £m	The Group Non-UK 2000 £m	The Group Total 2000 £m	The Group UK 1999 as restated £m	The Group Non-UK 1999 £m	The Group Total 1999 as restated £m
Interest receivable on loan investments						
Unlisted	80.2	6.9	87.1	86.8	5.2	92.0
Fixed rate dividends						
Unlisted	34.2	–	34.2	41.5	–	41.5
	114.4	6.9	121.3	128.3	5.2	133.5

Notes to the accounts

3 Other interest receivable and similar income

	The Group 2000 £m	The Group 1999 £m
Interest receivable on money market assets, treasury debt securities and similar income	31.2	37.8
Interest receivable on non-investment loans – unlisted	0.2	–
	31.4	37.8

Interest receivable on money market assets, treasury debt securities and similar income includes £1.7 million (1999: £3.4 million) interest on prior year tax repayment claims.

4 Interest payable

Interest payable, other than that relating to TH Technologieholding GmbH group, relates to the financing of assets which can only earn future revenue profits and is therefore charged to revenue profit. Interest payable relating to TH Technologieholding GmbH group is allocated fully to realised capital profits, reflecting the nature of expected returns from that business.

5 Dividend income from equity shares

	The Group UK 2000 £m	The Group Non-UK 2000 £m	The Group Total 2000 £m	The Group UK 1999 as restated £m	The Group Non-UK 1999 £m	The Group Total 1999 as restated £m
Listed	13.6	0.8	14.4	13.6	0.3	13.9
Unlisted	87.0	15.3	102.3	61.0	8.0	69.0
	100.6	16.1	116.7	74.6	8.3	82.9

6 Administrative expenses and depreciation

	The Group 2000 £m	The Group 1999 £m
Administrative expenses	95.6	84.4
Depreciation	6.3	5.7
	101.9	90.1
Administrative expenses comprise:		
Staff costs		
Wages and salaries	68.6	54.4
Social security costs	11.3	6.4
Other pension costs	3.6	1.9
	83.5	62.7
Other administrative expenses	45.2	42.9
Total administrative expenses	128.7	105.6
Less: allocated direct to capital reserve	(33.1)	(21.2)
	95.6	84.4

The average monthly number of employees during the year was 838 (1999: 774). In addition to the staff costs shown above an amount of £7.7 million (1999: £4.5 million) has been charged against realised capital profits in respect of carried interest payable to employees.

Costs associated with making and managing investments less associated fee income are allocated to revenue and capital profits based on the expected split of returns between revenue and capital. This split is currently expected to be 30% revenue and 70% capital.

7 Directors' emoluments

Details of Directors' emoluments are contained within the Remuneration report on pages 40 to 45.

Notes to the accounts

8 Pension arrangements

The Group operates a number of pension schemes. The main scheme, which covers most employees, is the 3i Group Pension Plan. This is a funded 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 1998 on the projected unit method. At that date the market value of the assets was £241.4 million, and this was sufficient to cover 121% of the value of the benefits that has accrued to members, after allowing for assumed increases in earnings and benefits. The principal assumptions were as follows:

	Accrued liabilities	Future contributions
Price inflation	3.0%	3.0%
Rate of return pre-retirement	6.7%	8.0%
Rate of return post-retirement	5.7%	6.5%
Earnings increases (excluding promotion)	5.5%	5.5%
Pension increases	3.0%	3.0%

Credit for the surplus at 30 June 1998 has been spread over the remaining service lives of the existing employees. The net cost for the year ended 31 March 2000, in respect of the main plan, of £2.4 million (1999: £1.1 million) represents the net pension cost for the year, determined in accordance with the above assumptions after deducting the appropriate proportion of the surplus. Following advice from the actuaries no contributions have been made during the year. An amount of £5.8 million (1999: £3.4 million) included in other accruals represents the cumulative difference between the net cost and contributions made. Mr J W Melbourn was a Director of 3i Group plc and was also throughout the year a Director of Gardens Pension Trustees Limited, one of the two Corporate Trustees of the 3i Group Pension Plan.

9 Profit on ordinary activities before tax

	The Group 2000 £m	The Group 1999 £m
This is arrived at after charging:		
Auditors' remuneration		
Audit fees (the Company, £0.2 million – 1999: £0.2 million)	0.4	0.4
Fees for non-audit services in the UK	0.4	0.4
Finance charge on hire purchase motor vehicles	0.3	0.2
Depreciation on owned assets	4.7	4.2
Depreciation on hire purchase assets	1.6	1.5
Costs of the bid for Electra Investment Trust plc	–	4.3

It also includes fees of £2.6 million (1999: £1.8 million) received from external funds managed by 3i Asset Management Limited.

The auditors received fees of £0.2m for work in connection with the acquisition of TH Technologieholding GmbH. These fees form part of the acquisition costs included in note 22.

10 Tax on profit on ordinary activities

	The Group 2000 £m	The Group 1999 as restated £m
The tax charge/(credit) for the year comprises:		
UK corporation tax at 30% (1999: 31%)	3.2	3.0
Less relief for foreign tax	(3.2)	(3.0)
Foreign tax	3.6	1.2
Adjustment in respect of previous periods	(0.2)	(3.4)
Charge/(credit) for the year	3.4	(2.2)
The charge/(credit) for the year is made up as follows:		
The Company and subsidiary undertakings	3.4	(2.2)
Joint ventures	–	–
	3.4	(2.2)

No provision has been made for taxation on the Group's share of the undistributed profits of overseas subsidiary undertakings and joint ventures which would be liable to United Kingdom and overseas taxation if distributed as dividends.

11 Profit after tax

The amount dealt with in the revenue account of the Company is £103.9 million (1999: £101.8 million).

Notes to the accounts

12 Dividends

	2000 £m	1999 £m
Interim paid 4.6p per share (1999: 4.3p per share paid)	27.0	25.2
Final proposed 7.6p per share (1999: 7.0p per share paid)	45.2	41.1
	72.2	66.3

13 Earnings and net assets per share

	The Group 2000	The Group 1999
Revenue profit for the year	£115.1m	£110.3m
Weighted average number of shares – Basic	597.8m	595.0m
– Diluted	604.0m	596.9m
Earnings per share – Basic	19.3p	18.5p
– Diluted	19.1p	18.5p
Net assets	£5,173.5m	£3,603.9m
Number of shares – Basic	603.8m	595.4m
– Diluted	610.6m	600.0m
Net asset value per share – Basic	857p	605p
– Diluted	847p	601p

The difference between the basic and diluted weighted average number of shares of 6.2 million (1999: 1.9 million) is the dilutive effect of share options.

14 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 to 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 joint ventures is set out on pages 77 and 78. Full information will be annexed to the Company's next annual return.

As permitted by Financial Reporting Standard 8 – Related Party Disclosures – transactions or balances with Group entities that have been eliminated on consolidation are not reported.

15 Loans and advances to banks

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Repayable on demand	41.9	22.0	19.8	7.0
Maturity of other loans and advances to banks				
Repayable:				
within three months	435.9	184.3	252.7	83.2
between three months and one year	–	63.7	–	0.5
between one year and five years	0.8	0.8	0.8	0.8
	478.6	270.8	273.3	91.5

16 Loans and advances to customers

	The Group 2000 £m	The Group 1999 £m
Cost	0.4	0.8
Maturity of loans and advances to customers		
Repayable:		
between three months and one year	0.1	0.3
between one year and five years	0.2	0.3
after five years	0.1	0.2
	0.4	0.8

Notes to the accounts

17 Debt securities held for treasury purposes

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Repayable within one year	190.7	173.8	165.9	126.2

18 Debt securities and other fixed income securities held as financial fixed asset investments and equity shares

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Debt securities and fixed income shares				
Loan investments	1,291.6	1,094.3	1,232.3	1,044.2
Fixed income shares	593.7	729.5	584.4	715.9
	1,885.3	1,823.8	1,816.7	1,760.1
Equity shares				
Listed	1,304.0	742.1	1,272.0	725.3
Unlisted	2,982.2	1,991.4	2,813.7	1,868.5
	4,286.2	2,733.5	4,085.7	2,593.8
Maturity of debt securities and fixed income shares				
Repayable within one year	130.8	135.2	121.2	123.7
Repayable after more than one year	1,754.5	1,688.6	1,695.5	1,636.4
	1,885.3	1,823.8	1,816.7	1,760.1

	The Group Equity shares 2000 £m	The Group Loan investments 2000 £m	The Group Fixed income shares 2000 £m
Opening balances			
Cost		1,145.7	1,153.4
Unrealised appreciation		1,587.8	(59.1)
		2,733.5	1,094.3
Additions at cost		708.8	522.2
Assets of subsidiary undertakings acquired		20.8	8.2
Disposals, repayments and write offs		(188.4)	(267.6)
Transfers		40.9	(31.7)
Unrealised appreciation		995.4	(22.5)
Currency translation		(24.8)	(11.3)
31 March 2000		4,286.2	1,291.6
Represented by:			
Cost		1,703.0	1,373.2
Unrealised appreciation		2,583.2	(81.6)
		4,286.2	1,291.6
Listed			
UK		1,251.1	-
Non-UK		52.9	-
		1,304.0	-
Unlisted			
UK		1,871.3	1,143.3
Non-UK		1,110.9	148.3
		2,982.2	1,291.6

Notes to the accounts

18 Debt securities and other fixed income securities held as financial fixed asset investments and equity shares continued

	The Company Equity shares 2000 £m	The Company Loan investments 2000 £m	The Company Fixed income shares 2000 £m
Opening balances			
Cost	1,103.3	1,097.1	763.5
Unrealised appreciation	1,490.5	(52.9)	(47.6)
	2,593.8	1,044.2	715.9
Additions at cost	674.6	506.6	46.7
Disposals, repayments and write offs	(181.3)	(256.5)	(127.8)
Transfers	40.6	(31.5)	(9.1)
Transfers to other Group undertakings	(12.4)	(1.5)	-
Unrealised appreciation	988.1	(21.8)	(41.3)
Currency translation	(17.7)	(7.2)	-
31 March 2000	4,085.7	1,232.3	584.4
Represented by:			
Cost	1,607.1	1,307.0	673.3
Unrealised appreciation	2,478.6	(74.7)	(88.9)
	4,085.7	1,232.3	584.4
Listed			
UK	1,250.9	-	0.2
Non-UK	21.1	-	-
	1,272.0	-	0.2
Unlisted			
UK	1,869.8	1,138.3	570.1
Non-UK	943.9	94.0	14.1
	2,813.7	1,232.3	584.2

Group companies have invested in or made commitments to 13 limited partnerships. These investments represented the following proportions of the total commitments of all investors in these partnerships:

Partnership	Proportion of total commitments
3i Europe Investment Partners No. 1	0.92%
3i Europe Investment Partners No. 2	<0.01%
3i 94 LMBO Plan	<0.01%
3i UK Investment Partners	0.23%
3i Smaller MBO Plan	<0.01%
3i NPM Smaller MBO Plan	<0.01%
3i UKIP II LP	<0.01%
3i Europartners II LP	<0.01%
3i Parallel Ventures LP	<0.01%
3i Europartners IIIA LP	<0.01%
3i Europartners IIIB LP	<0.01%
3i Asia Pacific Technology LP	<0.01%
3i Nippon Buyouts Venture Capital Investment Limited Partnership	0.03%

The figures represent the proportion of commitments at both 31 March 2000 and 31 March 1999, except for investments in 3i Europartners IIIA LP, 3i Europartners IIIB LP, 3i Asia Pacific Technology LP and 3i Nippon Buyouts Venture Capital Investment Limited Partnership that were made during the year. Although Group companies act as the general partner and the manager of each partnership, since their rights as such are held in a fiduciary capacity, the investments are included as equity share investments. Unrealised appreciation on unlisted equity investments includes £16.9 million (1999: £26.8 million) which represents the carried interest that would be received by the Group if all investments held by the limited partnerships were realised at their valuation on the balance sheet date. The Group received fee income and distributions of £41.5 million (1999: £26.7 million) from this activity.

Notes to the accounts

19 Unrealised appreciation

	The Group 2000 £m	The Group 1999 £m
Unrealised appreciation represents the difference between the original cost of investments and their carrying value, less charges		
Opening balance after tax	1,448.2	1,664.0
Value surplus realised	(257.2)	(149.3)
Value deficit written back	49.1	22.9
Change in value surplus – note 38	1,167.0	(90.0)
Tax (charge)/credit	(4.7)	0.6
	954.2	(215.8)
Closing balance after tax	2,402.4	1,448.2

20 Interests in joint ventures

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Cost	43.5	42.5	36.9	37.2
Share of post acquisition retained surpluses less losses	(3.0)	(6.0)		
	40.5	36.5	36.9	37.2
Share of unrealised appreciation	81.6	7.5		
Unrealised appreciation			83.5	2.8
Closing balance	122.1	44.0	120.4	40.0

Details of the Group's interests in joint ventures, which are all unlisted and outside the UK, are given on page 78.

21 Shares in Group undertakings

	The Company 2000 £m	The Company 1999 £m
Opening balance	99.1	88.4
Additions	32.7	9.9
Disposals	(20.5)	–
Capital reduction	(49.8)	–
Currency translation	(2.6)	0.8
Closing balance	58.9	99.1

Details of the principal subsidiary undertakings are given on page 77.

During the year 3i Holdings plc, a direct subsidiary undertaking of the Company, allotted shares to the Company by way of a bonus issue of 201 million ordinary shares of £1 each. Subsequently, 3i Holdings plc with the sanction of the courts, reduced its share capital by £250.0 million. The aggregate effect of this was to reduce the investment in 3i Holdings plc by £49.8 million to £0.2 million and realise a capital profit of £200.2 million.

Notes to the accounts

22 Acquisition of subsidiary undertakings

On 3 February 2000, 3i Deutschland Gesellschaft für Industriebeteiligungen mbH, a wholly owned subsidiary undertaking of the Group acquired the entire issued share capital of TH Technologieholding GmbH. The fair value attributed to the net assets acquired was:

	Book value	Accounting policy alignment	Fair value to the Group
	£m	£m	£m
Advances to banks	1.0	-	1.0
Debt securities and other fixed income securities			
Loan investments	8.2	-	8.2
Equity shares			
Unlisted	12.4	8.4	20.8
Tangible fixed assets	0.3	-	0.3
Other assets	0.6	-	0.6
Other liabilities	(2.8)	-	(2.8)
Deferred tax	-	(3.8)	(3.8)
Subordinated liabilities	(23.2)	-	(23.2)
Net assets	(3.5)	4.6	1.1
Goodwill			78.1
Total cost of acquisition			79.2
Satisfied by:			
Shares allotted			51.3
Cash			26.2
Acquisition costs			1.7
			79.2

The accounting policy alignment arises mainly from the valuation of TH Technologieholding GmbH group's portfolio in line with Group policies. TH Technologieholding GmbH group carries its investments at a book value based on the lower of cost and recoverable amount.

The acquisition of TH Technologieholding GmbH did not have a material effect on the items prescribed in Financial Reporting Standard 3 – Reporting Financial Performance – for disclosure separately.

23 Goodwill

	2000 £m
Cost	
Goodwill on the acquisition of TH Technologieholding GmbH	78.1
Cost at 31 March 2000	78.1
Amortisation	
Charge for the year	2.6
Amortisation at 31 March 2000	2.6
Book amount at 31 March 2000	75.5

Goodwill in the year arose on the acquisition of TH Technologieholding GmbH (see note 22). This purchased goodwill relates to TH Technologieholding GmbH's market position and the experience in early stage technology investment of its staff. It is being amortised over its estimated useful economic life of five years, the period over which the Group expects to benefit from TH Technologieholding GmbH's reputation, contacts and skills, using the straight line method. Amortisation of goodwill is allocated fully to realised capital profits reflecting the nature of expected returns from the business.

Notes to the accounts

24 Tangible fixed assets

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Investment properties	7.3	6.3	0.4	1.5
Fixed assets in use by the Group	46.0	41.9	28.1	26.0
	53.3	48.2	28.5	27.5

	The Group 2000 £m	The Company 2000 £m
Investment properties		
Opening balances		
Cost	3.5	0.8
Unrealised appreciation	2.8	0.7
	6.3	1.5
Additions	0.5	-
Disposals	(1.2)	(1.1)
Unrealised appreciation	1.7	-
	7.3	0.4
Represented by		
Cost	3.4	0.2
Unrealised appreciation	3.9	0.2
	7.3	0.4
Freehold	7.0	0.2
Leasehold – 50 years and over	0.3	0.2
	7.3	0.4

	The Group Properties 2000 £m	The Group Office equipment 2000 £m	The Group Motor vehicles 2000 £m	The Group Hire purchase motor vehicles 2000 £m	The Group Total 2000 £m
Fixed assets in use by the Group					
Opening cost or valuation	26.7	35.2	0.9	6.0	68.8
Additions	3.2	5.9	0.2	2.2	11.5
Assets of subsidiary undertakings acquired	-	0.3	-	-	0.3
Revaluation in year	(0.2)	-	-	-	(0.2)
Disposals	-	(0.1)	(0.4)	(1.9)	(2.4)
Currency translation	-	(0.3)	(0.1)	-	(0.4)
Cost or valuation at 31 March 2000	29.7	41.0	0.6	6.3	77.6
Opening accumulated depreciation		24.4	0.3	2.2	26.9
Charge for year		4.5	0.2	1.6	6.3
Disposals		-	(0.2)	(1.3)	(1.5)
Currency translation		(0.1)	-	-	(0.1)
Accumulated depreciation at 31 March 2000		28.8	0.3	2.5	31.6
Book amount at 31 March 2000	29.7	12.2	0.3	3.8	46.0
Book amount at 31 March 1999	26.7	10.8	0.6	3.8	41.9

Notes to the accounts

24 Tangible fixed assets continued

	The Group Properties 2000 £m
Represented by:	
Cost	22.8
Unrealised appreciation	6.9
31 March 2000	29.7
Freehold	11.6
Leasehold – 50 years and over	18.1
31 March 2000	29.7

	The Group 2000 £m	The Group 1999 £m
Obligations under motor vehicle hire purchase contracts		
Amounts payable:		
within one year	1.3	1.1
between two and five years	1.7	1.8
	3.0	2.9
Finance charge allocated to future periods	(0.7)	(0.5)
	2.3	2.4

	The Company Properties 2000 £m
Opening valuation	26.0
Additions	2.9
Revaluation in year	(0.8)
Valuation at 31 March 2000	28.1
Represented by:	
Cost	20.6
Unrealised appreciation	7.5
	28.1
Freehold	10.0
Leasehold – 50 years and over	18.1
	28.1

25 Other assets

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Investment leases	2.4	5.0	–	–
Non-investment leases	1.2	2.2	–	–
Tax recoverable	34.1	50.4	31.4	55.5
Development properties	1.0	0.9	–	–
Other debtors	82.3	79.6	43.6	46.5
	121.0	138.1	75.0	102.0

	The Group 2000 £m	The Group 1999 £m
Aggregate investment lease rentals receivable in the year	2.6	3.0
Aggregate non-investment lease and hire purchase rentals receivable in the year	1.1	1.2

Notes to the accounts

26 Prepayments and accrued income

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Interest receivable	62.6	52.0	45.5	34.5
Certificates of tax deposit	5.3	6.8	5.3	6.8
	67.9	58.8	50.8	41.3

27 Deposits by banks

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
With agreed maturity dates or periods of notice	190.4	68.8	62.2	68.8
Maturity of deposits with agreed maturity dates or periods of notice				
Repayable:				
within three months	58.2	68.8	52.2	68.8
between three months and one year	10.0	-	10.0	-
between two and five years	122.2	-	-	-
	190.4	68.8	62.2	68.8

28 Debt securities in issue

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Bonds and notes	1,343.5	1,195.7	882.6	709.7
Other debt securities in issue	269.8	230.2	259.1	186.2
	1,613.3	1,425.9	1,141.7	895.9

Fixed rate (guaranteed)			The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
	Rate	Repayment				
3i Group plc	10.75%	2001	100.0	100.0	100.0	100.0
3i International BV	7.75%	2003	150.0	150.0		
Total fixed rate			250.0	250.0	100.0	100.0
Variable rate						
Unsecured loan notes						
Variable rate		2007-2011	18.0	18.5	14.6	14.6
Index linked		2011	-	0.2	-	-
Total variable rate			18.0	18.7	14.6	14.6

Notes to the accounts

28 Debt securities in issue continued

Notes issued under the £2,000 million Note issuance programme	Rate	Repayment	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Fixed rate						
Public issues						
3i Group plc	6.875%	2007	200.0	200.0	200.0	200.0
3i Group plc	6.875%	2023	200.0	200.0	200.0	200.0
3i Group plc	5.750%	2032	180.0	-	180.0	-
Private placings			2.3	33.8	-	7.1
Total fixed rate			582.3	433.8	580.0	407.1
Variable rate						
Public issues						
3i Holdings plc		2002	100.0	100.0		
3i Holdings plc		2007	100.0	100.0		
3i Holdings plc		2007	100.0	100.0		
Private placings			193.2	193.2	188.0	188.0
Total variable rate			493.2	493.2	188.0	188.0
Total bonds and notes			1,343.5	1,195.7	882.6	709.7

Maturity of bonds and notes	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Repayable:				
on demand or within one year	92.5	31.7	85.0	7.0
between one and two years	270.0	92.9	170.0	85.0
between two and five years	185.2	452.9	33.0	203.0
after five years	795.8	618.2	594.6	414.7
	1,343.5	1,195.7	882.6	709.7

The proceeds of all foreign currency denominated bonds have been converted either to sterling or US dollars.

