3i Group plc
Half yearly report 2010
for the six months to 30 September 2010

11 November 2010

Half-year results for the six months to 30 September 2010

"We have transformed the balance sheet, reorganised the business and have moved from organising and planning for growth to starting to deliver it. There is increased momentum throughout the business."
Michael Queen, Chief Executive

Commentary

- Increased momentum throughout the business
- Good portfolio performance
  - Gross portfolio return of 8.7% in first half driven by portfolio earnings growth
- Increased investment of £327 million
- Significant liquidity of £2.1 billion to support new investment
- Three good platforms for growth:
  - Private Equity; Infrastructure; and Debt Management
- Increase in interim dividend to 1.2 pence per share

	Six months to/as at 30 September 2010	Six months to/as at 30 September 2009
Investment activity		
Investment	**£327m**	£190m
Realisations	**£293m**	£507m
Net (investment) / divestment	**£(34)m**	£317m
Returns		
Gross portfolio return	**£307m**	£316m
Gross portfolio return on opening portfolio value	**8.7%**	7.8%[1]
Total return	**£117m**	£81m
Total return on opening shareholders' funds	**3.8%**	3.2%[2]
Dividend per ordinary share	**1.2p**	1.0p
Assets under management		
3i	**£5,513m**	£6,070m
External funds	**£3,791m**	£3,604m
Total assets under management[3]	**£9,304m**	£9,674m
Balance sheet		
3i portfolio value	**£3,679m**	£3,780m
Net debt	**£352m**	£854m
Gearing	**11%**	31%
Net asset value	**£3,161m**	£2,746m
Diluted net asset value per ordinary share	**£3.30**	£2.86

1 Opening portfolio value in 2009 was the weighted average of the opening portfolio value, less the opening portfolio value of 3i's share of 3i Quoted Private Equity plc ("3iQPEP"), plus the value of investments transferred from 3iQPEP to 3i Group plc.
2 Opening shareholders' funds in 2009 was the weighted average of opening shareholders' funds and the equity value following the liquidation of 3i QPEP and the nine for seven rights issue.
3 "Assets under management" was re-defined as at 31 March 2010 and 2009 restated. The new definition is detailed in the Business review.

Notes to editors
3i is an international investor focused on Private Equity, Infrastructure and Debt Management, investing in Europe, Asia and North America. Our competitive advantage comes from our international network and the strength and breadth of our business relationships. These underpin the value that we deliver to our portfolio, shareholders and fund investors. More information is available at: http://www.3i.com.

This Half-yearly report may contain certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

This report has been drawn up and presented for the purposes of complying with English law. Any liability arising out of or in connection with the Half-yearly report for the six months to 30 September 2010 will be determined in accordance with English law. The Half-yearly results for 2010 and 2009 are unaudited.

Chairman’s statement:

“A business with a considerable opportunity”

This is my first report to you as Chairman, after succeeding Sarah Hogg at the Annual General Meeting in July. My first priority has been to deepen my knowledge of the 3i business and to become better acquainted with the team. Fortunately, my background in mergers and acquisitions and in infrastructure, and my involvement as Chairman of a 3i portfolio company, has meant that I have been able to do this from the position of knowing the Company reasonably well beforehand.

The dominant impression I have from my first few months as your Chairman is that 3i is a business with a considerable opportunity in its three areas of focus, Private Equity, Infrastructure and Debt Management. These are highly competitive markets but 3i has a strong brand and offering, excellent market access and the financial strength to build on each of these platforms for growth. I have also found a team with a strong sense of purpose and a high commitment to responsible investing.

It has been a busy time for 3i as we have positioned, organised and started to deliver growth following a very challenging period for the Company and its sector. Good progress has been made in increasing investment, in reducing the volatility of returns and in further lowering operating expenses. Our portfolio has delivered strong growth in earnings, which has underpinned a 3.8% return on opening shareholders’ equity, despite the lower multiples used for valuation. I would like to pay tribute to the boards and management teams of these businesses for their skill in navigating through what have been tough times in most sectors. Building on the momentum in the period we have declared an interim dividend of 1.2p, an increase of 20% and, subject to shareholder approval, it is intended that the balance of the split between the interim and final dividend be maintained.

On taking up her role as chairman of the Financial Reporting Council, Sarah Hogg concluded her time as Chairman of 3i. On behalf of the Board, our shareholders and staff, I would like to thank Sarah for her formidable leadership and for her commitment to ensuring that 3i would emerge from the most testing time in its history in such a strong position. We wish her every success in her new role.

In August, it was announced that our Senior Independent Director, Robert Swannell, would be taking up the chairmanship of Marks and Spencer. Robert, who consequently retired from the 3i Board in October, joined the 3i Board in 2006 and served as our Senior Independent Director from April 2009. Robert’s wise advice and support has been invaluable and we wish him every success at M&S. Robert has been succeeded as Senior Independent Director by Richard Meddings, who has been a Non-executive Director since 2008 and is the Finance Director of Standard Chartered and has deep international experience.

Market conditions and the outlook for our business have improved compared to this time last year. However, a considerable degree of macroeconomic uncertainty remains in many of the regions in which we operate as governments continue to wrestle with the twin challenges of reducing deficits and stimulating growth. It will therefore be important to continue to take a measured approach as we take advantage of opportunities to invest and grow.