Other debt securities in issue	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
European Coal and Steel Community	1.7	9.4	1.7	9.4
European Investment Bank	45.0	45.0	45.0	45.0
Other	223.1	175.8	212.4	131.8
	269.8	230.2	259.1	186.2

Maturity of other debt securities in issue

Repayable:	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
within three months	214.9	172.1	206.6	131.5
between three months and one year	18.1	9.0	15.7	7.9
between one year and two years	5.4	10.3	5.4	8.0
between two years and five years	31.4	38.8	31.4	38.8
	269.8	230.2	259.1	186.2

The Group had the following committed multi-currency facilities at 31 March 2000 first negotiated in April 1997:

Facility	Drawn	Drawn margin (over LIBOR)	Undrawn commitment fee	Maturity
£625.0m	£122.2m			18 April 2004
		0.125%	0.0625%	Years 1 to 5
		0.150%	0.0750%	Years 6 to 7

Notes to the accounts

29 Interest rate sensitivity gap analysis

Interest rate risk emanates from the Group's loan investments and the Group's funding. The Group's policy is that fixed rate lending is broadly matched with fixed rate borrowings and the interest rate resetting profile of variable rate lending is broadly matched with that of variable rate borrowings. Financial instruments including interest rate swaps are used as part of this matching process. The interest rate sensitivity gap at 31 March 2000 was:

Investment activity

	Not more than three months 2000 £m	More than three months but not more than six months 2000 £m	More than six months but not more than one year 2000 £m	More than one year but not more than five years 2000 £m	More than five years 2000 £m	Non-interest bearing 2000 £m	Total 2000 £m
Assets							
Treasury bills and other eligible bills	-	-	-	-	-	-	-
Loans and advances to customers	-	-	0.1	0.2	0.1	-	0.4
Debt securities held for treasury purposes	-	-	-	-	-	-	-
Debt securities and other fixed income securities held as financial fixed assets							
Loan investments	374.4	26.3	41.6	256.2	593.1	-	1,291.6
Fixed income shares	-	-	-	-	-	593.7	593.7
Equity shares	-	-	-	-	-	4,286.2	4,286.2
Other assets	-	-	-	-	-	439.8	439.8
	374.4	26.3	41.7	256.4	593.2	5,319.7	6,611.7
Liabilities							
Deposits by banks	180.4	-	10.0	-	-	-	190.4
Debt securities in issue	175.8	(11.2)	(43.3)	342.0	480.7	-	944.0
Other liabilities	-	-	-	-	-	271.2	271.2
Subordinated liabilities	-	-	-	-	32.6	-	32.6
Shareholders' funds	-	-	-	-	-	5,173.5	5,173.5
	356.2	(11.2)	(33.3)	342.0	513.3	5,444.7	6,611.7
Interest rate sensitivity gap	18.2	37.5	75.0	(85.6)	79.9	(125.0)	-
Cumulative gap	18.2	55.7	130.7	45.1	125.0	-	-

Long term borrowing awaiting investment

	Not more than three months 2000 £m	More than three months but not more than six months 2000 £m	More than six months but not more than one year 2000 £m	More than one year but not more than five years 2000 £m	More than five years 2000 £m	Non-interest bearing 2000 £m	Total 2000 £m
Assets							
Loans and advances to banks	478.6	-	-	-	-	-	478.6
Debt securities held for treasury purposes	169.3	21.4	-	-	-	-	190.7
	647.9	21.4	-	-	-	-	669.3
Liabilities							
Debt securities in issue	659.3	-	-	(270.0)	280.0	-	669.3
	659.3	-	-	(270.0)	280.0	-	669.3
Interest rate sensitivity gap	(11.4)	21.4	-	270.0	(280.0)	-	-
Cumulative gap	(11.4)	10.0	10.0	280.0	-	-	-
Combined interest rate sensitivity gap	6.8	58.9	75.0	184.4	(200.1)	(125.0)	-
Combined cumulative gap	6.8	65.7	140.7	325.1	125.0	-	-

Notes to the accounts

29 Interest rate sensitivity gap analysis continued

Investment activity

	Not more than three months 1999 £m	More than three months but not more than six months 1999 £m	More than six months but not more than one year 1999 £m	More than one year but not more than five years 1999 £m	More than five years 1999 £m	Non-interest bearing 1999 £m	Total 1999 £m
Assets							
Treasury bills and other eligible bills	15.5	-	-	-	-	-	15.5
Loans and advances to customers	-	0.3	-	0.3	0.2	-	0.8
Debt securities held for treasury purposes	21.4	-	-	-	-	-	21.4
Debt securities and other fixed income securities held as financial fixed assets							
Loan investments	381.4	20.7	29.3	309.3	353.6	-	1,094.3
Fixed income shares	-	-	-	-	-	729.5	729.5
Equity shares	-	-	-	-	-	2,733.5	2,733.5
Other assets	-	-	-	-	-	289.1	289.1
	418.3	21.0	29.3	309.6	353.8	3,752.1	4,884.1
Liabilities							
Deposits by banks	68.8	-	-	-	-	-	68.8
Debt securities in issue	98.9	2.9	20.8	314.5	565.6	-	1,002.7
Other liabilities	-	-	-	-	-	208.7	208.7
Subordinated liabilities	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	3,603.9	3,603.9
	167.7	2.9	20.8	314.5	565.6	3,812.6	4,884.1
Interest rate sensitivity gap	250.6	18.1	8.5	(4.9)	(211.8)	(60.5)	-
Cumulative gap	250.6	268.7	277.2	272.3	60.5	-	-

Long term borrowing awaiting investment

	Not more than three months 1999 £m	More than three months but not more than six months 1999 £m	More than six months but not more than one year 1999 £m	More than one year but not more than five years 1999 £m	More than five years 1999 £m	Non-interest bearing 1999 £m	Total 1999 £m
Assets							
Loans and advances to banks	207.7	63.1	-	-	-	-	270.8
Debt securities held for treasury purposes	123.4	29.0	-	-	-	-	152.4
	331.1	92.1	-	-	-	-	423.2
Liabilities							
Debt securities in issue	380.0	20.0	(200.0)	(200.0)	423.2	-	423.2
	380.0	20.0	(200.0)	(200.0)	423.2	-	423.2
Interest rate sensitivity gap	(48.9)	72.1	200.0	200.0	(423.2)	-	-
Cumulative gap	(48.9)	23.2	223.2	423.2	-	-	-
Combined interest rate sensitivity gap	201.7	90.2	208.5	195.1	(635.0)	(60.5)	-
Combined cumulative gap	201.7	291.9	500.4	695.5	60.5	-	-

The above tables analyse the interest rate sensitivity of the Group's non-trading book after the effect of swaps. The first section analyses assets and liabilities associated with the Group's investment activity. The second section analyses funds which have been raised for future investment in long term investment assets. The funds include the proceeds of two fixed rate bonds of £200 million each, a ten year issue and a 25 year issue, placed in the year to 31 March 1998 and a fixed rate bond of £180 million, a 33 year issue, placed in the year to 31 March 2000. These are currently swapped to variable rate and held in money market assets.

Notes to the accounts

30 Currency exposures

Currency rate risk emanates from the Group's international operations. The policy regarding currency risk is set out in the Financial review on page 32. Currency swaps are used as part of applying that policy.

The Group's structural currency exposures at 31 March 2000 were as follows:

Currency	Variable rate loan investments 2000 £m	Fixed rate loan investments 2000 £m	Other investment assets 2000 £m	Other net assets before borrowings 2000 £m	Short term variable rate borrowings 2000 £m	Other variable rate borrowings 2000 £m	Fixed rate borrowings 2000 £m	Net assets 2000 £m
Sterling	417.5	709.9	3,808.5	639.2	(247.1)	(506.0)	(819.1)	4,002.9
Euro	27.5	118.1	771.9	150.5	-	(127.6)	(92.3)	848.1
US dollar	3.1	7.3	237.9	5.7	(118.1)	-	-	135.9
Swiss franc	-	6.1	74.8	-	-	-	-	80.9
Other	-	2.1	116.2	0.7	(13.3)	-	-	105.7
Subtotal	30.6	133.6	1,200.8	156.9	(131.4)	(127.6)	(92.3)	1,170.6
Total	448.1	843.5	5,009.3	796.1	(378.5)	(633.6)	(911.4)	5,173.5

Currency	Variable rate loan investments 1999 £m	Fixed rate loan investments 1999 £m	Other investment assets 1999 £m	Other net assets before borrowings 1999 £m	Short term variable rate borrowings 1999 £m	Other variable rate borrowings 1999 £m	Fixed rate borrowings 1999 £m	Net assets 1999 £m
Sterling	366.9	609.3	2,972.3	492.0	(182.6)	(299.9)	(919.1)	3,038.9
Euro	23.8	79.5	411.5	(0.9)	(6.9)	-	-	507.0
US dollar	6.0	5.6	83.1	(0.3)	(48.7)	(1.4)	(32.9)	11.4
Swiss franc	-	2.1	25.8	-	-	-	-	27.9
Other	-	1.1	20.6	0.2	(3.2)	-	-	18.7
Subtotal	29.8	88.3	541.0	(1.0)	(58.8)	(1.4)	(32.9)	565.0
Total	396.7	697.6	3,513.3	491.0	(241.4)	(301.3)	(952.0)	3,603.9

The assets and liabilities denominated in all euro currencies have been grouped together under the heading euro.

31 Liquidity

The Group's liquidity policy is based on a maturity ladder approach with all mismatch limits of cash flows between cumulative assets and cumulative liabilities over various time periods approved by the Board. The limits for shorter periods are also agreed with the Financial Services Authority.

32 Fair value of financial assets and financial liabilities

The Group does not have a trading book and it holds all assets and liabilities in a non-trading book.

Financial assets

Quoted and unquoted equity investments and quoted fixed income shares are included in the consolidated balance sheet at market value or Directors' valuation which equates to fair value. Unquoted fixed income shares and loan investments are included in the consolidated balance sheet at the lower of cost or recoverable amount. No liquid and active market exists, either for the unquoted fixed income share or loan investments or their component parts. The fair value of other financial assets equates to their book value in the consolidated balance sheet.

Financial liabilities

3i's fixed rate borrowings finance mainly fixed rate loan investments and a proportion of fixed income shares and a small proportion of equity shares, variable rate borrowings finance variable rate loan investments. As stated above these unquoted loan and fixed income share investments are included in the consolidated balance sheet at the lower of cost or recoverable amount. These investments are not shown at an estimated market value as no active and liquid market exists for them. The Report and Accounts therefore does not include any recognition of the effect of their yield being above or below current market yields. However, Financial Reporting Standard 13 – Derivatives and other financial instruments: disclosures – requires disclosure of the fair value of those elements of the Group's borrowings that are listed even though, in some cases, the market for those borrowings is not particularly active. The remainder of the Group's borrowings, which are unlisted, do not have a liquid or active market. The fair value of the listed element of financial liabilities at 31 March 2000 was £1,359.5 million, (1999: £1,269.8 million) which compares with a book amount of £1,349.6 million (1999: £1,202.4 million). These borrowings are used to fund investments which, in general, yield a net margin to the Group and which would therefore have a higher fair value than the fair value of the borrowing. The fair value of other financial liabilities equates to their book value in the consolidated balance sheet.

Notes to the accounts

32 Fair value of financial assets and financial liabilities continued

Derivatives

The Group does not trade in derivatives and those held hedge specific exposures and have maturities designed to match the exposures they are hedging. It is the intention to hold all of these financial instruments to maturity and therefore no gain or loss is expected to be realised.

The book value of derivatives represents net interest receivable/(payable), on such instruments at the balance sheet date. The fair value represents the replacement cost of the instruments at the balance sheet date. No unrealised gains or losses are included in the balance sheet.

The fair values and book values at 31 March 2000 of the swaps were:

	Fair value 2000 £m	Fair value 1999 £m	Book value 2000 £m	Book value 1999 £m
Interest rate swaps	6.7	(42.0)	11.9	9.1
Currency swaps	(0.1)	2.1	0.3	0.8
	6.6	(39.9)	12.2	9.9

All swaps held at 31 March 2000 mature before 31 March 2014.

The principal outstanding on currency swap agreements and notional principal outstanding on interest rate swap agreements were:

	2000 £m	1999 £m
Fixed rate to variable rate	912.3	704.0
Variable rate to fixed rate	834.6	921.6
Variable rate to variable rate	190.3	95.1
Fixed rate to fixed rate	60.0	23.2
Included in the above are currency swaps amounting to	67.5	45.4

All financial instruments are unsecured. However, 3i does not expect non-performance by the counterparties, whose credit ratings are reviewed regularly.

33 Other liabilities

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Obligations under hire purchase contracts	2.6	2.4	-	-
Proposed dividend	45.2	41.1	45.2	41.1
Taxation payable	21.3	6.8	-	-
Amounts due to Group undertakings			235.4	482.4
	69.1	50.3	280.6	523.5

The amounts due to Group undertakings include £173.4 million (1999: £411.3 million) due after more than one year.

Notes to the accounts

34 Accruals and deferred income

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Interest payable	51.5	46.1	32.4	26.7
Other accruals	127.8	96.5	40.9	23.9
	179.3	142.6	73.3	50.6

35 Deferred tax

Full provision has been made for deferred tax relating to capital allowances and other timing differences.

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Capital allowances and other timing differences (a)				
Accelerated capital allowances	0.8	2.6	-	-
Other timing differences	(0.5)	2.6	-	0.3
Relief for losses	(0.3)	(5.2)	-	(0.3)
	-	-	-	-
Unrealised appreciation less expected losses (b)	22.8	15.8	-	-
	22.8	15.8	-	-

a Capital allowances and other timing differences

Deferred tax on capital allowances and other timing differences has been eliminated by the availability of losses.

b Unrealised appreciation less expected losses

	The Group 2000 £m	The Group 1999 £m
Opening balance	15.8	15.4
Tax on unrealised appreciation – note 19	4.7	(0.6)
Acquisition of subsidiary undertakings – note 22	3.8	-
Currency translation adjustment	(1.5)	1.0
Closing balance	22.8	15.8

36 Subordinated liabilities

	The Group 2000 £m	The Group 1999 £m
Subordinated loans	32.6	-

Subordinated liabilities comprise loans denominated in Deutschmarks from Kreditanstalt für Wiederaufbau, a German federal bank. The loans individually finance investment assets made by TH Technologieholding GmbH group, are at various fixed rates of interest and their maturity is dependent upon the disposal of the associated investment assets. The liabilities are subordinated to other creditors of the individual group undertakings to which the loans have been advanced.

Notes to the accounts

37 Called up share capital

	Number of shares 2000	Amount 2000 £m
Authorised share capital of the Company is 700,000,000 shares of 50p each		
Issued and called up shares fully paid 1 April 1999 shares of 50p each	595,431,697	297.7
Allotted on 3 June 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	119,972	0.1
Allotted on 9 June 1999 on exercise of share options under The 3i Executive Share Option Plan	1,000	-
Allotted on 23 June 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	45,500	-
Allotted on 30 June 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	904,197	0.5
Allotted on 6 July 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	102,350	0.1
Allotted on 7 July 1999 to the Trustee of The 3i Profit Sharing Plan	145,279	0.1
Allotted on 7 July 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	53,467	-
Allotted on 14 July 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	12,163	-
Allotted on 30 July 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	6,662	-
Allotted on 23 August 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	99,488	-
Allotted on 24 August 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	6,662	-
Allotted on 9 September 1999 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	89,562	-
Allotted on 2 December 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	406,807	0.2
Allotted on 15 December 1999 on exercise of share options under The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan	728,146	0.4
Allotted on 22 December 1999 on exercise of share options under The 3i Executive Share Option Plan	46,817	-
Allotted on 5 January 2000 on exercise of share options under The 3i Executive Share Option Plan	18,350	-
Allotted on 12 January 2000 on exercise of share options under The 3i Executive Share Option Plan, The 3i Group 1994 Executive Share Option Plan and The 3i Group Sharesave Scheme	270,560	0.1
Allotted on 2 February 2000 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	51,050	-
Allotted on 3 February 2000 for cash to The Law Debenture Trust Corporation plc on behalf of the vendors of TH Technologieholding GmbH	4,927,796	2.5
Allotted on 28 February 2000 on exercise of share options under The 3i Group Sharesave Scheme	134	-
Allotted on 9 March 2000 on exercise of share options under The 3i Group 1994 Executive Share Option Plan	101,050	0.1
31 March 2000	603,568,709	301.8

Notes to the accounts

37 Called up share capital continued

At 31 March 2000, under the terms of The 3i Executive Share Option Plan and The 3i Group 1994 Executive Share Option Plan, participants in those schemes (including six executive Directors) held options, none of which remains valid after 2009, to subscribe for the following shares of the Company for the respective considerations stated below:

Date granted	Number of shares	Consideration per share £
22 January 1992	24,467	1.43
31 July 1992	8,563	1.43
30 July 1993	861,382	1.68
7 January 1994	263,023	2.08
22 June 1994	868,500	2.72
5 January 1995	305,400	3.34
3 July 1995	200,700	3.61
14 December 1995	384,250	4.23
21 December 1995	29,650	4.23
25 June 1996	2,561,277	4.50
6 January 1997	248,400	4.91
16 June 1997	3,324,323	5.20
16 July 1997	230,579	4.97
7 August 1997	811,370	4.70
17 December 1997	732,415	5.12
22 June 1998	1,823,725	6.64
14 July 1998	512,929	6.03
28 July 1998	234,053	6.07
16 December 1998	743,948	5.67
5 January 1999	5,160	5.81
6 July 1999	2,166,918	7.28
14 July 1999	171,184	8.05
22 December 1999	727,666	10.11
	17,239,882	

At 31 March 2000, under the terms of The 3i Group Sharesave Scheme, and subject to the rules of the scheme, participants (which do not include any of the Directors) held options, none of which remains valid after 2007, to subscribe for the following shares of the Company for the respective consideration stated below:

Date granted	Number of shares	Consideration per share £
1 February 1999	953,806	4.67
22 December 1999	144,599	7.80
	1,098,405	

The above options were granted in consideration of the participants entering into approved saving contracts.

Notes to the accounts

37 Called up share capital continued

The interests of the Directors (all of which are beneficial) in the shares of the Company are shown below:

	31 March 2000	31 March 1999 or date of appointment if later
Sir George Russell	40,000	40,000
J W Melbourn	6,000	6,000
The Lord Camoys	8,000	4,000
Dr J R Forrest	1,000	1,000
The Baroness Hogg	2,200	1,000
F D Rosenkranz (appointed 25 February 2000)	-	-
O H J Stocken (appointed 1 September 1999)	4,000	4,000
B P Larcombe	718,550	703,730
M M Gagen	118,039	55,100
R W Perry (appointed 1 September 1999)	37,515	37,510
M J Queen	150,196	45,297
Dr R D M J Summers	644,197	632,611
P B G Williams	293,136	288,131

The beneficial interests of B P Larcombe, M M Gagen, R W Perry, M J Queen, Dr R D M J Summers and P B G Williams shown above include as at 31 March 2000: 62,301; 26,984; 22,430; 27,248; 53,594 and 39,949 shares respectively representing conditional rights to acquire shares pursuant to share bonus awards granted under the Management Equity Investment Plan, described on page 40. (Interests under this plan at 31 March 1999 or date appointed if later: 48,620; 29,519; 22,430; 18,915; 43,147 and 36,091 shares respectively.) In addition to the interests shown above the executive Directors also have beneficial interests in the conditional rights to acquire shares pursuant to the performance linked awards granted under the Management Equity Investment Plan, which are detailed in the table on page 44. Each of the employees of the Group (including each of the executive Directors) is a potential beneficiary of The 3i Group Employee Trust and as such is interested (within the meaning of section 324 of the Companies Act 1985) in the 9,761,322 shares held by the trust at 31 March 2000. (Shares at 31 March 1999: 8,004,809, at 1 September 1999: 8,917,747 and at 25 January 2000: 8,783,019.) This number of shares includes the shares over which Directors are mentioned above as having conditional rights to acquire under the Management Equity Investment Plan.

Details of Directors' share options under the Group's Executive Share Option Plans are shown in the Remuneration report on pages 42 to 43. In 1997 Dr R D M J Summers acquired, and has retained, an interest in one share of FFr50 in 3i SA and an interest in one share of FFr100 in 3i Gestion SA, subsidiary undertakings of the Company, in order to comply with provisions in the Articles of Association of those companies.

38 Reserves

	The Group Revenue 2000 £m	The Group Share premium 2000 £m	The Group Capital redemption 2000 £m	The Group Capital 2000 £m
Opening balances	167.4	256.5	1.3	2,881.0
Retained revenue for the year	42.9			
Net surplus on realisations over previous valuation				404.4
Investments written off				(54.2)
Change in value of retained investments – note 19				1,167.0
Interest payable charged to capital reserve				(0.7)
Administrative expenses charged to capital reserve				(33.1)
Amortisation of goodwill				(2.6)
Tax on capital items				(13.0)
Increase in respect of shares issued		59.2		
Currency translation adjustment	3.7			(8.1)
Total movement on reserve	46.6	59.2	-	1,459.7
31 March 2000	214.0	315.7	1.3	4,340.7
The balance on the capital reserve represents:				
Realised profits				1,938.3
Unrealised appreciation				2,402.4
				4,340.7

Notes to the accounts

38 Reserves continued

	The Company Revenue 2000 £m	The Company Share premium 2000 £m	The Company Capital redemption 2000 £m	The Company Capital 2000 £m
Opening balances	323.8	256.5	1.3	2,463.4
Retained revenue for the year	31.7			
Net surplus on realisations over previous valuation				593.0
Investments written off				(51.6)
Change in value of retained investments				1,167.9
Administrative expenses charged to capital reserve				(29.3)
Increase in respect of shares issued		59.2		
Currency translation adjustment	4.7			(5.0)
Total movement on reserve	36.4	59.2	-	1,675.0
31 March 2000	360.2	315.7	1.3	4,138.4
The balance on the capital reserve represents:				
Realised profits				1,795.5
Unrealised appreciation				2,342.9
				4,138.4

During the year 3i Holdings plc, a direct subsidiary undertaking of the Company, with the sanction of the courts, reduced its share capital by £250.0 million. This realised a capital profit of £200.2 million.

	Retained by The Company £m	Retained by Subsidiary undertakings £m	Retained by Joint ventures £m	Retained Total £m
Retained profits				
31 March 2000				
Revenue and realised capital profits	2,155.7	(0.4)	(3.0)	2,152.3
31 March 1999				
Revenue and realised capital profits	1,409.0	197.2	(6.0)	1,600.2

The Company's Articles of Association prohibit the distribution of capital profits. As a result the balance of its capital reserve, both realised and unrealised, is not distributable.

39 Tax on capital profits

	The Group 2000 £m	The Group 1999 £m
Tax on realised capital profits		
Adjustments in respect of previous periods	-	(1.2)
Foreign tax	8.3	7.2
	8.3	6.0
Tax on unrealised capital profits		
Deferred tax on unrealised appreciation - note 35	4.7	(0.6)
Tax charge	13.0	5.4

Notes to the accounts

40 Reconciliation of revenue profit before tax to net cash inflow from operating activities

	The Group 2000 £m	The Group 1999 £m
Revenue profit before tax	118.5	108.1
Depreciation of equipment and vehicles	6.3	5.7
Increase in other assets associated with operating activities	(12.9)	(19.0)
Tax on investment income included within income from overseas companies	(1.7)	–
Increase in prepayments and accrued income associated with operating activities	(9.1)	(6.5)
Increase in accruals and deferred income associated with operating activities	4.4	16.1
Reversal of losses of joint ventures less distribution received	1.0	0.5
Profit on sale of tangible fixed assets	(0.4)	(0.6)
Net cash inflow from operating activities	106.1	104.3

41 Acquisition of subsidiary undertakings

Analysis of the net outflow of cash from the acquisition of subsidiary undertakings is:

	The Group 2000 £m	The Group 1999 £m
Cash and acquisition costs	79.2	–
Cash acquired	(1.0)	–
Net cash outflow	78.2	–

The acquisition of TH Technologieholding GmbH did not have a material effect on the items prescribed in Financial Reporting Standard 1 (Revised 1996) – Cash Flow Statements – for inclusion in the consolidated cash flow. The vendors of TH Technologieholding GmbH reinvested £51.3 million of this outflow in the share capital of 3i Group plc.

42 Analysis of changes in financing during the year

	The Group Share capital and share premium 2000 £m	The Group Deposits by banks and debt securities repayable after more than one year 2000 £m	The Group Share capital and share premium 1999 £m	The Group Deposits by banks and debt securities repayable after more than one year 1999 £m
Opening balance	554.2	1,213.1	550.0	1,279.4
Exchange movements	–	–	–	3.5
Cash inflows from financing	63.3	302.2	4.2	9.0
Cash outflows from financing	–	(2.6)	–	(51.4)
Non-cash movements	–	(102.7)	–	(27.4)
Closing balance	617.5	1,410.0	554.2	1,213.1

43 Reconciliation to net debt

	The Group 2000 £m	The Group 1999 £m
Increase in cash in the year	21.8	2.5
Cash outflow from management of liquid resources	189.3	20.5
Cash (inflow)/outflow from debt financing	(308.9)	57.9
Cash (inflow) from subordinated liabilities	(9.4)	–
Change in net debt from cash flows	(107.2)	80.9
Debt acquired with subsidiary undertakings	(23.2)	–
Foreign exchange movements	(2.0)	(1.4)
New finance leases and other non-cash changes	(0.1)	0.2
Movement in net debt in the year	(132.5)	79.7
Net debt at start of year	(1,037.5)	(1,117.2)
Net debt at end of year	(1,170.0)	(1,037.5)

Notes to the accounts

44 Analysis of net debt

	The Group 1 April 1999	The Group Cash flow	The Group Acquisition	The Group Exchange movement	The Group Other non-cash changes	The Group 31 March 2000
	£m	£m	£m	£m	£m	£m
Cash and deposits repayable on demand	22.0	21.8	-	(1.9)	-	41.9
Treasury bills, other loans, advances and treasury debt securities – note 45	438.1	189.3	-	-	-	627.4
Deposits and debt securities repayable within one year	(281.6)	(9.3)	-	(0.1)	(102.7)	(393.7)
Deposits and debt securities repayable after one year	(1,213.1)	(299.6)	-	-	102.7	(1,410.0)
Subordinated liabilities	-	(9.4)	(23.2)	-	-	(32.6)
Finance leases	(2.9)	-	-	-	(0.1)	(3.0)
	(1,037.5)	(107.2)	(23.2)	(2.0)	(0.1)	(1,170.0)

45 Cash flows arising from management of liquid resources

	The Group 2000 £m	The Group 1999 £m
Treasury bills	15.5	(11.9)
Other loans, advances and treasury debt securities	(204.8)	(8.6)
Net cash outflow from management of liquid resources	(189.3)	(20.5)

46 Contingent liabilities

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	15.9	23.2	11.5	19.3

The Company has guaranteed money market borrowings of 3i plc. At 31 March 2000 these amounted to £14.3 million (1999: £41.6 million).

The Company has guaranteed the creditors of 3i plc and 3i Holdings plc at the dates of their capital reductions to a maximum of the amounts of those capital reductions. The amounts of the capital reductions were £140.0 million in respect of 3i plc and £350.0 million (1999: £100.0 million) in respect of 3i Holdings plc. The Company has guaranteed the payment of principal, premium, if any, and interest on all the interest swap agreements of 3i Holdings plc. 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 28. The Company has guaranteed the payment of principal, premium, if any, and interest on notes issued under the £2,000 million Note Issuance Programme by 3i Holdings plc, 3i plc and 3i International BV.

The Company has guaranteed the payment of principal and interest on amounts drawn down under the £625 million revolving credit facilities by 3i plc and 3i Holdings plc. At 31 March 2000 these amounted to £122.2 million (1999: £nil) in respect of 3i Holdings plc.

A wholly owned subsidiary undertaking of the Company, Technologieholding VC GmbH, has guarantees of £2.1 million to Kreditanstalt für Wiederaufbau a provider of subordinated loans to four of its wholly owned subsidiary undertakings.

At 31 March 2000 there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

47 Commitments

	The Group 2000 £m	The Group 1999 £m	The Company 2000 £m	The Company 1999 £m
Share and loan investments	350.4	351.0	320.0	329.8
Properties	0.1	8.9	-	2.4
	350.5	359.9	320.0	332.2

Principal subsidiary undertakings and joint ventures

Principal subsidiary undertakings at 31 March 2000

Name	Issued and fully paid share capital	Principal activity	Registered office
3i Holdings plc	1,000,000 shares of £1	Holding company	91 Waterloo Road
3i International Holdings	2,715,973 shares of £10	Holding company	London
3i Edith public limited company	98,167,058 ordinary shares of 1p 49,083,529 1% cumulative preference shares of 50p	Investment company	SE1 8XP
3i plc	10,000,000 shares of £1	Services	
3i Japan GP Limited	250,000 shares of £1	General partner company	
3i Europe plc	500,000 shares of £1	Investment advisory services	
3i Trustee Company Limited	250,000 shares of £1 (partly paid 40p per share)	Services	
3i Asset Management Limited	50,000 shares of £1	Portfolio management	
Gardens Nominees Limited	3 shares of £1	Nominee company	
Gardens Pension Trustees Limited	100 shares of £1	Pension fund trustee	
Ship Mortgage Finance Company public limited company	4,000,000 ordinary shares of £1 of which 3,000,000 are fully paid and 1,000,000 are partly paid (50p per share)	Advisory services	
3i International BV (The Netherlands)	40 shares of NLG1,000	Fund raising activities	Drentestraat 24, 1083 HK Amsterdam The Netherlands
3i Corporation (USA)	15,000 shares of common stock (no par value)	Services	890 Winter Street Suite 160 Waltham MA 02451, USA
3i Deutschland Gesellschaft für Industriebeteiligungen mbH (Germany)	DM50,000,000	Investment services	Bockenheimer Landstrasse 55 60325 Frankfurt am Main, Germany
TH Technologieholding GmbH (Germany)	DM50,000	Holding company	Lenbachplatz, 3, 80333, München, Germany
3i SA (France)	2,008,200 shares of FFfr50	Investment company	168 Avenue Charles de Gaulle, 92200
3i Investissements SA (France)	1,500,000 shares of FFfr100	Investment company	Neuilly sur Seine
3i Gestion SA (France)	200,000 shares of FFfr100	Investment manager	France

The list above comprises the principal subsidiary undertakings as at 31 March 2000 all of which were wholly owned. They are incorporated in Great Britain and registered in England and Wales unless otherwise stated.

Each of the above subsidiary undertakings is included in the consolidated accounts of the Group.

As at 31 March 2000 the entire issued share capital of 3i Holdings plc was held by the Company. The entire issued share capital of 3i investissements SA was held by the Company except for three shares which were held by subsidiary undertakings of the Company and for three shares which were held by employees of the Group. The entire issued share capital of all the other principal subsidiary undertakings listed above was held by subsidiary undertakings of the Company, save that four shares in 3i Gestion SA and four shares in 3i SA were held by individuals associated with the Group.

Principal subsidiary undertakings and joint ventures

Joint ventures at 31 March 2000

Incorporated or registered in the countries stated

Name	Issued and fully paid share capital	Percentage attributable to the Group %	Principal activity	Registered office	Group's share of results based on accounts to
ANZ Grindlays 3i Investment Services Limited (Guernsey)	100,000 shares of £1	50	Investment capital fund managers	Frances House Sir William Place St Peter Port Guernsey Channel Islands	31 March 2000
3i-Kogin Buyouts Limited (Japan)	8,000 shares of ¥50,000	60	Investment advisory services	18F Hibiya Kokusai Building 2-2-3 Uchisaiwaicho Chiyoda-Ku Tokyo 100-0011 Japan	31 March 2000
		% share of profits			
Aspen Venture Partners LP (Jersey)	N/A	94	Investment partnership	18 Grenville Street St Helier Jersey JE4 8PX Channel Islands	31 March 2000
3i Capital Partners LP (USA)	N/A	80	Investment partnership	890 Winter Street Suite 160 Waltham MA 02451, USA	31 March 2000
Kogin Investment (3iBJ) No. 1 Fund (Japan)	N/A	39	Investment partnership	12-2 Gobancho Chiyoda-Ku Tokyo	31 March 2000
Kogin Investment (3iBJ) No. 2 Fund (Japan)	N/A	39	Investment partnership	102-0076 Japan	

As at 31 March 2000 the Company held 60% of the shares of 3i-Kogin Buyouts Limited.

Subsidiary undertakings of the Company held, on behalf of the Company, 50% of the shares of ANZ Grindlays 3i Investment Services Limited.

In addition, 94% of the profits of Aspen Venture Partners LP were attributable to the Company. 39% of Kogin Investment (3iBJ) No. 1 Fund and Kogin Investment (3iBJ) No. 2 Fund were attributable to the Company. 80% of the profits of 3i Capital Partners LP are attributable to a subsidiary undertaking of the Company.

The principal places of business of the above joint ventures were their registered offices except for Aspen Venture Partners LP where it was 890 Winter Street, Suite 160, Waltham, MA 02451, USA.

Transactions with joint ventures during the year

Capital repayments	£8,556,000
Further investments	£1,891,000

Portfolio valuation methodology

A description of the methodology used to value 3i's portfolio is set out below in order to provide more detailed information than is included each year in the accounting policies for the valuation of the portfolio.

The valuation of 3i's portfolio for the interim and annual accounts is arrived at using a systematic process based on objective criteria. Our aim is to value the portfolio as a whole on a prudent and consistent basis. There has been no change to the valuation policy since 3i's flotation in 1994 and it complies in all material respects with the guidelines of the British Venture Capital Association and the European Venture Capital Association.

Quoted investments

Quoted investments are valued at the closing mid-market price at the balance sheet date, except for investments quoted on secondary markets including AIM and the Neuer Markt, which are discounted by 25%. Where there are restrictions on dealing in quoted investments, an appropriate discount is applied to the restricted shares.

Unquoted equity shares

A three-stage valuation process is used:

1 The first stage is to value all unquoted equity investments in the manner described below:

New investments are generally valued at cost for the first 12 months or, if later, until the receipt of audited accounts covering a period of at least six months since the date of investment.

Any investment in a company which has failed or is expected to fail within the next 12 months is valued at nil.

The value of other investments (except technology investments) is arrived at by applying 3i's proportion of equity shares held to the valuation of the company calculated by multiplying the latest audited earnings by the average price earnings ratio of the relevant sector of the FTSE SmallCap Index (or international equivalent), adjusted downwards by 3i to exclude loss-making companies. If the result of this calculation is less than half of 3i's share of net tangible assets then the investment is valued at half of 3i's share of net tangible assets. The value of technology investments is arrived at as set out above except that where the investment is in a company which is performing to plan the valuation is not reduced below cost.

2 All investments valued at more than £3 million by the first stage of the process, together with any investments which the local office responsible for the investment considers to have a value in excess of £3 million, are individually reviewed in line with internal guidelines for factors which may affect the value and their valuations may, as a result, be adjusted. These factors include:

- reliable financial information more recent than the audited accounts;
- non-recurring profits and losses and abnormal tax charges;
- imminent sale or flotation;
- significant third party transactions;
- potential issues of shares dilutive to 3i or other shareholders;
- forecasts by the investee business of lower earnings;
- an industry standard basis of valuation, for example property companies, which are valued by reference to their net assets;
- large cash holdings; and
- very high gearing.

This process applied to approximately two-thirds of unquoted equity investments by value.

3 The third stage is to apply the following discounts to reflect the illiquidity of unquoted investments:

- | | |
|---|-----|
| • investments valued at cost or half net tangible assets | nil |
| • investments valued at expected disposal proceeds or flotation value | 10% |
| • other investments | 25% |

Unquoted fixed income shares and loan investments

Unquoted fixed income shares and loan investments are generally valued at cost unless the company has failed or is expected to fail within the next 12 months when they are valued at the lower of cost and net recoverable amount.

An analysis of the equity portfolio by valuation method is given in the portfolio analysis on page 81.

Ten largest investments

At 31 March 2000, the Directors' valuation of the ten largest investments was a total of £648 million. These investments cost £55 million.

Investment	First invested in	Cost ¹ £000	Proportion of equity shares held	Directors' valuation ¹ £000	Income received during the year ² £000	Net assets ³ £000	Earnings ³ £000
Morse Holdings plc⁴ Leading technology integrator	1995						
Equity shares		12,142	29.9%	207,541	1,000		
Fixed income shares		–		–	184		
		12,142		207,541	1,184	63,823	9,769
OpenShop Holding AG⁴ E-commerce software provider	1998						
Equity shares		1,763	24.3%	72,699	–		
Loans		460		460	30		
		2,223		73,159	30	2,062	(3,113)
Diagonal plc⁴ IT consultancy	1988						
Equity shares		398	9.0%	66,644	125		
		398		66,644	125	19,700	6,128
Bookham Technology Limited Integrated silicon optical circuitry	1996						
Equity shares		6,257	8.1%	50,928	–		
		6,257		50,928	–	16,102	(16,797)
Articon Information Systems AG^{4,5} Data communications and network services	1989						
Equity shares		40	13.1%	47,443	–		
		40		47,443	–	4,544	(3,669)
MorphoSys AG⁴ Development of synthetic human antibodies	1995						
Equity shares		1,520	10.3%	46,602	–		
		1,520		46,602	–	16,899	(2,011)
Taylor & Francis plc⁴ Scientific and technical publishing	1982						
Equity shares		2,741	8.9%	40,842	230		
		2,741		40,842	230	56,052	5,444
Virata Incorporated⁴ Electronic component manufacturer	1994						
Equity shares		2,696	4.0%	39,075	–		
		2,696		39,075	–	(23,613)	(6,138)
Recognition Systems Group plc⁴ Integrated campaign management software	1998						
Equity shares		2,030	11.1%	38,452	–		
		2,030		38,452	–	1,576	(1,609)
ASCo Group Limited Oilfield logistics	1996						
Equity shares		10,544	30.4%	23,286	470		
Fixed income shares		10,264		10,264	458		
Loans		3,647		3,647			
		24,455		37,197	928	(30,293)	2,102

Notes

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

2 Income in the year represents dividends received (exclusive of dividend tax credits at 10%, but inclusive of any overseas withholding tax) and gross interest received in the year ended 31 March 2000.

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

4 Quoted company (including secondary markets).

5 Articon Information Systems AG merged with Integralis Network Systems Limited (a 3i investee company) during the year which gave rise to the holding in Articon Information Systems AG. Figures for net assets and earnings are taken from Articon Information Systems AG's audited accounts published before this merger. 3i received £374,000 from Integralis Network Systems Limited during the year to 31 March 2000.

Portfolio analysis

The Group's equity, fixed income and loan investments (excluding third party co-investment funds) total £6,171 million at 31 March 2000. The analyses below exclude investments in joint ventures and non-venture capital investments made in FTSE 350 companies, 31 March 2000: £201 million (previously £nil). Graphical representations below are as at 31 March 2000.

Portfolio value by FTSE industrial classification (£m)

	2000	1999	1998	1997	1996	
1 Resources	185	176	140	102	74	1
2 Industrials	1,247	1,258	1,709	1,644	1,580	2
3 Consumer goods	1,138	952	779	467	439	3
4 Services and utilities	1,648	1,559	1,666	1,399	1,253	4
5 Financials	251	196	183	184	157	5
6 Information technology	1,501	416	n/a	n/a	n/a	6
Total	5,970	4,557	4,477	3,796	3,503	

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

Portfolio value by location (£m)

	2000	1999	1998	1997	1996	
1 UK	4,668	4,036	4,155	3,516	3,153	1
2 Continental Europe	1,049	495	304	254	319	2
3 Asia Pacific	63	12	6	-	-	3
4 US ¹	190	14	12	26	31	4
Total	5,970	4,557	4,477	3,796	3,503	

1 US comprises mainly technology investments made during this year together with investments in US companies acquired on the realisation of European companies. Prior to this year such investments were included within the country making the investment.

Continental Europe portfolio value by location of business (£m)

	2000	1999	1998	1997	1996	
1 France	203	173	135	134	188	1
2 Germany	459	196	120	83	101	2
3 Italy	71	44	21	19	15	3
4 Spain	135	80	28	18	15	4
5 Benelux	59	2	-	-	-	5
6 Other European ¹	122	-	-	-	-	6
Total	1,049	495	304	254	319	

1 Other European includes investments in countries where 3i did not have an office at the year end. Prior to this year, such investments were included within the country making the investment and were not significant.

Equity portfolio value by valuation method (£m)

	2000	1999	1998	1997	1996	
1 Imminent sale or flotation	241	88	59	62	63	1
2 Listed	1,103	742	687	583	485	2
3 Secondary market quoted	483	75	85	90	51	3
4 Earnings	1,226	1,192	1,509	1,220	1,179	4
5 Cost	626	404	276	182	171	5
6 Net assets	144	113	102	98	72	6
7 Other	262	120	46	52	40	7
Total	4,085	2,734	2,764	2,287	2,061	

Details of 3i's valuation methodology are set out on page 79.

Analysis of total investment portfolio owned or managed by 3i.

Portfolio at value, excluding committed but undrawn funds (£m)

	2000	1999	1998	1997	1996	
1 UK-owned ¹	4,878	4,047	4,173	3,538	3,184	1
2 UK managed ²	1,394	1,003	800	551	429	2
3 Continental Europe - owned	1,049	495	304	254	319	3
4 Continental Europe - co-investment	463	387	234	169	115	4
5 Asia Pacific - owned	134	12	6	-	-	5
6 Asia Pacific - co-investment	1	-	-	-	-	6
7 USA - owned	241	58	63	81	105	7
Total	8,160	6,002	5,580	4,593	4,152	

1 Includes investments in joint ventures, FTSE 350 companies and investment properties held as investment assets as well as equity, fixed income and loan investments.

2 UK managed funds includes co-investment funds and other funds managed by 3i.

Investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group (excluding third party co-investment funds). This analysis also excludes investments in joint ventures and non-venture capital investments made in FTSE 350 companies, 31 March 2000: £208 million (previously £nil). Graphical representations below are for the year to 31 March 2000.

Investments made during the year by FTSE industrial classification (£m)

	2000	1999	1998	1997	1996	
1 Resources	13	49	20	23	33	1
2 Industrials	133	250	321	271	216	2
3 Consumer goods	145	180	160	83	63	3
4 Services and utilities	410	249	278	197	234	4
5 Financials	44	29	42	24	8	5
6 Information technology	325	80	n/a	n/a	n/a	6
Total	1,070	837	821	598	554	

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

Investments made during the year by product (£m)

1 Start-ups	81	54	29	21	16	1
2 Management buy-outs	263	230	257	185	226	2
3 Management buy-ins	87	139	116	110	86	3
4 Growth capital	490	281	279	188	156	4
5 Share purchases	119	101	118	82	59	5
6 Recoveries	30	32	22	12	11	6
Total	1,070	837	821	598	554	

Number of investments made during the year by product

1 Start-ups	104	56	60	43	41	1
2 Management buy-outs	60	97	130	119	122	2
3 Management buy-ins	32	48	76	73	60	3
4 Growth capital	297	324	312	248	241	4
5 Share purchases	38	56	72	45	56	5
6 Recoveries	62	73	47	44	34	6
Total	593	654	697	572	554	

Investments made during the year including third party co-investment funds (£m)

1 UK own investment	705	693	752	561	531	1
2 UK co-investment	189	206	157	91	20	2
3 Continental Europe own investment	306	137	62	34	21	3
4 Continental Europe co-investment	116	104	59	53	40	4
5 Asia Pacific own investment	31	6	6	-	-	5
6 Asia Pacific co-investment	1	-	-	-	-	6
7 US own investment	28	1	1	3	1	7
Total	1,376	1,147	1,037	742	613	

Equity realisation proceeds (£m)

1 On flotation	48	75	31	41	8	1
2 Sale of quoted equity	351	165	155	117	107	2
3 Trade and other sales	423	292	226	147	117	3
Total	822	532	412	305	232	

Technology portfolio analysis

Analysis of the Group's equity, fixed income and loan investments (excluding third party co-investment funds). The graphical representations below are as at 31 March 2000.

Portfolio value by sector (£m)

	At 31 March 2000	At 31 March 1999	
1 Life sciences and healthcare	434	200	1
2 Communications and networking	457	151	2
3 Electronics and other technologies	286	193	3
4 e Business	158	12	4
5 Software and computer services	1,044	418	5
	2,379	974	

Number of portfolio investments by sector

1 Life sciences and healthcare	164	127	1
2 Communications and networking	88	64	2
3 Electronics and other technologies	192	169	3
4 e Business	60	12	4
5 Software and computer services	244	170	5
	748	542	

Portfolio value by valuation method (£m)

1 Imminent sale or flotation	171	24	1
2 Listed	603	287	2
3 Secondary market quoted	471	42	3
4 Earnings	168	94	4
5 Cost	449	221	5
6 Further advance	143	38	6
7 Net assets	2	3	7
8 Other	28	7	8
9 Loan investments and fixed income shares	344	258	9
	2,379	974	

Details of 3i's valuation methodology are set out on page 79.

Investment made during the year by sector (£m)

1 Life sciences and healthcare	82	66	1
2 Communications and networking	110	55	2
3 Electronics and other technologies	79	27	3
4 e Business	91	6	4
5 Software and computer services	192	99	5
	554	253	

Number of investments made during the year by sector

1 Life sciences and healthcare	84	70	1
2 Communications and networking	49	34	2
3 Electronics and other technologies	51	47	3
4 e Business	52	9	4
5 Software and computer services	128	80	5
	364	240	

3i's network of offices

		Telephone	Fax or email
United Kingdom			
<i>London and South East</i>	London	+44 (0)20 7928 3131	fax: +44 (0)20 7928 0058
	Watford	+44 (0)1923 233232	fax: +44 (0)1923 244941
<i>Midlands</i>	Birmingham International	+44 (0)121 782 3131	fax: +44 (0)121 782 6161
	Birmingham	+44 (0)121 633 3131	email: birmingham@3i.com
	Leicester	+44 (0)116 255 5110	email: leicester@3i.com
	Nottingham	+44 (0)115 941 2766	email: nottingham@3i.com
<i>North</i>	Leeds	+44 (0)113 243 0511	email: leeds@3i.com
	Liverpool	+44 (0)151 236 2944	email: liverpool@3i.com
	Manchester	+44 (0)161 839 3131	email: manchester@3i.com
	Newcastle	+44 (0)191 222 1966	email: newcastle@3i.com
<i>Scotland</i>	Aberdeen	+44 (0)1224 638666	email: aberdeen@3i.com
	Edinburgh	+44 (0)131 459 3131	email: edinburgh@3i.com
	Glasgow	+44 (0)141 248 4456	email: glasgow@3i.com
<i>South, West and Wales</i>	Bristol	+44 (0)117 927 7412	email: bristol@3i.com
	Cambridge	+44 (0)1223 420031	email: eastanglia@3i.com
	Cardiff	+44 (0)292 0394 541	email: cardiff@3i.com
	Reading	+44 (0)118 958 4344	email: southerntechnology@3i.com
	Southampton	+44 (0)238 0632 044	email: southampton@3i.com
<i>France</i>	Paris	+33 (0)1 47 15 11 00	email: paris@3i.com
	Lyon	+33 (0)4 72 91 54 91	email: lyon@3i.com
	Nantes	+33 (0)2 51 17 33 00	email: nantes@3i.com
<i>Germany</i>	Berlin	+49 (0)3 07 67 15 30	fax: +49 (0)3 07 671 53 19
	Düsseldorf	+49 (0)2 11 95 44 40	email: dusseldorf@3i.com
	Frankfurt	+49 (0)6 97 10 00 00	email: frankfurt@3i.com
	Hamburg	+49 (0)4 03 747 670	email: hamburg@3i.com
	Leipzig	+49 (0)3 41 984 450	fax: +49 (0)3 41 984 4599
	Munich	+49 (0)8 92 42 37 70	email: munich@3i.com
	Stuttgart	+49 (0)7 11 22 29 220	email: stuttgart@3i.com
<i>Italy</i>	Bologna	+39 (0)51 335 611	email: bologna@3i.com
	Milan	+39 (0)27 200 3210	email: milan@3i.com
	Padua	+39 (0)49 877 5711	email: padua@3i.com
<i>Netherlands</i>	Amsterdam	+31 (0)20 305 7444	email: amsterdam@3i.com
<i>Spain</i>	Barcelona	+34 (0)93 439 1991	email: barcelona@3i.com
	Madrid	+34 (0)91 521 4419	email: madrid@3i.com
<i>Switzerland</i>	Zürich (opened June 2000)	+41 (0) 1 250 4400	fax: +41 (0) 1250 440 10
<i>Japan</i>	Tokyo	+81 (0)3 5251 4131	email: tokyo@3i.com
<i>South East Asia</i>	Singapore	+65 (0) 438 3131	fax: +65 (0) 536 2429
<i>USA</i>	Palo Alto	+1 (0) 650 843 3131	email: us-wc@3i.com
	Boston	+1 (0) 781 890 8300	email: us-ec@3i.com
Management buy-in resource and independent directors' resource		+44 (0)20 7928 3131	fax: +44 (0)20 7975 3546
Technology investment		+44 (0)20 7928 3131	fax: +44 (0)20 7975 3241
Fund management	Unquoted	+44 (0)20 7975 3216	fax: +44 (0)20 7975 3596
	Quoted	+44 (0)20 7928 3131	fax: +44 (0)20 7975 3014

3i Group plc Report and accounts 2000

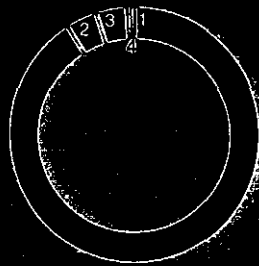
Information for shareholders

Financial calendar

Ex-dividend date	5 June 2000
Record date	9 June 2000
Annual General Meeting	11.00 am 12 July 2000
Final dividend to be paid	21 July 2000
Interim dividend expected to be paid	January 2001

Shareholder profile

- 1 UK 91%
- 2 Continental Europe 4%
- 3 USA 4%
- 4 Other International 1%



Location of investor at 31 March 2000

Share price

Share price at 31 March 2000	1318p
Increase during the year	692p
Percentage increase	110%
High during the year (14 March 2000)	1492p
Low during the year (1 April 1999)	627p

Range	Number of holdings Individuals	Number of holdings Corporate bodies	Balance as at 31 March 2000	%
1 - 1,000	28,691	3,312	17,423,389	2.89
1,001 - 10,000	7,253	2,934	23,354,519	3.87
10,001 - 100,000	182	672	29,659,304	4.91
100,001 - 1,000,000	29	347	124,738,272	20.67
1,000,001 - 10,000,000	0	97	247,350,765	40.98
10,000,001 - Highest	0	7	161,042,460	26.68
	36,155	7,369	603,568,709	100.00

The table above provides details of the number of shareholdings within each of the bands stated in the Register of Members at 31 March 2000.

Registrars

For shareholder administration enquiries, including changes of address, please contact:

Lloyds TSB Registrars
The Causeway
Worthing, West Sussex BN99 6DA

Telephone +44 (0)870 600 3953

Investor relations and general enquiries

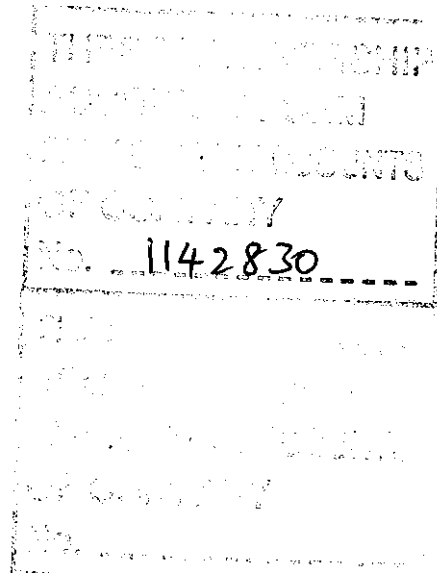
For all investor relations and general enquiries about 3i Group plc, including requests for further copies of the Annual Report and Accounts, please contact our Corporate Affairs team:

3i Group plc
91 Waterloo Road
London SE1 8XP

Telephone +44 (0)20 7928 3131

Website www.3i.com

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



3i 94 LMBO Plan

**ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000**



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3i 94 LMBO Plan

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is more than £10,000,000.

The Partnership is no longer investing other than in follow-on financing. The Manager continues to realise individual investments in appropriate circumstances.

Results

The net income for the year amounted to £1,458,829 (1999 restated: £2,979,166) which has been allocated in full to the Partners. Capital profits earned in the year amounted to £2,647,266 (1999: £11,726,690). This comprises capital losses of £7,360,347 which have been taken to the other unrealised reserve and capital profits of £10,007,613 which have been allocated to the Partners. In addition, tax credits of £597,202 (1999: £511,924) have been allocated to the Partners.

During the year the Partnership invested £1,022,727 in one business. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £85,000,000 (1999: £85,000,000). At 31 March 2000 £82,808,990 (1999: £81,786,263) of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

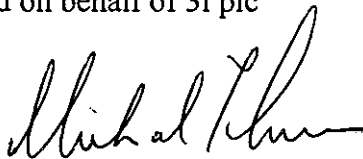
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 18(e) of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
30/5/2000

3i 94 LMBO Plan

AUDITORS' REPORT

To the Partners of 3i 94 LMBO Plan

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

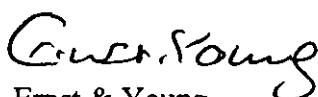
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 25 March 1994, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i 94 LMBO Plan

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Net income for the year		1,458,829	2,979,166
Net capital profits for the year		2,647,266	11,726,690
Movement on unrealised exchange reserve	6	(8,951)	8,951
Total recognised gains and losses relating to the year		<u>4,097,144</u>	<u>14,714,807</u>

3i 94 LMBO Plan

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000


	Notes	2000 £	1999 as restated £
Income			
Income received from fixed asset investments			
Dividends - unlisted		1,179,840	2,047,697
Interest - unlisted		225,069	833,559
Fee income		-	4,856
		<hr/>	<hr/>
		1,404,909	2,886,112
Other Income			
Interest received on short term deposits		60,152	96,088
		<hr/>	<hr/>
Total operating income before administrative expenses		1,465,061	2,982,200
Administrative expenses		(6,232)	(3,034)
		<hr/>	<hr/>
Net income for the year	2	1,458,829	2,979,166
		<hr/>	<hr/>
Capital profits			
Proceeds		17,416,221	30,257,622
Cost of investments sold		(7,435,892)	(18,391,279)
Exchange gains		27,284	-
		<hr/>	<hr/>
Profit on disposal		10,007,613	11,866,343
Movement in provision against investments	3	(7,360,347)	(139,653)
		<hr/>	<hr/>
Net capital profits for the year		2,647,266	11,726,690
		<hr/>	<hr/>
Total net result for the year		4,106,095	14,705,856
Dividend tax credits	1(b)	597,202	511,924
Transfer to other unrealised reserve	6	7,360,347	139,653
		<hr/>	<hr/>
Allocation for the year to Partners' accounts	5	12,063,644	15,357,433
		<hr/> <hr/>	<hr/> <hr/>

3i 94 LMBO Plan

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	21,120,268	37,528,971
Current assets			
Debtors	4	241,285	71,325
Cash at bank		153,585	306,202
		<u>394,870</u>	<u>377,527</u>
Creditors: amounts falling due within one year			
Accruals		(47,967)	(45,887)
Net current assets		<u>346,903</u>	<u>331,640</u>
Total assets less current liabilities		<u>21,467,171</u>	<u>37,860,611</u>
Partners' accounts			
Capital contribution accounts	5	8,600	8,600
Loan accounts	5	-	-
Capital accounts	5	28,958,571	37,982,713
		<u>28,967,171</u>	<u>37,991,313</u>
Other reserves	6	(7,500,000)	(130,702)
Total Partners' funds	7	<u>21,467,171</u>	<u>37,860,611</u>

For and on behalf of 3i plc

 Director
30/5/2000

3i 94 LMBO Plan

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Operating activities			
Dividends and loan investment interest received		1,359,895	2,715,393
Interest received on short term deposits		60,152	96,088
Fee income		-	4,856
Administrative expenses		(5,950)	(11,259)
Net cash inflow from operating activities	8 (a)	<u>1,414,097</u>	<u>2,805,078</u>
Return on investments and servicing of finance			
Distributions to Partners		(20,499,596)	(5,242,759)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(1,022,727)	(5,312,758)
Sale, repayment or redemption of fixed asset investments		19,898,385	32,716,831
Net cash inflow from capital expenditure and financial investment		<u>18,875,658</u>	<u>27,404,073</u>
Net cash (outflow)/inflow before financing		<u>(209,841)</u>	<u>24,966,392</u>
Financing			
Drawdowns from Partners	8 (b)	1,022,727	5,284,100
Loan repayments	8 (b)	(965,503)	(30,589,533)
Net cash inflow/(outflow) from financing		<u>57,224</u>	<u>(25,305,433)</u>
Decrease in cash	8 (c)	<u>(152,617)</u>	<u>(339,041)</u>

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

However, in accordance with the Partnership Agreement, allocations to Partners are deemed to be gross of attributable tax credits. Therefore, tax credits on dividends received during the year have been added back to the result for the year in determining the allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

3i 94 LMBO Plan

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than sterling are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

2. Net income for the year

	2000	1999
	£	£
This is stated after charging:		
Auditors' remuneration	6,169	5,875

If an accruals basis of accounting for income had been adopted the net income for the year would have been £1,396,989 (1999 restated: £3,013,222).

3i 94 LMBO Plan

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	3,794,850	7,455,562	26,418,212	37,668,624
Currency translation	4,462	-	-	4,462
Additions	409	-	1,022,318	1,022,727
Repayments and disposals	(1,604,243)	(2,639,653)	(5,831,649)	(10,075,545)
Transfers	1,912,500	(715,909)	(1,196,591)	-
At 31 March 2000	<u>4,107,978</u>	<u>4,100,000</u>	<u>20,412,290</u>	<u>28,620,268</u>
Amounts provided				
At 1 April 1999	-	(139,653)	-	(139,653)
Provided during the year (note 6)	(225,000)	139,653	(7,275,000)	(7,360,347)
At 31 March 2000	<u>(225,000)</u>	<u>-</u>	<u>(7,275,000)</u>	<u>(7,500,000)</u>
Net book value				
At 31 March 2000	<u>3,882,978</u>	<u>4,100,000</u>	<u>13,137,290</u>	<u>21,120,268</u>
At 31 March 1999	<u>3,794,850</u>	<u>7,315,909</u>	<u>26,418,212</u>	<u>37,528,971</u>

4. Debtors

	2000 £	1999 £
Tax credits awaiting distribution	68,126	71,325
Other debtors	173,159	-
	<u>241,285</u>	<u>71,325</u>

3i 94 LMBO Plan

NOTES TO THE ACCOUNTS CONTINUED

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Total £
At 1 April 1999	8,600	-	37,982,713	37,991,313
Net drawdowns	-	1,022,727	-	1,022,727
Allocation of net income and net capital profits	-	-	12,063,644	12,063,644
Distributions of cash	-	(965,503)	(20,499,596)	(21,465,099)
Distributions of tax	-	(57,224)	(588,190)	(645,414)
Movement in Partners' accounts	-	-	(9,024,142)	(9,024,142)
At 31 March 2000	8,600	-	28,958,571	28,967,171

6. Other reserves

	Unrealised exchange reserve £	Other unrealised reserve £	Total £
At 1 April 1999	8,951	(139,653)	(130,702)
Movement in the year	(8,951)	(7,360,347)	(7,369,298)
At 31 March 2000	-	(7,500,000)	(7,500,000)

NOTES TO THE ACCOUNTS CONTINUED

7. Reconciliation of movements in Partners' funds

	2000 £	1999 £
At 1 April	37,860,611	53,934,881
Movement in Partners' accounts (note 5)	(9,024,142)	(15,943,568)
Movement on other reserves (note 6)	(7,369,298)	(130,702)
	<hr/>	<hr/>
At 31 March	<u>21,467,171</u>	<u>37,860,611</u>

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000 £	1999 as restated £
Net income for the year	1,458,829	2,979,166
Income tax	(45,014)	(165,863)
Increase/(decrease) in creditors relating to operating activities	282	(8,225)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>1,414,097</u>	<u>2,805,078</u>

(b) Analysis of changes in financing during the year	Partners' loan accounts 2000 £	Partners' loan accounts 1999 £
At 1 April	-	25,882,036
Non-cash movements	(57,224)	(576,603)
Drawdowns	1,022,727	5,284,100
Loan repayments	(965,503)	(30,589,533)
	<hr/>	<hr/>
At 31 March	<u>-</u>	<u>-</u>

3i 94 LMBO Plan

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	2000 £	1999 £
Decrease in cash in the year	(152,617)	(339,041)
Cash (inflow)/outflow from debt financing	(57,224)	25,305,433
Change in net debt from cash flows	(209,841)	24,966,392
Non-cash movements	57,224	576,603
Movement in net debt in the year	(152,617)	25,542,995
Net debt at start of year	306,202	(25,236,793)
Net debt at end of year	153,585	306,202

(d) Analysis of net debt	1 April 1999 £	Cash flow £	Non-cash changes £	31 March 2000 £
Cash	306,202	(152,617)	-	153,585
Partners' loan accounts	-	(57,224)	57,224	-
	306,202	(209,841)	57,224	153,585

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE MEMBERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Europe Investment Partners No 1

**ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000**



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3i Europe Investment Partners No 1

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest in a diversified portfolio of predominantly unquoted investments in Continental Europe, primarily in France, Germany, Italy and Spain.

The Partnership is no longer investing other than in follow-on financing. The Manager continues to realise individual investments in appropriate circumstances.

Results

The net income for the year amounted to €3,389,981 (1999: €3,843,517) which has been allocated in full to the Partners. Capital profits earned in the year amounted to €25,125,345 (1999 €59,711,253). This comprises a release of €1,541,201 from the other unrealised reserve and capital profits of €23,584,144 which have been allocated to the Partners.

During the year the Partnership invested €3,234,277 in 8 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to €97,900,000 (1999: €97,900,000). At 31 March 2000 €95,942,000 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Europe Investment Partners No 1

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 13.10 of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
26 June 2000

3i Europe Investment Partners No 1

AUDITORS' REPORT

To the Partners of 3i Europe Investment Partners No 1

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 24 November 1993, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.

Ernst & Young

Ernst & Young
Registered Auditor
Birmingham

16 June 2000

3i Europe Investment Partners No 1

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 €	1999 €
Net income for the year		3,389,981	3,843,517
Net capital profits for the year		25,125,345	59,711,253
Movement on unrealised exchange reserve	6	222,267	1,264,954
Total recognised gains and losses relating to the year		<u>28,737,593</u>	<u>64,819,724</u>

3i Europe Investment Partners No 1

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000


	Notes	2000 €	1999 €
Income			
Income received from fixed asset investments			
Dividends - unlisted		2,330,126	1,821,506
Dividends - listed		102,897	61,786
Interest - unlisted		927,024	1,736,485
		<u>3,360,047</u>	<u>3,619,777</u>
Other income			
Interest received on short term deposits		135,448	234,165
		<u>3,495,495</u>	<u>3,853,942</u>
Total operating income before administrative expenses			
Administrative expenses		(105,514)	(10,425)
		<u>3,389,981</u>	<u>3,843,517</u>
Net income for the year	2		
Capital profits			
Proceeds		33,696,208	73,286,188
Cost of investments sold		(10,112,064)	(8,689,937)
		<u>23,584,144</u>	<u>64,596,251</u>
Profit on disposal			
Movement in provision against investments	3	1,541,201	(4,884,998)
		<u>25,125,345</u>	<u>59,711,253</u>
Net capital profits for the year			
		<u>28,515,326</u>	<u>63,554,770</u>
Total net result for the year			
Transfer to other unrealised reserve	6	(1,541,201)	4,884,998
		<u>26,974,125</u>	<u>68,439,768</u>
Allocation for the year to Partners accounts	5		

3i Europe Investment Partners No 1

BALANCE SHEET as at 31 March 2000

	Notes	2000 €	1999 €
Fixed assets			
Investments	3	48,958,819	60,452,845
Current assets			
Other debtors		176,219	49,017
Money market deposits with banks		4,423,241	-
Cash at bank		333,097	3,260,664
		4,932,557	3,309,681
Creditors: amounts falling due within one year	4	(182,500)	(179,708)
Net current assets		4,750,057	3,129,973
Net assets		53,708,876	63,582,818
Partners' accounts			
Capital contribution accounts	5	11,940	11,940
Loan accounts	5	5,592,904	17,175,978
Income accounts	5	6,709,783	5,164,218
Capital accounts	5	48,594,489	50,194,390
		60,909,116	72,546,526
Other reserves	6	(7,200,240)	(8,963,708)
Total Partners' funds		53,708,876	63,582,818

For and on behalf of 3i plc


Director
30 June 2000

3i Europe Investment Partners No 1

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 €	1999 €
Operating activities			
Dividends and loan investment interest received		3,215,874	3,715,738
Interest received on short term deposits		135,448	234,165
Administrative expenses		(92,961)	(70,002)
Net cash inflow from operating activities	8 (a)	<u>3,258,361</u>	<u>3,879,901</u>
Tax paid			
Distribution of deferred withholding tax		-	(131,314)
Return on investments and servicing of finance			
Distributions to Partners		(27,028,461)	(43,514,856)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(3,234,277)	(4,748,717)
Sale, repayment or redemption of fixed asset investments		40,083,125	83,156,341
Net cash inflow from capital expenditure and financial investment		<u>36,848,848</u>	<u>78,407,624</u>
Management of liquid resources			
Net movement in money market deposits with banks		(4,423,241)	3,225,537
Net cash inflow before financing		<u>8,655,507</u>	<u>41,866,892</u>
Financing			
Drawdowns from Partners	8 (b)	2,937,000	-
Loan repayments	8 (b)	(14,520,074)	(40,579,841)
Net cash outflow from financing		<u>(11,583,074)</u>	<u>(40,579,841)</u>
(Decrease)/increase in cash	8 (c)	<u><u>(2,927,567)</u></u>	<u><u>1,287,051</u></u>

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

Under clause 8.6.1 of the Partnership Agreement, the amount of any income distributed or allocated to Partners is deemed to be the actual amount received grossed up for any withholding tax deducted, less any withholding tax which would have been levied on the gross income if the recipient of that income was a non-corporate tax exempt pension fund established in the United States of America.

Accordingly, income received from investments is shown after deduction of the deemed withholding tax and any difference between this and the actual income received is carried forward in the balance sheet as deferred withholding tax. When income is allocated to Partners, the deferred withholding tax relating to that income is released.

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

d) Currency translation

Assets and liabilities denominated in currencies other than Euro are translated at the rate of exchange ruling at the balance sheet date.

Income and expenses denominated in currencies other than Euro are translated at the rate of exchange ruling at the end of the quarter in which they arose. Capital gains and losses denominated in currencies other than Euro are arrived at by converting proceeds at the rate of exchange prevailing at the end of the month in which the proceeds were received.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate.

e) Investment Expenses

Expenses incurred in connection with investments which complete during the year are carried forward in the balance sheet in the cost of investment assets.

Expenses incurred in connection with investment proposals which do not proceed to completion are charged to the income account.

2. Net income for the year

	2000	1999
	€	€
This is stated after charging:		
Auditors' remuneration	9,946	9,607

If an accruals basis of accounting for income had been adopted the net income for the year would have been €3,334,488 (1999: €3,579,222).

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares €	Loans €	Fixed Income Shares €	Total €
Cost				
At 1 April 1999	46,489,225	21,664,776	410,839	68,564,840
Additions	2,997,226	237,051	-	3,234,277
Repayments and disposals	(8,977,785)	(7,291,719)	-	(16,269,504)
Transfers	726,050	(726,050)	-	-
At 31 March 2000	<u>41,234,716</u>	<u>13,884,058</u>	<u>410,839</u>	<u>55,529,613</u>
Amounts provided				
At 1 April 1999	(4,345,314)	(3,766,681)	-	(8,111,995)
Movement for the year (note 6)	941,740	599,461	-	1,541,201
At 31 March 2000	<u>(3,403,574)</u>	<u>(3,167,220)</u>	<u>-</u>	<u>(6,570,794)</u>
Net book value				
At 31 March 2000	<u>37,831,142</u>	<u>10,716,838</u>	<u>410,839</u>	<u>48,958,819</u>
At 31 March 1999	<u>42,143,911</u>	<u>17,898,095</u>	<u>410,839</u>	<u>60,452,845</u>

In addition to the above investments, the Partnership has committed to provide up to a further €150,084 to investee companies subject to certain conditions.

Of the above total €725,822 (1999: €726,111) relates to investments listed on recognised overseas investment exchanges. The market value of these investments at 31 March 2000 was €2,068,402 (1999: €2,572,550).

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

4. Creditors: amounts falling due within one year

	2000	1999
	€	€
Other creditors	129,440	129,921
Accruals	53,060	49,787
	<u>182,500</u>	<u>179,708</u>

5. Partners' accounts

	Capital contribution accounts €	Loan accounts €	Income accounts €	Capital accounts €	Total €
At 1 April 1999	11,940	17,175,978	5,164,218	50,194,390	72,546,526
Net drawdowns	-	2,937,000	-	-	2,937,000
Allocation of net income and net capital profits	-	-	3,389,981	23,584,144	26,974,125
Distributions of cash	-	(14,520,074)	(1,844,416)	(25,184,045)	(41,548,535)
Movement in Partners' accounts	-	(11,583,074)	1,545,565	(1,599,901)	(11,637,410)
At 31 March 2000	<u>11,940</u>	<u>5,592,904</u>	<u>6,709,783</u>	<u>48,594,489</u>	<u>60,909,116</u>

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

6. Other reserves

	Unrealised exchange reserve €	Other unrealised reserve €	Total €
At 1 April 1999	(851,713)	(8,111,995)	(8,963,708)
Movement in the year	222,267	1,541,201	1,763,468
At 31 March 2000	(629,446)	(6,570,794)	(7,200,240)

7. Reconciliation of movements in Partners' funds

	2000 €	1999 €
At 1 April	63,582,818	82,857,791
Movement in Partners' accounts (note 5)	(11,637,410)	(15,654,929)
Movement on other reserves (note 6)	1,763,468	(3,620,044)
At 31 March	53,708,876	63,582,818

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000 €	1999 €
Net income for the year	3,389,981	3,843,517
Deferred withholding tax	(144,173)	95,961
Increase/(decrease) in creditors relating to operating activities	10,746	(12,486)
Decrease/(increase) in debtors relating to operating activities	1,807	(47,091)
Net cash inflow from operating activities	3,258,361	3,879,901

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(b) Analysis of changes in financing during the year	Partners'	Partners'
	loan accounts 2000 €	loan accounts 1999 €
At 1 April	17,175,978	57,755,819
Loan repayments	(14,520,074)	(40,579,841)
Drawdowns	2,937,000	-
At 31 March	<u>5,592,904</u>	<u>17,175,978</u>

(c) Reconciliation of net cash flow to net debt	2000	1999
	€	€
(Decrease)/increase in cash in the year	(2,927,567)	1,287,051
Increase/(decrease) in money market deposits with banks	4,423,241	(3,225,537)
Cash outflow from debt financing	11,583,074	40,579,841
Movement in net debt in the year	<u>13,078,748</u>	<u>38,641,355</u>
Net debt at start of year	(13,915,314)	(52,556,669)
Net debt at end of year	<u>(836,566)</u>	<u>(13,915,314)</u>

3i Europe Investment Partners No 1

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(d) Analysis of net debt	1 April 1999 €	Cash flow €	31 March 2000 €
Cash	3,260,664	(2,927,567)	333,097
Money market deposits with banks	-	4,423,241	4,423,241
Partners' loan accounts	(17,175,978)	11,583,074	(5,592,904)
	<u>(13,915,314)</u>	<u>13,078,748</u>	<u>(836,566)</u>

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Europe Investment Partners No 2

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i Europe Investment Partners No 2

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest in a diversified portfolio of predominantly unquoted investments in Continental Europe, primarily in France, Germany, Italy and Spain.

The Partnership is no longer investing other than in follow-on financing. The Manager continues to realise individual investments in appropriate circumstances.

Results

The net income for the year amounted to €4,372,422 (1999: €5,156,836) which has been allocated in full to the Partners. Capital profits earned in the year amounted to €34,132,335 (1999 €80,868,640). This comprises a release of €2,089,863 from the other unrealised reserve and capital profits of €32,042,472 which have been allocated to the Partners.

During the year the Partnership invested €4,384,122 in 8 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to €132,700,000 (1999: €132,700,000). At 31 March 2000 €130,046,000 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Europe Investment Partners No 2

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

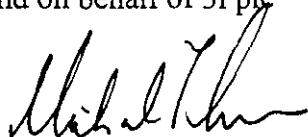
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 13.8 of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
26 June 2000

3i Europe Investment Partners No 2

AUDITORS' REPORT

To the Partners of 3i Europe Investment Partners No 2

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 24 November 1993, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.

Ernst & Young

Ernst & Young
Registered Auditor
Birmingham

26 June 2000

3i Europe Investment Partners No 2

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 €	1999 €
Net income for the year		4,372,422	5,156,836
Net capital profits for the year		34,132,335	80,868,640
Movement on unrealised exchange reserve	6	302,756	1,715,648
Total recognised gains and losses relating to the year		<u>38,807,513</u>	<u>87,741,124</u>

3i Europe Investment Partners No 2

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

	Notes	2000 €	1999 €
Income			
Income received from fixed asset investments			
Dividends - unlisted		2,954,063	2,379,902
Dividends - listed		113,316	68,038
Interest - unlisted		1,270,737	2,405,564
		<hr/>	<hr/>
		4,338,116	4,853,504
Other income			
Interest received on short term deposits		171,040	318,010
		<hr/>	<hr/>
Total operating income before administrative expenses		4,509,156	5,171,514
Administrative expenses		(136,734)	(14,678)
		<hr/>	<hr/>
Net income for the year	2	4,372,422	5,156,836
		<hr/>	<hr/>
Capital profits			
Proceeds		45,794,810	99,265,746
Cost of investments sold		(13,752,338)	(11,773,704)
		<hr/>	<hr/>
Profit on disposal		32,042,472	87,492,042
Movement in provision against investments	3	2,089,863	(6,623,402)
		<hr/>	<hr/>
Net capital profits for the year		34,132,335	80,868,640
		<hr/>	<hr/>
Total net result for the year		38,504,757	86,025,476
Transfer to other unrealised reserve	6	(2,089,863)	6,623,402
		<hr/>	<hr/>
Allocation for the year to Partners' accounts	5	36,414,894	92,648,878
		<hr/>	<hr/>

3i Europe Investment Partners No 2

BALANCE SHEET as at 31 March 2000

	Notes	2000 €	1999 €
Fixed assets			
Investments	3	66,387,358	82,014,165
Current assets			
Other debtors		608	433
Money market deposits with banks		5,914,389	-
Cash at bank		405,590	4,181,363
		6,320,587	4,181,796
Creditors: amounts falling due within one year	4	(301,988)	(257,095)
Net current assets		6,018,599	3,924,701
Net assets		72,405,957	85,938,866
Partners' accounts			
Capital contribution accounts	5	16,183	16,183
Loan accounts	5	7,503,182	23,246,593
Income accounts	5	8,670,722	6,775,344
Capital accounts	5	66,004,641	68,082,136
		82,194,728	98,120,256
Other reserves	6	(9,788,771)	(12,181,390)
Total Partners' funds		72,405,957	85,938,866

For and on behalf of 3i plc

Director

26 June 2000

3i Europe Investment Partners No 2

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 €	1999 €
Operating activities			
Dividends and loan investment interest received		4,356,419	5,058,543
Interest received on short term deposits		171,040	318,010
Administrative expenses		(120,079)	(95,936)
Net cash inflow from operating activities	8 (a)	<u>4,407,380</u>	<u>5,280,617</u>
Tax paid			
Distribution of deferred withholding tax		-	(314,328)
Return on investments and servicing of finance			
Distributions to Partners		(36,597,011)	(58,948,963)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(4,384,122)	(6,437,148)
Sale, repayment or redemption of fixed asset investments		54,455,780	111,810,647
Net cash inflow from capital expenditure and financial investment		<u>50,071,658</u>	<u>105,373,499</u>
Management of liquid resources			
Net movement in money market deposits with banks		(5,914,389)	5,161,052
Net cash inflow before financing		<u>11,967,638</u>	<u>56,551,877</u>
Financing			
Drawdowns from Partners	8 (b)	3,981,000	-
Loan repayments	8 (b)	(19,724,411)	(55,039,196)
Net cash outflow from financing		<u>(15,743,411)</u>	<u>(55,039,196)</u>
(Decrease)/increase in cash	8 (c)	<u>(3,775,773)</u>	<u>1,512,681</u>

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

Under clause 8.6.1 of the Partnership Agreement, the amount of any income distributed or allocated to Partners is deemed to be the actual amount received grossed up for any withholding tax deducted, less any withholding tax which would have been levied on the gross income if the recipient of that income was a non-corporate tax exempt pension fund established in the United Kingdom.

Accordingly, income received from investments is shown after deduction of the deemed withholding tax and any difference between this and the actual income received is carried forward in the balance sheet as deferred withholding tax. When income is allocated to Partners, the deferred withholding tax relating to that income is released.

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

d) Currency translation

Assets and liabilities denominated in currencies other than Euro are translated at the rate of exchange ruling at the balance sheet date.

Income and expenses denominated in currencies other than Euro are translated at the rate of exchange ruling at the end of the quarter in which they arose. Capital gains and losses denominated in currencies other than Euro are arrived at by converting proceeds at the rate of exchange prevailing at the end of the month in which the proceeds were received.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate.

e) Investment Expenses

Expenses incurred in connection with investments which complete during the year are carried forward in the balance sheet in the cost of investment assets.

Expenses incurred in connection with investment proposals which do not proceed to completion are charged to the income account.

2. Net income for the year

	2000	1999
	€	€
This is stated after charging:		
Auditors' remuneration	13,482	13,022

If an accruals basis of accounting for income had been adopted the net income for the year would have been €4,486,415 (1999: €4,640,553).

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares €	Loans €	Fixed Income Shares €	Total €
Cost				
At 1 April 1999	63,069,673	29,410,215	557,422	93,037,310
Additions	4,062,843	321,279	-	4,384,122
Repayments and disposals	(12,214,817)	(9,885,975)	-	(22,100,792)
Transfers	984,058	(984,058)	-	-
At 31 March 2000	<u>55,901,757</u>	<u>18,861,461</u>	<u>557,422</u>	<u>75,320,640</u>
Amounts provided				
At 1 April 1999	(5,901,228)	(5,121,917)	-	(11,023,145)
Movement for the year (note 6)	1,277,233	812,630	-	2,089,863
At 31 March 2000	<u>(4,623,995)</u>	<u>(4,309,287)</u>	<u>-</u>	<u>(8,933,282)</u>
Net book value				
At 31 March 2000	<u>51,277,762</u>	<u>14,552,174</u>	<u>557,422</u>	<u>66,387,358</u>
At 31 March 1999	<u>57,168,445</u>	<u>24,288,298</u>	<u>557,422</u>	<u>82,014,165</u>

In addition to the above investments, the Partnership has committed to provide up to a further €203,434 to investee companies subject to certain conditions.

Of the above total €983,768 (1999: €984,160) relates to investments listed on recognised overseas investment exchanges. The market value of these investments at 31 March 2000 was €2,803,481 (1999: €3,486,800).

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

4. Creditors: amounts falling due within one year

	2000	1999
	€	€
Other creditors	230,067	188,560
Accruals	71,921	66,609
Net amount due to parallel fund	-	1,926
	<u>301,988</u>	<u>257,095</u>

5. Partners' accounts

	Capital contribution accounts €	Loan accounts €	Income accounts €	Capital accounts €	Total €
At 1 April 1999	16,183	23,246,593	6,775,344	68,082,136	98,120,256
Net drawdowns	-	3,981,000	-	-	3,981,000
Allocation of net income and net capital profits	-	-	4,372,422	32,042,472	36,414,894
Distributions of cash	-	(19,724,411)	(2,477,044)	(34,119,967)	(56,321,422)
Movement in Partners' accounts	-	(15,743,411)	1,895,378	(2,077,495)	(15,925,528)
At 31 March 2000	<u>16,183</u>	<u>7,503,182</u>	<u>8,670,722</u>	<u>66,004,641</u>	<u>82,194,728</u>

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

6. Other reserves

	Unrealised exchange reserve €	Other unrealised reserve €	Total €
At 1 April 1999	(1,158,245)	(11,023,145)	(12,181,390)
Movement in the year	302,756	2,089,863	2,392,619
At 31 March 2000	(855,489)	(8,933,282)	(9,788,771)

7. Reconciliation of movements in Partners' funds

	2000 €	1999 €
At 1 April	85,938,866	112,185,901
Movement in Partners' accounts (note 5)	(15,925,528)	(21,339,281)
Movement on other reserves (note 6)	2,392,619	(4,907,754)
At 31 March	72,405,957	85,938,866

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000 €	1999 €
Net income for the year	4,372,422	5,156,836
Deferred withholding tax	18,303	205,039
Increase/(decrease) in creditors relating to operating activities	16,830	(80,825)
Increase in debtors relating to operating activities	(175)	(433)
Net cash inflow from operating activities	4,407,380	5,280,617

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(b) Analysis of changes in financing during the year	Partners'	Partners'
	loan accounts 2000 €	loan accounts 1999 €
At 1 April	23,246,593	78,285,789
Loan repayments	(19,724,411)	(55,039,196)
Drawdowns	3,981,000	-
At 31 March	<u>7,503,182</u>	<u>23,246,593</u>

(c) Reconciliation of net cash flow to net debt	2000	1999
	€	€
(Decrease)/increase in cash in the year	(3,775,773)	1,512,681
Increase/(decrease) in money market deposits with banks	5,914,389	(5,161,052)
Cash outflow from debt financing	15,743,411	55,039,196
Movement in net debt in the year	<u>17,882,027</u>	<u>51,390,825</u>
Net debt at start of year	(19,065,230)	(70,456,055)
Net debt at end of year	<u>(1,183,203)</u>	<u>(19,065,230)</u>

3i Europe Investment Partners No 2

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(d) Analysis of net debt	1 April 1999 €	Cash flow €	31 March 2000 €
Cash	4,181,363	(3,775,773)	405,590
Money market deposits with banks	-	5,914,389	5,914,389
Partners' loan accounts	(23,246,593)	15,743,411	(7,503,182)
	<u>(19,065,230)</u>	<u>17,882,027</u>	<u>(1,183,203)</u>

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i UK Investment Partners

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i UK Investment Partners

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is more than £10,000,000.

The Partnership is no longer investing other than in follow-on financing. The Manager continues to realise individual investments in appropriate circumstances.

Results

The net income for the year amounted to £7,276,151 (1999 restated: £8,127,022) which has been allocated in full to the Partners. Capital profits for the year amounted to £13,226,047 (1999: £7,177,550 losses). This comprises capital losses of £23,536,085 which have been taken to the other unrealised reserve and capital profits of £36,762,132 which have been allocated to the Partners.

During the year the Partnership invested £4,487,481 in 7 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £175,410,010 (1999: £175,410,010). At 31 March 2000 £163,131,310 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i UK Investment Partners

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

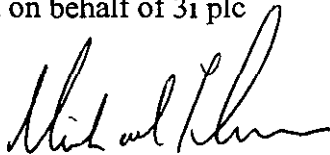
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 21(I) of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
30/5/2000

3i UK Investment Partners

AUDITORS' REPORT

To the Partners of 3i UK Investment Partners

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

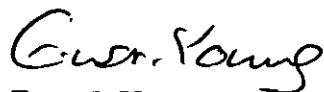
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 4 March 1996, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i UK Investment Partners

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Net income for the year		7,276,151	8,127,022
Net capital result for the year		13,226,047	(7,177,550)
Total recognised gains and losses relating to the year		<u>20,502,198</u>	<u>949,472</u>

3i UK Investment Partners

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

Income	Notes	2000 £	1999 as restated £
Income received from fixed asset investments			
Dividends - unlisted		5,318,906	5,107,425
Interest - unlisted		1,667,717	2,842,799
		<u>6,986,623</u>	<u>7,950,224</u>
Other Income			
Interest received on short term deposits		318,197	202,647
		<u>7,304,820</u>	<u>8,152,871</u>
Total operating income before administrative expenses			
Administrative expenses		(28,669)	(25,849)
		<u>7,276,151</u>	<u>8,127,022</u>
Net income for the year	2		
Capital profits			
Proceeds		57,721,187	2,610,132
Cost of investments sold		(20,959,055)	(193,482)
		<u>36,762,132</u>	<u>2,416,650</u>
Profit on disposal			
Movement in provision against investments	3	(23,536,085)	(9,594,200)
		<u>13,226,047</u>	<u>(7,177,550)</u>
Net capital result for the year			
		<u>20,502,198</u>	<u>949,472</u>
Total net result for the year			
Dividend tax credits	1(b)	707,281	1,181,747
Transfer to other unrealised reserve	6	23,536,085	9,594,200
		<u>44,745,564</u>	<u>11,725,419</u>
Allocation for the year to Partners' capital accounts	5		

3i UK Investment Partners

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	93,055,731	141,412,748
Current assets			
Debtors	4	211,160	371,142
Money market deposits with banks		1,100,324	1,701,485
Cash at bank		200,556	518,064
		<u>1,512,040</u>	<u>2,590,691</u>
Creditors: amounts falling due within one year			
Accruals		(9,453)	(13,460)
Net current assets		<u>1,502,587</u>	<u>2,577,231</u>
Net assets		<u><u>94,558,318</u></u>	<u><u>143,989,979</u></u>
Partners' accounts			
Capital contribution accounts	5	17,551	17,551
Loan accounts	5	64,569,610	128,013,662
Capital accounts	5	63,101,442	25,552,966
		<u>127,688,603</u>	<u>153,584,179</u>
Other unrealised reserve	6	(33,130,285)	(9,594,200)
Total Partners' funds	7	<u><u>94,558,318</u></u>	<u><u>143,989,979</u></u>

For and on behalf of 3i plc

Director

30/5/ 2000

3i UK Investment Partners

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Operating activities			
Dividends and loan investment interest received		6,653,084	7,381,700
Interest received on short term deposits		318,197	202,647
Administrative expenses		(32,676)	(32,183)
Net cash inflow from operating activities	8 (a)	<u>6,938,605</u>	<u>7,552,164</u>
Return on investments and servicing of finance			
Distributions to Partners		(7,027,364)	(312,320)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(4,487,481)	(7,615,178)
Sale, repayment or redemption of fixed asset investments		66,070,545	4,114,932
Net cash inflow/(outflow) from capital expenditure and financial investment		<u>61,583,064</u>	<u>(3,500,246)</u>
Management of liquid resources			
Net movement in money market deposits with banks		601,161	(247,352)
Net cash inflow before financing		<u>62,095,466</u>	<u>3,492,246</u>
Financing			
Drawdowns from Partners	8 (b)	3,508,200	7,893,450
Loan repayments	8 (b)	(65,921,174)	(12,096,590)
Net cash outflow from financing		<u>(62,412,974)</u>	<u>(4,203,140)</u>
Decrease in cash	8 (c)	<u>(317,508)</u>	<u>(710,894)</u>

3i UK Investment Partners

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

However, in accordance with the Partnership Agreement, allocations to Partners are deemed to be gross of attributable tax credits. Therefore, tax credits on dividends received during the year have been added back to the result for the year in determining the allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

3i UK Investment Partners

NOTES TO THE ACCOUNTS CONTINUED

2. Net income for the year

	2000	1999
	£	£
This is stated after charging:		
Auditors' remuneration	8,453	7,050

If an accruals basis of accounting for income had been adopted the net income for the year would have been £7,836,386 (1999 restated: £8,100,132).

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	15,355,802	36,323,482	99,327,664	151,006,948
Additions	29	4,487,452	-	4,487,481
Transfers on conversion	(76,364)	-	76,364	-
Repayments and disposals	(1,480,071)	(9,749,358)	(18,078,984)	(29,308,413)
At 31 March 2000	13,799,396	31,061,576	81,325,044	126,186,016
Amounts provided				
At 1 April 1999	(725,992)	(600,000)	(8,268,208)	(9,594,200)
Provided during the year (note 6)	(1,123,000)	(3,866,085)	(18,547,000)	(23,536,085)
At 31 March 2000	(1,848,992)	(4,466,085)	(26,815,208)	(33,130,285)
Net book value				
At 31 March 2000	11,950,404	26,595,491	54,509,836	93,055,731
At 31 March 1999	14,629,810	35,723,482	91,059,456	141,412,748

3i UK Investment Partners

NOTES TO THE ACCOUNTS CONTINUED

3. Investments continued

In addition to the above investments, the Partnership has committed to provide up to a further £462,000 to investee companies subject to certain conditions.

4. Debtors

	2000 £	1999 £
Tax credits awaiting distribution	211,160	371,142

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Total £
At 1 April 1999	17,551	128,013,662	25,552,966	153,584,179
Net drawdowns	-	3,508,200	-	3,508,200
Allocation of net income and net capital profits	-	-	44,745,564	44,745,564
Distributions of cash	-	(65,921,174)	(7,027,364)	(72,948,538)
Distributions of tax	-	(1,031,078)	(169,724)	(1,200,802)
Movement in Partners' accounts	-	(63,444,052)	37,548,476	(25,895,576)
At 31 March 2000	17,551	64,569,610	63,101,442	127,688,603

3i UK Investment Partners

NOTES TO THE ACCOUNTS CONTINUED

6. Other unrealised reserve

£

At 1 April 1999	(9,594,200)
Movement in the year	(23,536,085)
At 31 March 2000	(33,130,285)

7. Reconciliation of movements in Partners' funds

	2000	1999
	£	£
At 1 April	143,989,979	148,343,584
Movement in Partners' accounts (note 5)	(25,895,576)	5,240,595
Movement on other unrealised reserves (note 6)	(23,536,085)	(9,594,200)
At 31 March	94,558,318	143,989,979

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000	1999
	£	as restated £
Net income for the year	7,276,151	8,127,022
Income tax	(333,539)	(568,524)
Decrease in creditors	(4,007)	(6,334)
Net cash inflow from operating activities	6,938,605	7,552,164

3i UK Investment Partners

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(b) Analysis of changes in financing during the year	Partners' loan accounts 2000 £	Partners' loan accounts 1999 £
At 1 April	128,013,662	134,110,070
Loan repayments	(65,921,174)	(12,096,590)
Drawdowns	3,508,200	7,893,450
Non-cash movements	(1,031,078)	(1,893,268)
At 31 March	<u>64,569,610</u>	<u>128,013,662</u>
(c) Reconciliation of net cash flow to net debt	2000 £	1999 £
Decrease in cash in the year	(317,508)	(710,894)
Cash outflow from debt financing	62,412,974	4,203,140
(Decrease)/increase in money market deposits with banks	(601,161)	247,352
Change in net debt from cash flows	<u>61,494,305</u>	<u>3,739,598</u>
Non-cash movements	1,031,078	1,893,268
Movement in net debt in the year	62,525,383	5,632,866
Net debt at start of year	<u>(125,794,113)</u>	<u>(131,426,979)</u>
Net debt at end of year	<u>(63,268,730)</u>	<u>(125,794,113)</u>

3i UK Investment Partners

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(d) Analysis of net debt	1 April 1999 £	Cash flow £	Non-cash changes £	31 March 2000 £
Cash	518,064	(317,508)	-	200,556
Money market deposits with banks	1,701,485	(601,161)	-	1,100,324
Partners' loan accounts	(128,013,662)	62,412,974	1,031,078	(64,569,610)
	<u>(125,794,113)</u>	<u>61,494,305</u>	<u>1,031,078</u>	<u>(63,268,730)</u>

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i UKIP II LP

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i UKIP II LP

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc and 3i Parallel Ventures LP in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is more than £15,000,000.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the year amounted to £8,018,548 (1999: as restated £2,946,927) which has been allocated in full to the Partners. Capital profits for the year amounted to £811,451 (1999: loss £7,348,058). This comprises capital losses of £2,696,100 which have been taken to the other unrealised reserve and capital profits of £3,507,551 which have been allocated to the Partners. In addition, tax credits of £72,928 (1999: £6,339) have been allocated to the Partners.

During the year the Partnership invested £105,793,547 in 25 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £378,000,020 (1999: £378,000,020). At 31 March 2000 £274,050,020 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

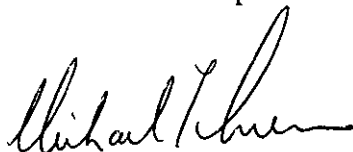
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 21.10 of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
30/5/2000

3i UKIP II LP

AUDITORS' REPORT

To the Partners of 3i UKIP II LP

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

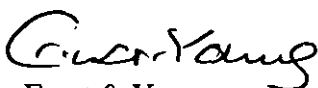
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 18 November 1997, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i UKIP II LP

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2000**

	Notes	2000 £	1999 as restated £
Net income for the year		8,018,548	2,946,927
Net capital result for the year		811,451	(7,348,058)
Movement on unrealised exchange reserve	6	101,909	179,767
Total recognised gains and losses relating to the year		<u>8,931,908</u>	<u>(4,221,364)</u>

3i UKIP II LP

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

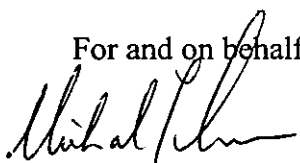
	Notes	2000 £	1999 as restated £
Income			
Income received from fixed asset investments			
Dividends - unlisted		656,354	40,417
Interest - unlisted		6,518,719	1,251,935
		<u>7,175,073</u>	<u>1,292,352</u>
Other Income			
Interest received on short term deposits		898,967	1,474,695
Interest paid by Partners admitted after First Closing		-	258,419
		<u>8,074,040</u>	<u>3,025,466</u>
Total operating income before administrative expenses		8,074,040	3,025,466
Administrative expenses		(55,492)	(78,539)
		<u>8,018,548</u>	<u>2,946,927</u>
Net income for the year	2	8,018,548	2,946,927
Capital profits			
Proceeds		12,595,606	-
Cost of investments sold		(9,095,993)	-
Profit/(loss) on syndication of investments		7,938	(25,358)
		<u>3,507,551</u>	<u>(25,358)</u>
Profit/(loss) on disposal		3,507,551	(25,358)
Movement in provision against investments	3	(2,696,100)	(7,322,700)
		<u>811,451</u>	<u>(7,348,058)</u>
Net capital result for the year		811,451	(7,348,058)
Total net result for the year		8,829,999	(4,401,131)
Dividend tax credits	1(b)	72,928	6,339
Transfer to other unrealised reserve	6	2,696,100	7,322,700
		<u>11,599,027</u>	<u>2,927,908</u>
Allocation for the year to Partners' accounts	5	11,599,027	2,927,908

3i UKIP II LP

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	215,871,796	132,267,547
Current assets			
Debtors	4	666,314	196,558
Investments		11,800,000	-
Money market deposits with banks		16,662,560	6,915,643
Cash at bank		598,527	378,428
		<u>29,727,401</u>	<u>7,490,629</u>
Creditors: amounts falling due within one year			
Accruals		(8,685)	(78,580)
Net current assets		<u>29,718,716</u>	<u>7,412,049</u>
Net assets		<u>245,590,512</u>	<u>139,679,596</u>
Partners' accounts			
Capital contribution accounts	5	37,820	37,820
Loan accounts	5	252,595,893	151,162,200
Capital accounts	5	2,360,766	(25,358)
Profit share accounts	5	333,157	98,279
		<u>255,327,636</u>	<u>151,272,941</u>
Other reserves	6	(9,737,124)	(7,142,933)
Loan to General Partner		-	(4,450,412)
Total Partners' funds	7	<u>245,590,512</u>	<u>139,679,596</u>

For and on behalf of 3i plc

 Director

30/5/ 2000

3i UKIP II LP

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Operating activities			
Dividends and loan investment interest received		5,024,840	1,041,965
Interest received on short term deposits		898,967	1,474,695
Interest paid by Partners admitted after First Closing		-	258,419
Administrative expenses		(126,872)	(33,282)
Net cash inflow from operating activities	8 (a)	<u>5,796,935</u>	<u>2,741,797</u>
Return on investments and servicing of finance			
Distributions to Partners		(3,388,426)	(2,682,579)
Increase in loan to General Partner		-	(2,858,022)
Drawings on account of tax distribution		(234,878)	(98,279)
Net cash outflow from return on investments and servicing of finance		<u>(3,623,304)</u>	<u>(5,638,880)</u>
Capital expenditure and financial investment			
Purchase of fixed asset investments		(104,944,451)	(113,525,599)
Purchase of current asset investment		(11,800,000)	-
Sale, repayment or redemption of fixed asset investments		23,104,143	-
Net cash outflow from capital expenditure and financial investment		<u>(93,640,308)</u>	<u>(113,525,599)</u>
Management of liquid resources			
Net movement in money market deposits with banks		(9,746,917)	12,584,357
Net cash outflow before financing		<u>(101,213,594)</u>	<u>(103,838,325)</u>
Financing			
Drawdowns from Partners - Capital contribution		-	6,000
- Loan	8 (b)	122,850,000	103,494,000
Loan repayments	8 (b)	(21,416,307)	-
Net cash inflow from financing		<u>101,433,693</u>	<u>103,500,000</u>
Increase/(decrease) in cash	8 (c)	<u>220,099</u>	<u>(338,325)</u>

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

However, in accordance with the Partnership Agreement, allocations to Partners are deemed to be gross of attributable tax credits. Therefore, tax credits on dividends received during the year have been added back to the result for the year in determining the allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than sterling are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

f) Loan to General Partner

To the extent that there is insufficient net income or capital gains to allocate against the General Partner's drawings, the balance of the drawings takes the form of an interest free loan. This loan is not recoverable from the General Partner other than by future allocations of net income or capital gains in accordance with the Partnership Agreement. Such allocations will have priority over allocations to other Partners.

2. Net income for the year

	2000	1999
	£	£
This is stated after charging:		
Auditors' remuneration	6,200	5,875
	<u>6,200</u>	<u>5,875</u>

If an accruals basis of accounting for income had been adopted the net income for the year would have been £10,481,940 (1999 restated: £4,301,093).

3i UKIP II LP

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	13,389,634	116,029,290	10,171,323	139,590,247
Currency translation	28,332	14,697	58,880	101,909
Additions net of syndications	8,808,559	94,551,266	2,433,722	105,793,547
Repayments and disposals	(2,004,293)	(17,590,814)	-	(19,595,107)
Transfers	6,269,999	(6,269,999)	-	-
At 31 March 2000	<u>26,492,231</u>	<u>186,734,440</u>	<u>12,663,925</u>	<u>225,890,596</u>
Amounts provided				
At 1 April 1999	(231,000)	(7,091,700)	-	(7,322,700)
Provided during the year	(6,480,999)	3,784,899	-	(2,696,100)
At 31 March 2000	<u>(6,711,999)</u>	<u>(3,306,801)</u>	<u>-</u>	<u>(10,018,800)</u>
Net book value				
At 31 March 2000	<u>19,780,232</u>	<u>183,427,639</u>	<u>12,663,925</u>	<u>215,871,796</u>
At 31 March 1999	<u>13,158,634</u>	<u>108,937,590</u>	<u>10,171,323</u>	<u>132,267,547</u>

In addition to the above investments, the Partnership has committed to provide up to a further £3,199,000 to investee companies subject to certain conditions.

3i UKIP II LP

NOTES TO THE ACCOUNTS CONTINUED

4. Debtors

	2000	1999
	£	£
Tax credits awaiting distribution	333,157	98,279
Drawings on account of tax distribution	333,157	98,279
	<u>666,314</u>	<u>196,558</u>

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Profit share accounts £	Total £
At 1 April 1999	37,820	151,162,200	(25,358)	98,279	151,272,941
Net drawdowns	-	122,850,000	-	-	122,850,000
Allocation of net income and net capital gains	-	-	2,386,124	9,212,903	11,599,027
Distributions of cash	-	(21,416,307)	-	(3,388,426)	(24,804,733)
Distributions of tax	-	-	-	(1,139,187)	(1,139,187)
Transfer from loan to General Partner	-	-	-	(4,450,412)	(4,450,412)
Movement in Partners' accounts	<u>-</u>	<u>101,433,693</u>	<u>2,386,124</u>	<u>234,878</u>	<u>104,054,695</u>
At 31 March 2000	<u>37,820</u>	<u>252,595,893</u>	<u>2,360,766</u>	<u>333,157</u>	<u>255,327,636</u>

NOTES TO THE ACCOUNTS CONTINUED

6. Other reserves

	Unrealised exchange reserve £	Other unrealised reserve £	Total £
At 1 April 1999	179,767	(7,322,700)	(7,142,933)
Movement in the year	101,909	(2,696,100)	(2,594,191)
At 31 March 2000	281,676	(10,018,800)	(9,737,124)

7. Reconciliation of movements in Partners' funds

	2000 £	1999 £
At 1 April	139,679,596	46,107,630
Movement in Partners' accounts (note 5)	104,054,695	103,572,921
Movement on other reserves (note 6)	(2,594,191)	(7,142,933)
Movement in loan to General Partner	4,450,412	(2,858,022)
At 31 March	245,590,512	139,679,596

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000 £	1999 as restated £
Net income for the year	8,018,548	2,946,927
Income tax	(1,301,137)	(250,387)
(Decrease)/increase in creditors relating to operating activities	(71,380)	45,257
Non-cash income	(849,096)	-
Net cash inflow from operating activities	5,796,935	2,741,797

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(b) Analysis of changes in financing during the year

	Partners' loan accounts 2000 £	Partners' loan accounts 1999 £
At 1 April	151,162,200	47,668,200
Loan repayments	(21,416,307)	-
Drawdowns	122,850,000	103,494,000
At 31 March	<u>252,595,893</u>	<u>151,162,200</u>

(c) Reconciliation of net cash flow to net debt

	2000 £	1999 £
Increase/(decrease) in cash in the year	220,099	(338,325)
Cash inflow from debt financing	(101,433,693)	(103,494,000)
Increase/(decrease) in money market deposits with banks	9,746,917	(12,584,357)
Movement in net debt in the year	(91,466,677)	(116,416,682)
Net debt at start of year	(143,868,129)	(27,451,447)
Net debt at end of year	<u>(235,334,806)</u>	<u>(143,868,129)</u>

(d) Analysis of net debt

	1 April 1999 £	Cash flow £	31 March 2000 £
Cash	378,428	220,099	598,527
Money market deposits with banks	6,915,643	9,746,917	16,662,560
Partners' loan accounts	(151,162,200)	(101,433,693)	(252,595,893)
	<u>(143,868,129)</u>	<u>(91,466,677)</u>	<u>(235,334,806)</u>

3i UKIP II LP

NOTES TO THE ACCOUNTS CONTINUED

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i NPM Smaller MBO Plan

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i NPM Smaller MBO Plan

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc and 3i Smaller MBO Plan in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is less than £15,000,000.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the year amounted to £1,295,975 (1999 restated: £917,390) which has been allocated in full to the Partners. Capital losses for the year amounted to £4,791,331 (1999: £nil). This comprises capital losses of £3,581,333 which have been taken to the other unrealised reserve and capital losses of £1,210,000 which have been allocated to the Partners. In addition, tax credits of £15,269 (1999: £44,334) have been allocated to the Partners.

During the year the Partnership invested £11,313,012 in 14 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £50,000,020 (1999: £50,000,020). At 31 March 2000 £33,122,118 (1999: £22,197,524) of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i NPM Smaller MBO Plan

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

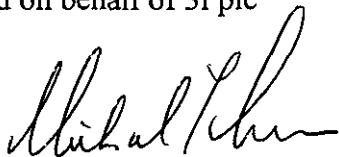
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 19(H) of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
30/5/ 2000

3i NPM Smaller MBO Plan

AUDITORS' REPORT

To the Partners of 3i NPM Smaller MBO Plan

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

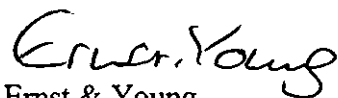
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 20 August 1997, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i NPM Smaller MBO Plan

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Net income for the year		1,295,975	917,390
Net capital result for the year		(4,791,333)	-
Movement on unrealised exchange reserve	6	(10,641)	-
Total recognised gains and losses relating to the year		<u>(3,505,999)</u>	<u>917,390</u>

3i NPM Smaller MBO Plan

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

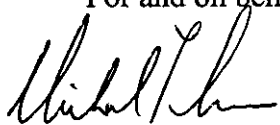
	Notes	2000 £	1999 as restated £
Income			
Income received from fixed asset investments			
Dividends - unlisted		149,517	200,389
Interest - unlisted		1,133,844	687,479
Fee income		-	2,000
		<u>1,283,361</u>	<u>889,868</u>
Other Income			
Interest received on short term deposits		19,099	35,937
		<u>1,302,460</u>	<u>925,805</u>
Total operating income before administrative expenses			
Administrative expenses		(6,485)	(8,415)
		<u>1,295,975</u>	<u>917,390</u>
Net income for the year	2		
Capital			
Proceeds		-	-
Cost of investments sold		(1,210,000)	-
		<u>(1,210,000)</u>	<u>-</u>
Loss on disposal		(1,210,000)	-
Movement in provision against investments	3	(3,581,333)	-
		<u>(4,791,333)</u>	<u>-</u>
Net capital result for the year			
		<u>(3,495,358)</u>	<u>917,390</u>
Total net result for the year			
Dividend tax credits	1(b)	15,269	44,334
Transfer to other unrealised reserve	6	3,581,333	-
		<u>101,244</u>	<u>961,724</u>
Allocation for the year to Partners' accounts	5		

3i NPM Smaller MBO Plan

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	27,620,582	21,384,103
Current assets			
Debtors	4	54,573	44,277
Money market deposits with banks		-	590,515
Cash at bank		271,327	130,398
		<u>325,900</u>	<u>765,190</u>
Creditors: amounts falling due within one year			
Accruals		(6,169)	(5,875)
Net current assets		<u>319,731</u>	<u>759,315</u>
Net assets		<u>27,940,313</u>	<u>22,143,418</u>
Partners' accounts			
Capital contribution accounts	5	5,020	5,020
Loan accounts	5	31,316,729	21,429,673
Capital accounts	5	210,538	708,725
Profit share accounts	5	-	-
		<u>31,532,287</u>	<u>22,143,418</u>
Other reserves	6	(3,591,974)	-
Total Partners' funds	7	<u>27,940,313</u>	<u>22,143,418</u>

For and on behalf of 3i plc



Director

30/5/ 2000

3i NPM Smaller MBO Plan

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Operating activities			
Dividends and loan investment interest received		1,056,604	750,372
Interest received on short term deposits		19,099	35,937
Fee income		-	2,000
Administrative expenses		(6,191)	(7,540)
Net cash inflow from operating activities	8 (a)	<u>1,069,512</u>	<u>780,769</u>
Return on investments and servicing of finance			
Distributions to Partners		(491,613)	(225,535)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(11,323,653)	(12,563,470)
Sale, repayment or redemption of fixed asset investments		285,200	380,000
Net cash outflow from capital expenditure and financial investment		<u>(11,038,453)</u>	<u>(12,183,470)</u>
Management of liquid resources			
Net movement in money market deposits with banks		590,515	210,108
Net cash outflow before financing		<u>(9,870,039)</u>	<u>(11,418,128)</u>
Financing			
Drawdowns from Partners	8 (b)	10,924,594	11,728,470
Loan repayments	8 (b)	(913,626)	(675,538)
Net cash inflow from financing		<u>10,010,968</u>	<u>11,052,932</u>
Increase/(decrease) in cash	8 (c)	<u><u>140,929</u></u>	<u><u>(365,196)</u></u>

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

However, in accordance with the Partnership Agreement, allocations to Partners are deemed to be gross of attributable tax credits. Therefore, tax credits on dividends received during the year have been added back to the result for the year in determining the allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than sterling are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

2. Net income for the year

	2000	1999
	£	£
This is stated after charging:		
Auditors' remuneration	6,169	5,875

If an accruals basis of accounting for income had been adopted the net income for the year would have been £1,313,230 (1999 as restated: £1,188,077).

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	1,605,744	16,165,034	3,613,325	21,384,103
Additions	922,166	10,390,846	-	11,313,012
Repayments and disposals	(68,308)	(385,000)	(1,041,892)	(1,495,200)
At 31 March 2000	<u>2,459,602</u>	<u>26,170,880</u>	<u>2,571,433</u>	<u>31,201,915</u>
Amounts provided				
At 1 April 1999	-	-	-	-
Provided during the year (note 6)	(348,375)	(2,991,458)	(241,500)	(3,581,333)
At 31 March 2000	<u>(348,375)</u>	<u>(2,991,458)</u>	<u>(241,500)</u>	<u>(3,581,333)</u>
Net book value				
At 31 March 2000	<u>2,111,227</u>	<u>23,179,422</u>	<u>2,329,933</u>	<u>27,620,582</u>
At 31 March 1999	<u>1,605,744</u>	<u>16,165,034</u>	<u>3,613,325</u>	<u>21,384,103</u>

In addition to the above investments, the Partnership has committed to provide up to a further £361,667 to investee companies subject to certain conditions.

4. Debtors

	2000 £	1999 £
Tax credits awaiting distribution	<u>54,573</u>	<u>44,277</u>

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Profit share accounts £	Total £
At 1 April 1999	5,020	21,429,673	708,725	-	22,143,418
Net drawdowns	-	10,924,594	-	-	10,924,594
Allocation of net income	-	-	711,813	599,431	1,311,244
Allocation of net capital losses	-	-	(1,210,000)	-	(1,210,000)
Distributions of cash	-	(913,626)	-	(491,613)	(1,405,239)
Distributions of tax	-	(123,912)	-	(107,818)	(231,730)
Movement in Partners' accounts	-	9,887,056	(498,187)	-	9,388,869
At 31 March 2000	5,020	31,316,729	210,538	-	31,532,287

6. Other reserves

	Unrealised exchange reserve £	Other unrealised reserve £	Total £
At 1 April 1999	-	-	-
Movement in the year	(10,641)	(3,581,333)	(3,591,974)
At 31 March 2000	(10,641)	(3,581,333)	(3,591,974)

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

7. Reconciliation of movements in Partners' funds

	2000	1999
	£	£
At 1 April	22,143,418	10,496,987
Movement in Partners' accounts (note 5)	9,388,869	11,646,431
Movement on other reserves (note 6)	(3,591,974)	-
	<hr/>	<hr/>
At 31 March	27,940,313	22,143,418
	<hr/> <hr/>	<hr/> <hr/>

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities

	2000	1999
	£	as restated £
Net income for the year	1,295,975	917,390
Increase in creditors	294	875
Income tax	(226,757)	(137,496)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,069,512	780,769
	<hr/> <hr/>	<hr/> <hr/>

(b) Analysis of changes in financing during the year

	Partners' loan accounts 2000 £	Partners' loan accounts 1999 £
At 1 April	21,429,673	10,464,034
Loan repayments	(913,626)	(675,538)
Drawdowns	10,924,594	11,728,470
Non-cash movements	(123,912)	(87,293)
	<hr/>	<hr/>
At 31 March	31,316,729	21,429,673
	<hr/> <hr/>	<hr/> <hr/>

3i NPM Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	2000	1999
	£	£
Increase/(decrease) in cash in the year	140,929	(365,196)
Cash inflow from debt financing	(10,010,968)	(11,052,932)
Decrease in money market deposits with banks	(590,515)	(210,108)
Change in net debt from cash flows	(10,460,554)	(11,628,236)
Non-cash movements	123,912	92,313
Movement in net debt in the year	(10,336,642)	(11,535,923)
Net debt at start of year	(20,708,760)	(9,172,837)
Net debt at end of year	(31,045,402)	(20,708,760)

(d) Analysis of net debt	1 April 1999	Cash flow	Non-cash changes	31 March 2000
	£	£	£	£
Cash	130,398	140,929	-	271,327
Money market deposits with banks	590,515	(590,515)	-	-
Partners' loan accounts	(21,429,673)	(10,010,968)	123,912	(31,316,729)
	(20,708,760)	(10,460,554)	123,912	(31,045,402)

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

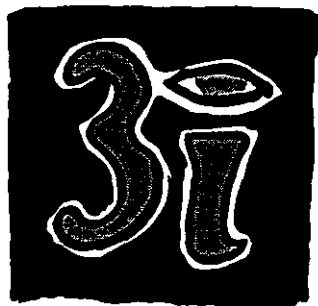
10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Smaller MBO Plan

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i Smaller MBO Plan

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc and 3i NPM Smaller MBO Plan in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is less than £15,000,000.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the year amounted to £1,828,398 (1999 restated: £1,597,760) which has been allocated in full to the Partners. Capital losses for the year amounted to £4,791,333 (1999: £1,876,000). This comprises capital losses of £3,581,333 which have been taken to the other unrealised reserve and capital losses of £1,210,000 which have been allocated to the Partners. In addition, tax credits of £60,375 (1999: £139,325) have been allocated to the Partners.

During the year the Partnership invested £11,929,011 in 15 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £100,000,020 (1999: £50,000,020). Partners' Commitments were increased by £50,000,000 on 1 November 1999. At 31 March 2000 £42,682,117 (1999: £31,401,523) of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Smaller MBO Plan

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 19(H) of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP

30/5/ 2000

3i Smaller MBO Plan

AUDITORS' REPORT

To the Partners of 3i Smaller MBO Plan

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

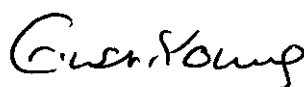
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 11 March 1997, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i Smaller MBO Plan

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Net income for the year		1,828,398	1,597,760
Net capital result for the year		(4,791,333)	(1,876,000)
Movement on unrealised exchange reserve	6	(10,641)	-
Total recognised gains and losses relating to the year		<u>(2,973,576)</u>	<u>(278,240)</u>

3i Smaller MBO Plan

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Income			
Income received from fixed asset investments			
Dividends - unlisted		495,791	624,239
Interest - unlisted		1,290,576	913,350
Fee income		5,601	8,947
		<u>1,791,968</u>	<u>1,546,536</u>
Other Income			
Interest received on short term deposits		36,679	51,346
		<u>1,828,647</u>	<u>1,597,882</u>
Total operating income before administrative expenses			
Administrative expenses		(249)	(122)
		<u>1,828,398</u>	<u>1,597,760</u>
Net income for the year	2		
Capital			
Proceeds		-	-
Cost of investments sold		(1,210,000)	(1,876,000)
		<u>(1,210,000)</u>	<u>(1,876,000)</u>
Loss on disposal		(1,210,000)	(1,876,000)
Movement in provision against investments	3	(3,581,333)	-
		<u>(4,791,333)</u>	<u>(1,876,000)</u>
Net capital result for the year			
		<u>(2,962,935)</u>	<u>(278,240)</u>
Total net result for the year			
Dividend tax credits	1(b)	60,375	139,325
Transfer to other unrealised reserve	6	3,581,333	-
		<u>678,773</u>	<u>(138,915)</u>
Allocation for the year to Partners' accounts	5		

3i Smaller MBO Plan

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	34,764,581	28,292,103
Current assets			
Debtors	4	60,196	59,235
Money market deposits with banks		-	500,149
Cash at bank		301,439	478,462
Net current assets		<u>361,635</u>	<u>1,037,846</u>
Total assets less current liabilities		<u><u>35,126,216</u></u>	<u><u>29,329,949</u></u>
 Partners' accounts			
Capital contribution accounts	5	5,020	5,020
Loan accounts	5	39,128,404	29,636,618
Capital accounts	5	(415,234)	(311,689)
Profit share accounts	5	-	-
		<u>38,718,190</u>	<u>29,329,949</u>
Other reserves	6	(3,591,974)	-
Total Partners' funds	7	<u><u>35,126,216</u></u>	<u><u>29,329,949</u></u>

For and on behalf of 3i plc

 Director

30/5/ 2000

3i Smaller MBO Plan

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Operating activities			
Dividends and loan investment interest received		1,532,952	1,354,951
Interest received on short term deposits		36,679	51,346
Fee income		5,601	8,947
Administrative expenses		(249)	(122)
Net cash inflow from operating activities	8 (a)	<u>1,574,983</u>	<u>1,415,122</u>
Return on investments and servicing of finance			
Distributions to Partners		(650,409)	(368,698)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(11,939,652)	(12,773,470)
Sale, repayment or redemption of fixed asset investments		665,200	540,000
Net cash outflow from capital expenditure and financial investment		<u>(11,274,452)</u>	<u>(12,233,470)</u>
Management of liquid resources			
Net movement in money market deposits with banks		500,149	300,474
Net cash outflow before financing		<u>(9,849,729)</u>	<u>(10,886,572)</u>
Financing			
Drawdowns from Partners	8 (b)	11,280,594	12,198,470
Loan repayments	8 (b)	(1,607,888)	(1,471,505)
Net cash inflow from financing		<u>9,672,706</u>	<u>10,726,965</u>
Decrease in cash	8 (c)	<u>(177,023)</u>	<u>(159,607)</u>

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

However, in accordance with the Partnership Agreement, allocations to Partners are deemed to be gross of attributable tax credits. Therefore, tax credits on dividends received during the year have been added back to the result for the year in determining the allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than sterling are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

2. Net income for the year

If an accruals basis of accounting for income had been adopted the net income for the year would have been £1,840,089 (1999 as restated: £1,866,351).

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	2,191,069	18,082,177	8,018,857	28,292,103
Additions	1,014,442	10,646,846	267,723	11,929,011
Repayments and disposals	(68,308)	(765,000)	(1,041,892)	(1,875,200)
At 31 March 2000	<u>3,137,203</u>	<u>27,964,023</u>	<u>7,244,688</u>	<u>38,345,914</u>
Amounts provided				
At 1 April 1999	-	-	-	-
Provided during the year (note 6)	(348,375)	(2,991,458)	(241,500)	(3,581,333)
At 31 March 2000	<u>(348,375)</u>	<u>(2,991,458)</u>	<u>(241,500)</u>	<u>(3,581,333)</u>
Net book value				
At 31 March 2000	<u>2,788,828</u>	<u>24,972,565</u>	<u>7,003,188</u>	<u>34,764,581</u>
At 31 March 1999	<u>2,191,069</u>	<u>18,082,177</u>	<u>8,018,857</u>	<u>28,292,103</u>

In addition to the above investments, the Partnership has committed to provide a further £361,667 to investee companies subject to certain conditions.

4. Debtors

	2000 £	1999 £
Tax credits awaiting distribution	<u>60,196</u>	<u>59,235</u>

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Profit share accounts £	Total £
At 1 April 1999	5,020	29,636,618	(311,689)	-	29,329,949
Net drawdowns	-	11,280,594	-	-	11,280,594
Allocation of net income	-	-	1,106,455	782,318	1,888,773
Allocation of net capital losses	-	-	(1,210,000)	-	(1,210,000)
Distributions of cash	-	(1,607,888)	-	(650,409)	(2,258,297)
Distributions of tax	-	(180,920)	-	(131,909)	(312,829)
Movement in Partners' accounts	-	9,491,786	(103,545)	-	9,388,241
At 31 March 2000	5,020	39,128,404	(415,234)	-	38,718,190

6. Other reserves

	Unrealised exchange reserve £	Other unrealised reserve £	Total £
At 1 April 1999	-	-	-
Movement in the year	(10,641)	(3,581,333)	(3,591,974)
At 31 March 2000	(10,641)	(3,581,333)	(3,591,974)

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

7. Reconciliation of movements in Partners' funds

	2000	1999
	£	£
At 1 April	29,329,949	19,411,430
Movement in Partners' accounts (note 5)	9,388,241	9,918,519
Movement on other reserves (note 6)	(3,591,974)	-
At 31 March	35,126,216	29,329,949

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities

	2000	1999
	£	as restated £
Net income for the year	1,828,398	1,597,760
Income tax	(253,415)	(182,638)
Net cash inflow from operating activities	1,574,983	1,415,122

(b) Analysis of changes in financing during the year

	Partners' loan accounts 2000 £	Partners' loan accounts 1999 £
At 1 April	29,636,618	19,120,185
Loan repayments	(1,607,888)	(1,471,505)
Drawdowns	11,280,594	12,198,470
Non-cash movements	(180,920)	(210,532)
At 31 March	39,128,404	29,636,618

3i Smaller MBO Plan

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	2000	1999
	£	£
Decrease in cash in the year	(177,023)	(159,607)
Cash inflow from debt financing	(9,672,706)	(10,726,965)
Decrease in money market deposits with banks	(500,149)	(300,474)
Change in net debt from cash flows	(10,349,878)	(11,187,046)
Non-cash movements	180,920	210,532
Movement in net debt in the year	(10,168,958)	(10,976,514)
Net debt at start of year	(28,658,007)	(17,681,493)
Net debt at end of year	(38,826,965)	(28,658,007)

(d) Analysis of net debt	1 April 1999	Cash flow	Non-cash changes	31 March 2000
	£	£	£	£
Cash	478,462	(177,023)	-	301,439
Money market deposits with banks	500,149	(500,149)	-	-
Partners' loan accounts	(29,636,618)	(9,672,706)	180,920	(39,128,404)
	(28,658,007)	(10,349,878)	180,920	(38,826,965)

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

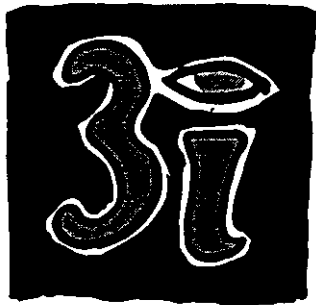
10. Related parties

Details of transactions with the Partners are provided in note 5.

TREASURY MEMBERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Parallel Ventures LP

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i Parallel Ventures LP

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest alongside 3i Group plc and 3i UKIP II LP in a portfolio of UK based Management Buy Out / Buy In transactions where the total funding requirement is more than £15,000,000.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the year amounted to £3,508,557 (1999 as restated: £1,387,823) which has been allocated in full to the Partners. Capital profits earned in the year amounted to £20,258,489 (1999: £988,104). This comprises capital losses of £1,087,949 which have been taken to the other unrealised reserve and capital profits of £21,346,438 which have been allocated to the Partners.

During the year the Partnership invested £37,443,442 in 26 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to £250,000,020 (1999: £250,000,020). At 31 March 2000 £127,533,512 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 5 to the accounts.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Parallel Ventures LP

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

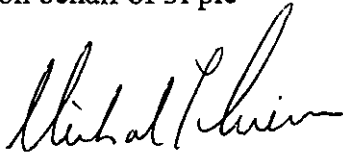
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 19(J) of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP

30/5/2000

3i Parallel Ventures LP

AUDITORS' REPORT

To the Partners of 3i Parallel Ventures LP

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

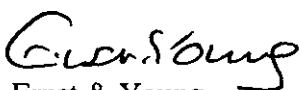
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 24 October 1997, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i Parallel Ventures LP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 £	1999 as restated £
Net income for the year		3,508,557	1,387,823
Net capital profits for the year		20,258,489	988,104
Movement on unrealised exchange reserve	6	43,302	76,522
Total recognised gains and losses relating to the year		<u>23,810,348</u>	<u>2,452,449</u>

3i Parallel Ventures LP

INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

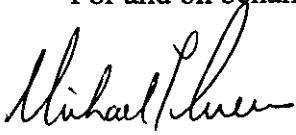
Income	Notes	2000 £	1999 as restated £
Income received from fixed asset investments			
Dividends - unlisted		552,009	131,407
Interest - unlisted		2,833,397	1,234,840
		<u>3,385,406</u>	<u>1,366,247</u>
Other Income			
Interest received on short term deposits		132,404	136,168
		<u>3,517,810</u>	<u>1,502,415</u>
Total operating income before administrative expenses			
Administrative expenses		(9,253)	(114,592)
		<u>3,508,557</u>	<u>1,387,823</u>
Net income for the year	2		
Capital profits			
Proceeds		33,930,788	6,825,462
Cost of investments sold		(12,587,752)	(2,060,140)
Profit/(loss) on syndication of investments		3,402	(10,868)
		<u>21,346,438</u>	<u>4,754,454</u>
Profit on disposals			
Movement in provision against investments	3	(1,087,949)	(3,766,350)
		<u>20,258,489</u>	<u>988,104</u>
Net capital profits for the year			
		<u>23,767,046</u>	<u>2,375,927</u>
Total net result for the year			
Dividend tax credits	1(b)	14,112	22,415
Transfer to other unrealised reserve	6	1,087,949	3,766,350
		<u>24,869,107</u>	<u>6,164,692</u>
Allocation for the year to Partners' accounts	5		

3i Parallel Ventures LP

BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	3	103,879,586	84,911,299
Current assets			
Debtors	4	121,610	133,394
Money market deposits with banks		1,000,294	1,300,000
Cash at bank		203,140	125,186
		<u>1,325,044</u>	<u>1,558,580</u>
Creditors: amounts falling due within one year			
Accruals		(8,079)	(49,206)
Net current assets		<u>1,316,965</u>	<u>1,509,374</u>
Net assets		<u>105,196,551</u>	<u>86,420,673</u>
Partners' accounts			
Capital contribution accounts	5	5,020	5,020
Loan accounts	5	83,843,767	84,832,613
Capital accounts	5	24,868,997	4,577,660
Profit share accounts	5	1,213,242	695,208
		<u>109,931,026</u>	<u>90,110,501</u>
Other reserves	6	(4,734,475)	(3,689,828)
Total Partners' funds	7	<u>105,196,551</u>	<u>86,420,673</u>

For and on behalf of 3i plc

 Director
30/5/ 2000

3i Parallel Ventures LP

CASH FLOW STATEMENT

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Operating activities			
Dividends and loan investment interest received		2,455,888	1,120,215
Interest received on short term deposits		132,404	136,168
Administrative expenses		(22,041)	(70,386)
Net cash inflow from operating activities	8 (a)	<u>2,566,251</u>	<u>1,185,997</u>
Return on investments and servicing of finance			
Distributions to Partners		(1,131,217)	(506,072)
Drawings on account of tax distribution		31,631	(31,631)
Net cash outflow from return on investments and servicing of finance		<u>(1,099,586)</u>	<u>(537,703)</u>
Capital expenditure and financial investment			
Purchase of fixed asset investments		(37,079,544)	(52,219,347)
Acquisition expenses		-	(20,800)
Sale, repayment or redemption of fixed asset investments		10,960,191	6,825,462
Net cash outflow from capital expenditure and financial investment		<u>(26,119,353)</u>	<u>(45,414,685)</u>
Management of liquid resources			
Net movement in money market deposits with banks		299,706	(1,300,000)
Net cash outflow before financing		<u>(24,352,982)</u>	<u>(46,066,391)</u>
Financing			
Drawdowns from Partners	8 (b)	36,662,231	52,087,869
Loan repayments	8 (b)	(12,231,295)	(5,966,222)
Net cash inflow from financing		<u>24,430,936</u>	<u>46,121,647</u>
Increase in cash	8 (c)	<u>77,954</u>	<u>55,256</u>

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Basis of preparation

The Partnership has adopted Financial Reporting Standard 16 'Current Tax' (FRS 16) for the year to 31 March 2000. This gives rise to a change in accounting policy. Dividends received from UK companies no longer include attributable dividend tax credits. In accordance with accounting standards comparative figures for dividend income have been restated to reflect this change.

The Partnership Agreement was changed to reflect the requirements of FRS 16 with effect from 1 July 1999. Prior to that date, allocations to Partners were deemed to be gross of attributable tax credits. Therefore tax credits on dividends received up to 30 June 1999 have been added back to the result for the year in determining allocations to Partners' accounts.

c) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

d) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2.

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than sterling are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

2. Net income for the year	2000	1999
	£	£
This is stated after charging:		
Auditors' remuneration	7,400	7,050
	<u>7,400</u>	<u>7,050</u>

If an accruals basis of accounting for income had been adopted the net income for the year would have been £4,913,276 (1999: £1,950,799).

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity Shares £	Loans £	Fixed Income Shares £	Total £
Cost				
At 1 April 1999	18,384,975	61,346,379	8,946,295	88,677,649
Currency translation	11,767	6,300	25,235	43,302
Additions net of syndications	2,095,692	34,304,726	1,043,024	37,443,442
Repayments and disposals	(8,934,452)	(8,496,056)	-	(17,430,508)
Transfers	3,229,999	(3,229,999)	-	-
At 31 March 2000	<u>14,787,981</u>	<u>83,931,350</u>	<u>10,014,554</u>	<u>108,733,885</u>
Amounts provided				
At 1 April 1999	(113,050)	(3,653,300)	-	(3,766,350)
Provided during the year (note 6)	(3,324,049)	2,236,100	-	(1,087,949)
At 31 March 2000	<u>(3,437,099)</u>	<u>(1,417,200)</u>	<u>-</u>	<u>(4,854,299)</u>
Net book value				
At 31 March 2000	<u>11,350,882</u>	<u>82,514,150</u>	<u>10,014,554</u>	<u>103,879,586</u>
At 31 March 1999	<u>18,271,925</u>	<u>57,693,079</u>	<u>8,946,295</u>	<u>84,911,299</u>

In addition to the above investments, the Partnership has committed to provide up to a further £1,445,700 to investee companies subject to certain conditions.

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

4. Debtors

	2000 £	1999 £
Tax credits awaiting distribution	121,610	101,763
Drawings on account of tax distribution	-	31,631
	<u>121,610</u>	<u>133,394</u>

5. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Capital accounts £	Profit share accounts £	Total £
At 1 April 1999	5,020	84,832,613	4,577,660	695,208	90,110,501
Net drawdowns	-	36,662,231	-	-	36,662,231
Allocation of net income and net capital profits	-	-	20,291,337	4,577,770	24,869,107
Distributions in-specie	-	(25,153,082)	-	(2,635,334)	(27,788,416)
Distributions of cash	-	(12,231,295)	-	(1,131,217)	(13,362,512)
Distributions of tax	-	(266,700)	-	(293,185)	(559,885)
Movement in Partners' accounts	-	(988,846)	20,291,337	518,034	19,820,525
At 31 March 2000	<u>5,020</u>	<u>83,843,767</u>	<u>24,868,997</u>	<u>1,213,242</u>	<u>109,931,026</u>

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

6. Other reserves

	Unrealised exchange reserve £	Other unrealised reserve £	Total £
At 1 April 1999	76,522	(3,766,350)	(3,689,828)
Movement in the year	43,302	(1,087,949)	(1,044,647)
At 31 March 2000	119,824	(4,854,299)	(4,734,475)

7. Reconciliation of movements in Partners' funds

	2000 £	1999 £
At 1 April	86,420,673	38,503,910
Movement in Partners' accounts (note 5)	19,820,525	51,606,591
Movement on other reserves (note 6)	(1,044,647)	(3,689,828)
At 31 March	105,196,551	86,420,673

8. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000 £	1999 as restated £
Net income for the year	3,508,557	1,387,823
Income tax	(565,620)	(246,032)
(Decrease)/increase in creditors relating to operating activities	(12,788)	44,206
Non-cash income	(363,898)	-
Net cash inflow from operating activities	2,566,251	1,185,997

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(b) Analysis of changes in financing during the year	Partners'	Partners'
	loan	loan
	accounts	accounts
	2000	1999
	£	£
At 1 April	84,832,613	38,778,392
Loan repayments	(12,231,295)	(5,966,222)
Drawdowns	36,662,231	52,087,869
Non-cash movements	(25,419,782)	(67,426)
At 31 March	<u>83,843,767</u>	<u>84,832,613</u>
 (c) Reconciliation of net cash flow to net debt		
	2000	1999
	£	£
Increase in cash in the year	77,954	55,256
Cash inflow from debt financing	(24,430,936)	(46,121,647)
(Decrease)/increase in money market deposits with banks	(299,706)	1,300,000
Change in net debt from cash flows	<u>(24,652,688)</u>	<u>(44,766,391)</u>
Non-cash movements	25,419,782	67,426
Movement in net debt in the year	767,094	(44,698,965)
Net debt at start of year	<u>(83,407,427)</u>	<u>(38,708,462)</u>
Net debt at end of year	<u>(82,640,333)</u>	<u>(83,407,427)</u>

3i Parallel Ventures LP

NOTES TO THE ACCOUNTS CONTINUED

8. Notes to the cash flow statement continued

(d) Analysis of net debt	1 April 1999 £	Cash flow £	Non-cash changes £	31 March 2000 £
Cash	125,186	77,954	-	203,140
Money market deposits with banks	1,300,000	(299,706)	-	1,000,294
Partners' loan accounts	(84,832,613)	(24,430,936)	25,419,782	(83,843,767)
	<u>(83,407,427)</u>	<u>(24,652,688)</u>	<u>25,419,782</u>	<u>(82,640,333)</u>

9. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

10. Related parties

Details of transactions with the Partners are provided in note 5.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Europartners II LP

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 March 2000



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3i Europartners II LP

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership and subsidiary undertakings for the year ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership and subsidiary undertakings is to invest in a diversified portfolio of predominantly unquoted investments in Continental Europe, primarily in Benelux, Germany, Italy and Spain.

The Partnership is no longer investing other than in follow-on financing. The Manager continues to realise individual investments in appropriate circumstances.

Results

The net income for the year amounted to €5,123,922 (1999: €3,129,502) which has been allocated in full to the Partners. Capital profits earned in the year amounted to €1,877,789 (1999: €388,507). This comprises capital losses of €4,423,881 which have been taken to the other unrealised reserve and capital profits of €6,301,670 which have been allocated to the Partners.

During the year the Partnership and subsidiary undertakings invested €76,730,801 in 28 businesses. A summary of movements on investments is given in note 4 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to €228,440,903 (1999: €237,953,233). At 31 March 2000 €205,387,243 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 7 to the accounts. Investors in the Partnership also have Commitments to a French entity which makes investments in France. Subscriptions to this entity reduce Commitments to the Partnership.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial year. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Europartners II LP

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and subsidiary undertakings and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 21.10 of the Partnership Agreement.

For and on behalf of 3i plc



Director

Registered Office:
91 Waterloo Road
London SE1 8XP

30/5/2000

3i Europartners II LP

AUDITORS' REPORT

To the Partners of 3i Europartners II LP

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

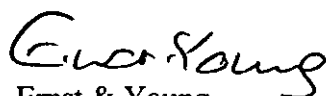
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 9 June 1997, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAR 2000

3i Europartners II LP

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2000

	Notes	2000 €	1999 €
Net income for the year		5,123,922	3,129,502
Net capital profits for the year	.	1,877,789	388,507
Movement on unrealised exchange reserve	8	43,084	1,149,374
Total recognised gains and losses relating to the year		<u>7,044,795</u>	<u>4,667,383</u>

3i Europartners II LP

CONSOLIDATED INCOME AND CAPITAL PROFITS for the year ended 31 March 2000

	Notes	2000 €	1999 €
Income			
Income received from fixed asset investments			
Dividends - unlisted		2,079,147	327,434
Interest - unlisted		2,742,664	1,680,947
Other investment income		-	438,973
		<hr/>	<hr/>
		4,821,811	2,447,354
Other income			
Interest received on short term deposits		511,358	673,076
Interest received from Partners admitted after First Closing		-	367,127
		<hr/>	<hr/>
Total operating income before administrative expenses		5,333,169	3,487,557
Administrative expenses		(209,247)	(358,055)
		<hr/>	<hr/>
Net income for the year	2	5,123,922	3,129,502
		<hr/>	<hr/>
Capital profits			
Proceeds		24,336,902	119,608
Cost of investments sold		(17,920,384)	(88,298)
Acquisition expenses		(253,268)	168,942
Exchange gains		138,420	188,255
Movement in provision against investments	4	(4,423,881)	-
		<hr/>	<hr/>
Net capital profits for the year		1,877,789	388,507
		<hr/>	<hr/>
Total net result for the year		7,001,711	3,518,009
Transfer to other unrealised reserve	8	4,423,881	-
		<hr/>	<hr/>
Allocation for the year to Partners' accounts	7	11,425,592	3,518,009
		<hr/> <hr/>	<hr/> <hr/>

3i Europartners II LP

CONSOLIDATED BALANCE SHEET as at 31 March 2000

	Notes	2000 €	1999 €
Fixed assets			
Investments	4	177,880,996	133,755,272
Current assets			
Debtors	5	458,628	15,951,191
Money market deposits with banks		4,890,000	-
Cash at bank		1,307,639	26,673,500
		<u>6,656,267</u>	<u>42,624,691</u>
Creditors: amounts falling due within one year	6	<u>(167,583)</u>	<u>(84,966)</u>
Net current assets		<u>6,488,684</u>	<u>42,539,725</u>
Net assets		<u>184,369,680</u>	<u>176,294,997</u>
Partners' accounts			
Capital contribution accounts	7	32,281	32,281
Loan accounts	7	185,798,969	182,779,292
Profit accounts	7	2,242,150	(1,122,858)
		<u>188,073,400</u>	<u>181,688,715</u>
Other reserves	8	(3,703,720)	677,077
Loan to General Partner	9	-	(6,070,795)
Total Partners' funds		<u>184,369,680</u>	<u>176,294,997</u>

For and on behalf of 3i plc

30/5/

Director
2000

3i Europartners II LP

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2000

	Notes	2000 €	1999 €
Operating activities			
Dividends and loan investment interest received		4,371,784	1,952,893
Interest received on short term deposits		511,358	673,076
Interest received from Partners admitted after First Closing		-	367,127
Other investment income		-	438,973
Administrative expenses		(21,233)	(646,893)
Net cash inflow from operating activities	11 (a)	<u>4,861,909</u>	<u>2,785,176</u>
Return on investments and servicing of finance			
Distributions to Partners		(1,928,064)	(2,379,655)
Increase in loan to General Partner		-	(1,986,482)
Net cash outflow from return on investments and servicing of finance		<u>(1,928,064)</u>	<u>(4,366,137)</u>
Capital expenditure and financial investment			
Purchase of fixed asset investments		(76,666,176)	(100,564,500)
Amounts advanced on uncompleted investments		15,889,466	(15,889,466)
Acquisition expenses		(309,182)	(210,032)
Sale, repayment or redemption of fixed asset investments		34,656,509	1,294,103
Net cash outflow from capital expenditure and financial investment		<u>(26,429,383)</u>	<u>(115,369,895)</u>
Management of liquid resources			
Net movement in money market deposits with banks		(4,890,000)	6,935,934
Net cash outflow before financing		<u>(28,385,538)</u>	<u>(110,014,922)</u>
Financing			
Drawdowns from Partners - Capital contribution	11 (b)	-	3,000
- Loan	11 (b)	22,575,700	136,501,000
Loan repayments	11 (b)	(19,556,023)	-
Net cash inflow from financing		<u>3,019,677</u>	<u>136,504,000</u>
(Decrease)/increase in cash	11 (c)	<u>(25,365,861)</u>	<u>26,489,078</u>

3i Europartners II LP

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

The Partnership balance sheet has not been prepared as this is not materially different to that of the Partnership and subsidiary undertakings. Details of investments in subsidiary undertakings is shown in note 14. No separate income and capital profits is presented for the Partnership as permitted by section 230 of the Companies Act 1985.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the year. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2. Dividends and interest income are stated gross of associated overseas withholding tax.

d) Currency translation

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than Euros are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Investment Expenses

Expenses incurred in connection with investments which complete during the year are written off immediately as a capital loss to the Partners' profit accounts. Those expenses relating to ongoing investments, not yet completed, are carried forward in the balance sheet as deferred expenditure. Expenses incurred in connection with approved investment proposals which have been withdrawn or rejected during the year are charged to the income account.

f) Loan to General Partner

To the extent that there is insufficient net income or capital gains to allocate against the General Partner's drawings, the balance of the drawings takes the form of an interest free loan. This loan is not recoverable from the General Partner other than by future allocations of net income or capital gains in accordance with the Partnership Agreement. Such allocations will have priority over allocations to other Partners.

2. Net income for the year

	2000	1999
	€	€
This is stated after charging:		
Auditors' remuneration	11,476	12,962

If an accruals basis of accounting for income had been adopted the net income for the year would have been €6,998,876 (1999: €3,617,416).

3. Income and capital profits of the Partnership

The total net result for the year for the Partnership was €7,001,711 (1999: €3,518,009). Total Partners' Funds for the Partnership at 31 March 2000 were €184,369,680, as detailed in notes 7 and 8.

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

4. Investments

	Equity shares €	Loans €	Fixed income shares €	Total €
Cost				
At 1 April 1999	82,860,776	49,010,323	1,884,173	133,755,272
Retranslation adjustment	28,117	12,781	-	40,898
Additions	41,037,667	34,395,323	1,297,811	76,730,801
Repayments and disposals	(17,920,384)	(10,301,710)	-	(28,222,094)
Transfers	2,295,649	(2,295,649)	-	-
At 31 March 2000	108,301,825	70,821,068	3,181,984	182,304,877
Amounts provided				
At 1 April 1999	-	-	-	-
Provided during the year	(3,522,363)	(901,518)	-	(4,423,881)
At 31 March 2000	(3,522,363)	(901,518)	-	(4,423,881)
Net book value				
At 31 March 2000	104,779,462	69,919,550	3,181,984	177,880,996
At 31 March 1999	82,860,776	49,010,323	1,884,173	133,755,272

In addition to the above investments, the Partnership has committed to provide up to a further €3,100,000 to investee companies subject to certain conditions.

Investments with a cost of €20,554,265 (Equity shares: €2,963,508; Loans: €16,292,946; Fixed income shares: €1,297,811) are held by subsidiary undertakings. The subsidiary undertakings are Issue Investment NV and Meadsbay Holding NV as shown in note 14, which are wholly owned by the Partnership. The cost of investment by the Partnership in the subsidiary undertakings is €20,554,265.

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

5. Debtors

	2000	1999
	€	€
Other debtors	458,628	61,725
Amounts advanced on uncompleted investments	-	15,889,466
	<u>458,628</u>	<u>15,951,191</u>

6. Creditors: amounts falling due within one year

	2000	1999
	€	€
Other creditors	94,064	84,389
Accruals	73,519	577
	<u>167,583</u>	<u>84,966</u>

7. Partners' accounts

	Capital contribution accounts €	Loan accounts €	Profit accounts €	Total €
At 1 April 1999	32,281	182,779,292	(1,122,858)	181,688,715
Net drawdowns	-	22,575,700	-	22,575,700
Allocation of net income and net capital profits	-	-	11,425,592	11,425,592
Distributions of cash	-	(19,556,023)	(1,928,064)	(21,484,087)
Distributions of tax	-	-	(61,725)	(61,725)
Transfer from loan to General Partner (note 9)	-	-	(6,070,795)	(6,070,795)
Movement in Partners' accounts	<u>-</u>	<u>3,019,677</u>	<u>3,365,008</u>	<u>6,384,685</u>
At 31 March 2000	<u>32,281</u>	<u>185,798,969</u>	<u>2,242,150</u>	<u>188,073,400</u>

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

8. Other reserves

	Unrealised exchange reserve €	Other unrealised reserve €	Total €
At 1 April 1999	677,077	-	677,077
Movement in the year	43,084	(4,423,881)	(4,380,797)
At 31 March 2000	<u>720,161</u>	<u>(4,423,881)</u>	<u>(3,703,720)</u>

9. Loan to General Partner

	€
At 1 April 1999	6,070,795
Transfer to Partners' profit accounts (note 7)	(6,070,795)
At 31 March 2000	<u>-</u>

10. Reconciliation of movements in Partners' funds

	2000 €	1999 €
At 1 April	176,294,997	66,309,708
Movement in Partners' accounts (note 7)	6,384,685	110,249,737
Movement on other reserves (note 8)	(4,380,797)	1,149,374
Movement in loan to General Partner (note 9)	6,070,795	(1,413,822)
At 31 March	<u>184,369,680</u>	<u>176,294,997</u>

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

11. Notes to the cash flow statement

(a) Reconciliation of net income for the year to net cash inflow from operating activities	2000	1999
	€	€
Net income for the year	5,123,922	3,129,502
Increase/(decrease) in creditors relating to operating activities	110,959	(580,914)
(Increase)/decrease in debtors relating to operating activities	(396,903)	255,895
Exchange losses/(gains)	23,931	(19,307)
	<hr/>	<hr/>
Net cash inflow from operating activities	4,861,909	2,785,176
	<hr/> <hr/>	<hr/> <hr/>
(b) Analysis of changes in financing during the year	Partners'	Partners'
	loan	loan
	accounts	accounts
	2000	1999
	€	€
At 1 April	182,779,292	73,098,249
Drawdowns	22,575,700	136,501,000
Loan repayments	(19,556,023)	-
Non-cash movements	-	(26,819,957)
	<hr/>	<hr/>
At 31 March	185,798,969	182,779,292
	<hr/> <hr/>	<hr/> <hr/>

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

11. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	2000	1999
	€	€
(Decrease)/increase in cash in year	(25,365,861)	26,489,078
Increase/(decrease) in money market deposits with banks	4,890,000	(6,935,934)
Cash inflow from debt financing	(3,019,677)	(136,501,000)
	<hr/>	<hr/>
Change in net debt from cash flows	(23,495,538)	(116,947,856)
Non-cash movements	-	26,819,957
	<hr/>	<hr/>
Movement in net debt in the year	(23,495,538)	(90,127,899)
Net debt at start of year	(156,105,792)	(65,977,893)
	<hr/>	<hr/>
Net debt at end of year	(179,601,330)	(156,105,792)
	<hr/>	<hr/>

(d) Analysis of net debt	1 April	Cash	31 March
	1999	flow	2000
	€	€	€
Cash	26,673,500	(25,365,861)	1,307,639
Money market deposits with banks	-	4,890,000	4,890,000
Partners' loan accounts	(182,779,292)	(3,019,677)	(185,798,969)
	<hr/>	<hr/>	<hr/>
	(156,105,792)	(23,495,538)	(179,601,330)
	<hr/>	<hr/>	<hr/>

12. Taxation

No provision for taxation has been made. The Partnership has no liability to taxation as any taxation arising on the income and gains of the Partnership is payable by the individual Partners. The subsidiary undertakings have incurred tax losses during the year.

13. Related parties

Details of transactions with the Partners are provided in note 7.

3i Europartners II LP

NOTES TO THE ACCOUNTS CONTINUED

14. Subsidiary undertakings

Name	Principal Activity	Registered Office	Nature of Investment
Issue Investment NV	Holding Company	Kaya W.F.G. (Jombi) Mensing 36 Curaçao Netherlands Antilles	14,219 shares of NLG 1 Loan of NLG 34,985,781
Meadsbay Holding NV	Holding Company	Kaya W.F.G. (Jombi) Mensing 36 Curaçao Netherlands Antilles	14,219 shares of NLG 1 Loan of NLG 10,281,420

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Europartners IIIA LP

ANNUAL REPORT AND ACCOUNTS
for the period ended 31 March 2000



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3i Europartners IIIA LP

MANAGER'S REPORT

3i Europartners IIIA LP was established on 19 July 1999. The Manager presents the first report and the accounts of the Partnership for the 37 week period ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest in a diversified portfolio of predominantly unquoted investments in the United Kingdom and Continental Europe, primarily in Benelux, Germany, Italy, Spain and Switzerland.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the period amounted to €167,959 which has been allocated in full to the Partners. Capital profits earned in the period amounted to €830,282 have also been allocated in full to the Partners.

During the period the Partnership invested €51,529,941 in 14 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to €700,558,335. At 31 March 2000 €79,200,000 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 6 to the accounts. Investors in the Partnership also have Commitments to a French entity which makes investments in France. Subscriptions to this entity reduce Commitments to the Partnership.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial period. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Europartners IIIA LP

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

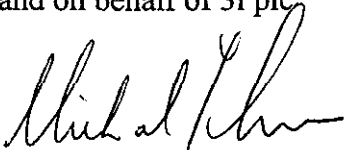
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 21.10 of the Partnership Agreement.

For and on behalf of 3i plc



Director

Registered Office:

91 Waterloo Road

London SE1 8XP

30/5/ 2000

3i Europartners IIIA LP

AUDITORS' REPORT

To the Partners of 3i Europartners IIIA LP

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 19 July 1999, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the period then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i Europartners IIIA LP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 March 2000

	Notes	19 July 1999 to 31 March 2000 €
Net income for the period		167,959
Net capital profits for the period		830,282
Movement on unrealised exchange reserve	7	52,340
Total recognised gains and losses relating to the period		<u>1,050,581</u>

3i Europartners IIIA LP

INCOME AND CAPITAL PROFITS for the period ended 31 March 2000

	Notes	19 July 1999 to 31 March 2000 €
Income		
Income received from fixed asset investments		
Interest - unlisted		72,707
		<hr/>
		72,707
Other income		
Interest received on short term deposits		347,815
Interest received from Partners admitted after First Closing		125,733
		<hr/>
Total operating income before administrative expenses		546,255
Administrative expenses		(378,296)
		<hr/>
Net income for the period	2	167,959
		<hr/>
Capital profits		
Proceeds		1,098,745
Cost of investments sold		(268,463)
		<hr/>
Net capital profits for the period		830,282
		<hr/>
Total net result for the period for allocation to Partners' accounts	6	998,241
		<hr/> <hr/>

3i Europartners IIIA LP

BALANCE SHEET as at 31 March 2000

	Notes	€
Fixed assets		
Investments	3	51,261,478
Current assets		
Debtors	4	199,228
Money market deposits with banks		23,912,196
Cash at bank		38,539
		24,149,963
Creditors: amounts falling due within one year	5	(41,159)
Net current assets		24,108,804
Net assets		75,370,282
Partners' accounts		
Capital contribution accounts	6	850
Loan accounts	6	79,199,280
Profit accounts	6	830,282
		80,030,412
Unrealised exchange reserve	7	52,340
Loan to General Partners	8	(4,712,470)
Total Partners' funds		75,370,282

For and on behalf of 3i plc

 Director

30/5/ 2000

3i Europartners IIIA LP

CASH FLOW STATEMENT

for the period ended 31 March 2000

	Notes	19 July 1999 to 31 March 2000 €
Operating activities		
Dividends and loan investment interest received		71,477
Interest received on short term deposits		347,815
Interest received from Partners admitted after First Closing		125,733
Administrative expenses		(356,757)
Net cash inflow from operating activities	10 (a)	<u>188,268</u>
Return on investments and servicing of finance		
Distributions to Partners		(167,959)
Increase in loan to General Partners		(4,712,470)
Net cash outflow from return on investments and servicing of finance		<u>(4,880,429)</u>
Capital expenditure and financial investment		
Purchase of fixed asset investments		(51,655,979)
Sale, repayment or redemption of fixed asset investments		1,098,745
Net cash outflow from capital expenditure and financial investment		<u>(50,557,234)</u>
Management of liquid resources		
Net movement in money market deposits with banks		(23,912,196)
Net cash outflow before financing		<u>(79,161,591)</u>
Financing		
Drawdowns from Partners - Capital contribution	10 (b)	850
- Loan	10 (b)	79,199,280
Net cash inflow from financing		<u>79,200,130</u>
Increase in cash	10 (c)	<u><u>38,539</u></u>

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the period. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2. Dividends and interest income are stated gross of associated overseas withholding tax.

d) Currency

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than Euros are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

3i Europartners IIIA LP

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Investment Expenses

Expenses incurred in connection with investments which complete during the year are carried forward in the balance sheet in the cost of investment assets.

Expenses incurred in connection with investment proposals which do not proceed to completion are charged to the income account.

f) Loan to General Partners

To the extent that there is insufficient net income to allocate against the General Partners' drawings, the balance of the drawings takes the form of an interest free loan. This loan is not recoverable from the General Partners other than by future allocations of net income in accordance with the Partnership Agreement. Such allocations will have priority over allocations to other Partners.

2. Net income for the period

19 July 1999
to 31 March
2000
€

This is stated after charging:
Auditors' remuneration

15,604

If an accruals basis of accounting for income had been adopted the net income for the period would have been €339,090.

3i Europartners IIIA LP

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity shares €	Loans €	Total €
Cost			
At 19 July 1999	-	-	-
Additions	22,574,008	28,955,933	51,529,941
Repayments and disposals	(268,463)	-	(268,463)
Transfers	14,422,502	(14,422,502)	-
At 31 March 2000	<u>36,728,047</u>	<u>14,533,431</u>	<u>51,261,478</u>

In addition to the above investments, the Partnership has committed to provide up to a further €4,596,531 to investee companies subject to certain conditions.

4. Debtors

	€
Other debtors	<u>199,228</u>
	<u>199,228</u>

5. Creditors: amounts falling due within one year

	€
Accruals	<u>41,159</u>
	<u>41,159</u>

3i Europartners IIIA LP

NOTES TO THE ACCOUNTS CONTINUED

6. Partners' accounts

	Capital contribution accounts €	Loan accounts €	Profit accounts €	Total €
At 19 July 1999	-	-	-	-
Net drawdowns	850	79,199,280	-	79,200,130
Allocation of net income and net capital profits	-	-	998,241	998,241
Distributions of cash	-	-	(167,959)	(167,959)
	<hr/>	<hr/>	<hr/>	<hr/>
Movement in Partners' accounts	850	79,199,280	830,282	80,030,412
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	850	79,199,280	830,282	80,030,412
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7. Unrealised exchange reserve

	€
At 19 July 1999	-
Movement in the period	52,340
	<hr/>
At 31 March 2000	52,340
	<hr/> <hr/>

8. Loan to General Partners

	€
At 19 July 1999	-
Cash paid in period	4,712,470
	<hr/>
At 31 March 2000	4,712,470
	<hr/> <hr/>

3i Europartners IIIA LP

NOTES TO THE ACCOUNTS CONTINUED

9. Reconciliation of movements in Partners' funds

	€
At 19 July 1999	-
Movement in Partners' accounts (note 6)	80,030,412
Movement in unrealised exchange reserve (note 7)	52,340
Movement in loan to General Partners (note 8)	(4,712,470)
	<hr/>
At 31 March 2000	75,370,282
	<hr/> <hr/>

10. Notes to the cash flow statement

(a) Reconciliation of net income for the period to net cash inflow from operating activities

19 July 1999
to 31 March
2000
€

Net income for the period	167,959
Increase in creditors relating to operating activities	41,159
Increase in debtors relating to operating activities	(20,850)
	<hr/>
Net cash inflow from operating activities	188,268
	<hr/> <hr/>

(b) Analysis of changes in financing during the period

	Partners' capital contribution accounts €	Partners' loan accounts €
At 19 July 1999	-	-
Drawdowns	850	79,199,280
	<hr/>	<hr/>
At 31 March 2000	850	79,199,280
	<hr/> <hr/>	<hr/> <hr/>

3i Europartners IIIA LP

NOTES TO THE ACCOUNTS CONTINUED

10. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	19 July 1999 to 31 March 2000 €
Increase in cash in period	38,539
Increase in money market deposits with banks	23,912,196
Cash inflow from debt financing	(79,199,280)
	<hr/>
Movement in net debt in the period	(55,248,545)
Net debt at start of period	-
	<hr/>
Net debt at end of period	(55,248,545)
	<hr/> <hr/>

(d) Analysis of net debt	19 July 1999 €	Cash flow €	31 March 2000 €
Cash	-	38,539	38,539
Money market deposits with banks	-	23,912,196	23,912,196
Partners' loan accounts	-	(79,199,280)	(79,199,280)
	<hr/>	<hr/>	<hr/>
	-	(55,248,545)	(55,248,545)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

12. Related parties

Details of transactions with the Partners are provided in note 6.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Europartners IIB LP

ANNUAL REPORT AND ACCOUNTS
for the period ended 31 March 2000



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3i Europartners IIIB LP

MANAGER'S REPORT

3i Europartners IIIB LP was established on 19 July 1999. The Manager presents the first report and the accounts of the Partnership for the 37 week period ended 31 March 2000.

Activities and future prospects

The principal activity of the Partnership is to invest in a diversified portfolio of predominantly unquoted investments in the United Kingdom and Continental Europe, primarily in Benelux, Germany, Italy, Spain and Switzerland.

The Manager does not foresee any future changes in the activity of the Partnership.

Results

The net income for the period amounted to €38,089 which has been allocated in full to the Partners. Capital profits earned in the period amounted to €317,119 have also been allocated in full to the Partners.

During the period the Partnership invested €19,676,118 in 14 businesses. A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

At 31 March 2000 Partners' Commitments to subscribe capital and loan amounted to €267,574,257. At 31 March 2000 €30,249,989 of Partners' Commitments had been drawn down. A summary of movements in Partners' accounts is given in note 6 to the accounts. Investors in the Partnership also have Commitments to a French entity which makes investments in France. Subscriptions to this entity reduce Commitments to the Partnership.

Manager

3i plc continues to manage and operate the Partnership and to manage its investment portfolio.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial period. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Europartners IIB LP

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 21.10 of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP
30/5/ 2000

3i Europartners IIIB LP

AUDITORS' REPORT

To the Partners of 3i Europartners IIIB LP

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

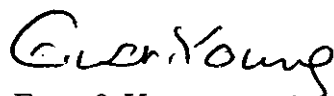
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 19 July 1999, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the period then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

30 MAY 2000

3i Europartners IIB LP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 March 2000

	Notes	19 July 1999 to 31 March 2000 €
Net income for the period		38,089
Net capital profits for the period		317,119
Movement on unrealised exchange reserve	7	<u>20,002</u>
Total recognised gains and losses relating to the period		<u><u>375,210</u></u>

3i Europartners IIIB LP

INCOME AND CAPITAL PROFITS for the period ended 31 March 2000

	Notes	19 July 1999 to 31 March 2000 €
Income		
Income received from fixed asset investments		
Interest - unlisted		27,300
		<hr/>
		27,300
Other income		
Interest received on short term deposits		158,693
		<hr/>
Total operating income before administrative expenses		185,993
Administrative expenses		(147,904)
		<hr/>
Net income for the period	2	38,089
		<hr/>
Capital profits		
Proceeds		419,655
Cost of investments sold		(102,536)
		<hr/>
Net capital profits for the period		317,119
		<hr/>
Total net result for the period for allocation to Partners' accounts	6	355,208
		<hr/> <hr/>

3i Europartners IIB LP

BALANCE SHEET as at 31 March 2000

	Notes	€
Fixed assets		
Investments	3	19,573,582
Current assets		
Debtors	4	7,493
Money market deposits with banks		9,332,445
Cash at bank		41,766
		9,381,704
Creditors: amounts falling due within one year	5	(194,099)
Net current assets		9,187,605
Net assets		28,761,187
Partners' accounts		
Capital contribution accounts	6	315
Loan accounts	6	30,249,714
Profit accounts	6	317,119
		30,567,148
Unrealised exchange reserve	7	20,002
Loan to General Partners	8	(1,825,963)
Total Partners' funds		28,761,187

For and on behalf of 3i plc

 Director

30/5/ 2000

3i Europartners IIB LP

CASH FLOW STATEMENT

for the period ended 31 March 2000

		19 July 1999 to 31 March 2000
	Notes	€
Operating activities		
Dividends and loan investment interest received		27,300
Interest received on short term deposits		158,693
Administrative expenses		(139,676)
Net cash inflow from operating activities	10 (a)	<u>46,317</u>
Return on investments and servicing of finance		
Distributions to Partners		(38,089)
Increase in loan to General Partners		(1,825,963)
Net cash outflow from return on investments and servicing of finance		<u>(1,864,052)</u>
Capital expenditure and financial investment		
Purchase of fixed asset investments		(19,477,738)
Sale, repayment or redemption of fixed asset investments		419,655
Net cash outflow from capital expenditure and financial investment		<u>(19,058,083)</u>
Management of liquid resources		
Net movement in money market deposits with banks		(9,332,445)
Net cash outflow before financing		<u>(30,208,263)</u>
Financing		
Drawdowns from Partners - Capital contribution	10 (b)	315
- Loan	10 (b)	30,249,714
Net cash inflow from financing		<u>30,250,029</u>
Increase in cash	10 (c)	<u><u>41,766</u></u>

3i Europartners IIIB LP

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail or crystallise a loss within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the period. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2. Dividends and interest income are stated gross of associated overseas withholding tax.

d) Currency

Assets, liabilities, income, expenses, capital gains and losses denominated in currencies other than Euros are translated at the rate of exchange prevailing at the balance sheet date.

Exchange adjustments arising on realised transactions are dealt with in the income or capital accounts as appropriate. Other exchange adjustments arising are dealt with through the unrealised exchange reserve.

3i Europartners IIIB LP

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

e) Investment Expenses

Expenses incurred in connection with investments which complete during the year are carried forward in the balance sheet in the cost of investment assets.

Expenses incurred in connection with investment proposals which do not proceed to completion are charged to the income account.

f) Loan to General Partners

To the extent that there is insufficient net income to allocate against the General Partners' drawings, the balance of the drawings takes the form of an interest free loan. This loan is not recoverable from the General Partners other than by future allocations of net income in accordance with the Partnership Agreement. Such allocations will have priority over allocations to other Partners.

2. Net income for the period

19 July 1999
to 31 March
2000
€

This is stated after charging:
Auditors' remuneration

5,960

If an accruals basis of accounting for income had been adopted the net income for the period would have been €103,450.

3i Europartners IIB LP

NOTES TO THE ACCOUNTS CONTINUED

3. Investments

	Equity shares €	Loans €	Total €
Cost			
At 19 July 1999	-	-	-
Additions	8,616,601	11,059,517	19,676,118
Repayments and disposals	(102,536)	-	(102,536)
Transfers	5,508,594	(5,508,594)	-
At 31 March 2000	<u>14,022,659</u>	<u>5,550,923</u>	<u>19,573,582</u>

In addition to the above investments, the Partnership has committed to provide up to a further €1,755,619 to investee companies subject to certain conditions.

4. Debtors

	€
Other debtors	7,493
	<u>7,493</u>

5. Creditors: amounts falling due within one year

	€
Other creditors	178,378
Accruals	15,721
	<u>194,099</u>

3i Europartners IIB LP

NOTES TO THE ACCOUNTS CONTINUED

6. Partners' accounts

	Capital contribution accounts €	Loan accounts €	Profit accounts €	Total €
At 19 July 1999	-	-	-	-
Net drawdowns	315	30,249,714	-	30,250,029
Allocation of net income and net capital profits	-	-	355,208	355,208
Distributions of cash	-	-	(38,089)	(38,089)
Movement in Partners' accounts	315	30,249,714	317,119	30,567,148
At 31 March 2000	315	30,249,714	317,119	30,567,148

7. Unrealised exchange reserve

	€
At 19 July 1999	-
Movement in the period	20,002
At 31 March 2000	20,002

8. Loan to General Partners

	€
At 19 July 1999	-
Cash paid in period	1,825,963
At 31 March 2000	1,825,963

3i Europartners IIB LP

NOTES TO THE ACCOUNTS CONTINUED

9. Reconciliation of movements in Partners' funds

	€
At 19 July 1999	-
Movement in Partners' accounts (note 6)	30,567,148
Movement in unrealised exchange reserve (note 7)	20,002
Movement in loan to General Partners (note 8)	(1,825,963)
	<hr/>
At 31 March 2000	28,761,187
	<hr/> <hr/>

10. Notes to the cash flow statement

(a) Reconciliation of net income for the period to net cash inflow from operating activities

19 July 1999
to 31 March
2000
€

Net income for the period	38,089
Increase in creditors relating to operating activities	15,721
Increase in debtors relating to operating activities	(7,493)
	<hr/>
Net cash inflow from operating activities	46,317
	<hr/> <hr/>

(b) Analysis of changes in financing during the period

	Partners' capital contribution accounts €	Partners' loan accounts €
At 19 July 1999	-	-
Drawdowns	315	30,249,714
	<hr/>	<hr/>
At 31 March 2000	315	30,249,714
	<hr/> <hr/>	<hr/> <hr/>

3i Europartners IIIB LP

NOTES TO THE ACCOUNTS CONTINUED

10. Notes to the cash flow statement continued

(c) Reconciliation of net cash flow to net debt	19 July 1999 to 31 March 2000 €
Increase in cash in period	41,766
Increase in money market deposits with banks	9,332,445
Cash inflow from debt financing	(30,249,714)
	<hr/>
Movement in net debt in the period	(20,875,503)
Net debt at start of period	-
	<hr/>
Net debt at end of period	(20,875,503)
	<hr/> <hr/>

(d) Analysis of net debt	19 July 1999 €	Cash flow €	31 March 2000 €
Cash	-	41,766	41,766
Money market deposits with banks	-	9,332,445	9,332,445
Partners' loan accounts	-	(30,249,714)	(30,249,714)
	<hr/>	<hr/>	<hr/>
	-	(20,875,503)	(20,875,503)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

12. Related parties

Details of transactions with the Partners are provided in note 6.

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 1142830

3i Group Investments LP

ANNUAL REPORT AND ACCOUNTS
for the period ended 31 March 2000



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3i Group Investments LP

MANAGER'S REPORT

The Manager presents the report and the accounts of the Partnership for the period ended 31 March 2000.

Activities

The partnership was registered on 22 September 1999 with 2 partners, namely 3i Group Investments GP Limited, acting as General Partner, and 3i Group plc, acting as Limited Partner. 3i Europartners III Verwaltungs GmbH & Co KG was subsequently admitted as a second General Partner on 24 September 1999. The principal activity of the Partnership is to invest in a diversified portfolio of predominantly unquoted investments in Continental Europe.

Results

The loss for the period amounted to £14,700 which has been allocated in full to the Partners. Capital profits earned in the period amounted to £687,751 have also been allocated in full to the Partners.

A summary of movements on investments is given in note 3 to the accounts.

Partners' interests

A summary of movements in Partners' accounts is given in note 6 to the accounts.

Manager

3i plc is Manager of the Partnership and provides corporate and administrative services. There is no management fee payable to 3i plc. Since its admission as second General Partner, 3i Europartners III Verwaltungs GmbH & Co KG has responsibility for managing the Partnership's assets and investments.

Statement of Manager's responsibilities in respect of the accounts

The Partnership Agreement requires the Manager to prepare accounts for each financial period. Such accounts are to be prepared in accordance with generally accepted accounting practice in the United Kingdom. In preparing those accounts, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

3i Group Investments LP

MANAGER'S REPORT CONTINUED

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable the Manager to ensure that the accounts comply with the Partnership Agreement. The Manager also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

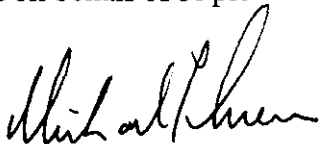
Millennium compliance

The business of the Partnership is effected through the processes and systems operated by the Manager. The work, which was performed over the last three years, has ensured that the Manager's operations did not suffer any business disruption as we entered the new millennium. All costs associated with ensuring that the operations of the Manager were Year 2000 compliant have been borne by the Manager.

Auditors

Ernst & Young remain in office as auditors of the Partnership in accordance with clause 19 of the Partnership Agreement.

For and on behalf of 3i plc



Director
Registered Office:
91 Waterloo Road
London SE1 8XP

22 May 2000

3i Group Investments LP

AUDITORS' REPORT

To the Partners of 3i Group Investments LP

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of the Manager and the auditors

As described on page 2 the Manager is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

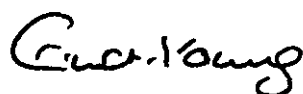
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, and of whether the accounting policies are consistent with the requirements of the agreement between the Partners dated 21 September 1999, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Partnership as at 31 March 2000 and of its results for the period then ended and have been properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Birmingham

22 MAY 2000

3i Group Investments LP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 March 2000

	Notes	22 Sept 1999 to 31 March 2000 £
Net deficit for the period		(14,700)
Net capital result for the period		687,751
Currency translation adjustment	7	(9,955)
Total recognised gains and losses relating to the period		<u><u>663,096</u></u>

3i Group Investments LP

INCOME AND CAPITAL PROFITS for the period ended 31 March 2000

Income	Notes	22 Sept 1999 to 31 March 2000 £
Income received from fixed asset investments		
Interest - unlisted		128,074
		<hr/> 128,074
Other income		
Interest received on short term deposits		908
Interest received from Partners admitted after First Closing		9
		<hr/> 128,991
Total operating income before administrative expenses		128,991
Administrative expenses		(143,691)
		<hr/> (14,700)
Net deficit for the period	2	<hr/> (14,700)
 Capital profits		
Proceeds		959,037
Cost of investments sold		(222,375)
Fees on disposal		(48,911)
		<hr/> 687,751
Net capital result for the period		687,751
Total net result for the period for allocation to Partners' profit accounts	6	<hr/> <hr/> 673,051

3i Group Investments LP

BALANCE SHEET as at 31 March 2000

	Notes	31 March 2000 £
Fixed assets		
Investments	3	<u>49,009,245</u>
Current assets		
Debtors	4	12
Cash at bank		<u>74,122</u>
		74,134
Creditors: amounts falling due within one year	5	<u>(502,000)</u>
Net current liabilities		<u>(427,866)</u>
Total assets less current liabilities		<u><u>48,581,379</u></u>
Partners' accounts		
Capital contribution accounts	6	18
Loan accounts	6	<u>48,420,265</u>
Profit accounts	6	<u>161,096</u>
Total Partners' funds		<u><u>48,581,379</u></u>

For and on behalf of 3i plc

Director

22 May 2000

3i Group Investments LP

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as described below concerning the treatment of income where a true and fair override has been invoked to account for income on a cash received basis.

b) Investment assets

Investment assets are included at the lower of cost and recoverable amount. Where failure has occurred, the cost of the investment is written off and charged against the capital account. Otherwise, where an investment is expected to fail within the next twelve months, a provision against cost is charged against capital profits and taken to the other unrealised reserve.

c) Income recognition

An underlying assumption of the Partnership Agreement is that income would be accounted for in the period when received. In the opinion of the Manager, to adopt an accruals basis of accounting for income would not give a true and fair view of the underlying transactions of the Partnership during the period. Accordingly, income has been accounted for in the period when received. The effect of adopting an accruals basis of accounting for income is shown in note 2. Dividends and interest income are stated gross of associated overseas withholding tax.

d) Currency translation

Foreign currency revenue items, assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date.

Exchange adjustments arising on transactions are dealt with in the income or capital accounts as appropriate.

e) Investment expenses

Expenses incurred in connection with investments which complete during the period are written off immediately as a revenue item to the income account. Those expenses relating to ongoing investments, not yet completed, as well as expenses incurred in connection with approved investment proposals which have been withdrawn or rejected during the period are also charged to the income account.

3i Group Investments LP

NOTES TO THE ACCOUNTS CONTINUED

1. Accounting policies continued

f) Priority profit share

The Partnership is liable to pay a priority share of profit to its General Partners. To the extent that there are insufficient partnership profits to allocate the priority share of profit, an interest free loan is made by the Partnership which is included in debtors. As this loan is discharged out of surplus profits after future allocations, an amount equal to the shortfall is charged to the profit and loss account and included in creditors.

2. Net income for the period

If an accruals basis of accounting for income had been adopted the net income for the period would have been £26,145.

The auditors' remuneration has been borne by a subsidiary undertaking.

3. Investments

Unlisted:	Equity shares £	Loans £	Total £
Cost			
Additions	32,743,544	7,094,635	39,838,179
Transfers	8,301,650	1,091,791	9,393,441
Disposals	(222,375)	-	(222,375)
At 31 March 2000	<u>40,822,819</u>	<u>8,186,426</u>	<u>49,009,245</u>

3i Group Investments LP

NOTES TO THE ACCOUNTS CONTINUED

4. Debtors

	31 March 2000 £
Amounts due from group undertakings	12
	<u>12</u>

5. Creditors: amounts falling due within one year

	31 March 2000 £
Accrued Priority Profit Share	502,000
	<u>502,000</u>

6. Partners' accounts

	Capital contribution accounts £	Loan accounts £	Profit accounts £	Total £
Net drawdowns	18	48,420,265	-	48,420,283
Allocation of net income and net capital profits	-	-	673,051	673,051
Currency translation adjustment	-	-	(9,955)	(9,955)
Priority profit share allocation	-	-	(502,000)	(502,000)
	<u>18</u>	<u>48,420,265</u>	<u>161,096</u>	<u>48,581,379</u>
Movement in Partners' accounts				
Currency translation adjustment				
At 31 March 2000	<u>18</u>	<u>48,420,265</u>	<u>161,096</u>	<u>48,581,379</u>

3i Group Investments LP

NOTES TO THE ACCOUNTS CONTINUED

7. Reconciliation of movements in Partners' funds

22 Sept 1999
to 31 March
2000
£

Movement in Partners' accounts (note 6)	48,591,334
Currency translation adjustment	(9,955)
At 31 March	<u>48,581,379</u>

8. Taxation

No provision for taxation has been made as the Partnership has no liability to taxation. Any taxation arising on the income and gains of the Partnership is payable by the individual Partners.

9. Related parties

Details of transactions with the Partners are provided in note 6. No other disclosures have been made in relation to related parties as required by Financial Reporting Standard (FRS8) as the Partnership has taken advantage of the exemption available to group undertakings.