Sir Adrian Montague
Chairman
10 November 2010

Chief Executive's statement

"Increased momentum throughout the business."

Our vision

To be recognised as a leading international investor based on:
- the value we add to our portfolio
- the returns we deliver to our investors
- our responsible approach and style of investing

Our values

In all our activities we will:
- be commercial and fair
- respect the needs of shareholders, investors, our people and the companies in which we invest
- maintain our integrity and professionalism
- strive for continual improvement and innovation

Our strategy:

To invest
- in growing companies that fit with our values
- with management teams and entrepreneurs, working with them to deliver their full potential
- in our own people, knowledge and networks

To grow our business
- in areas consistent with our skills
- by strengthening our international network and building our sector capabilities
- with a conservative financial structure accessing multiple sources of capital

To grow our reputation
- as a respected and responsible investor
- by continuing to improve and innovate

To maintain a "One 3i" culture
- with a shared set of values across the Group
- with a consistent approach to the way we do business
- with a commitment to excellence in all our activities

In our Annual report in May, we highlighted the core elements of 3i's strategy, which are set out above. I am pleased to report that we have made progress in each element of our strategy and that our financial performance has further strengthened and there is increased momentum throughout the business.

Market environment

The economies in which we operate have shown a markedly different picture over the first half of our financial year. In Europe and the US, domestic demand has remained subdued. However, India, China and South East Asia, the most important markets for 3i in Asia, have shown strong growth. Growing demand from Asia and South America has also had a further positive effect on the export performance of many industrial and manufacturing companies in Europe and the US. As most of our portfolio companies operate on an international basis, many of our European and US-based investments have benefited from this.

Against this generally improving background, the private equity market has continued to be challenging. European transaction volumes have increased but remain low relative to pre-financial crisis levels. This is perhaps due to a degree of inertia from both corporates and financial sponsors, reflecting their reluctance to sell companies that have suffered during the downturn. Companies that have been sold, like those from the 3i portfolio, have typically been those that have done relatively well through the downturn and have therefore attracted high prices.

Significant capital raised by the private equity industry over the last five years has further increased pricing over what might typically be expected for this stage of the economic cycle. This "overhang" of capital is expected to reduce over the next year; hence our measured and selective approach to investment and our emphasis on increasing momentum on the new investment front.

In Infrastructure, fundamental demand for new and replacement infrastructure in the developing and developed world, combined with our growing reputation in this sector, means that we are well positioned to continue to grow this part of our business.

Performance

Good earnings growth in most of our portfolio companies, combined with a continued strong performance on realisations, has underpinned our short-term financial performance. Many of the boards of our portfolio companies, as with businesses in general, have been faced with some tough decisions in the face of considerable uncertainty over the last few years. The performance in the first half owes much to the quality of the judgements made by these boards and the actions that they have taken in finding growth in developing markets, in cutting costs at the same time as preserving capabilities and in successfully re-engineering their businesses. On behalf of 3i, I would like to thank them for this.

For 3i, high quality new investment is critical to future value growth, both in terms of new portfolio investments and at a strategic level. As we grow our level of investment, we will continue to adopt a measured and highly selective approach. Our focus is on making investments only where we feel that we can make a significant difference to the prospects of the portfolio company. The Trescal and Vedici investments are both good examples of this.

Strategic developments

At a strategic level, the acquisition of the debt management business MIM, from Mizuho, was announced in September, providing the catalyst to form a distinct Debt Management business to build on the success of our existing debt management activity.

We also decided, during the period, to combine our Buyouts and Growth Capital businesses to form a single Private Equity business. We will, of course, respect our commitments to investors in our Buyouts and Growth Capital funds, including those relating to the management of investments. This move is about improving our ability to originate investment opportunities and to add value to our portfolio by placing greater emphasis on our regional, sector, Active Partnership and Business Leaders Network activities.

As a consequence of this reorganisation, Jonathan Russell, formerly the Managing Partner of our Buyouts business, decided that this was the right time for him to close a very successful chapter at 3i. I would like to thank Jonathan for his contribution to 3i over the last 24 years and wish him every success for the future.

We have broadened our senior leadership team with the appointment of three new members, Menno Antal, Alan Giddins and Cressida Hogg. Menno is head of our buyout funds and has geographical responsibility for northern Europe. Alan has responsibility for the UK market and Cressida is the leader of our infrastructure business.

Following the formation of a single Private Equity business, we now have three platforms for growth: Private Equity, Infrastructure and Debt Management. 3i's financial strength, reputation and operating model provide the basis to create value in each of these areas for our shareholders, the investors in our funds, the management teams and employees of the portfolio companies in which we invest and others who benefit from our involvement.

The increase in emphasis of our international network and the various "One 3i" initiatives we have been implementing are intended to reinforce these strengths and to enable us to deliver more value to our portfolio, thereby enhancing our financial performance and reputation as a valued, active and responsible investor.

In closing, I would like to thank you, our shareholders, for your continued support. Since I took over as Chief Executive at the beginning of 2009, we have, with your help, transformed the balance sheet, and have now reorganised the business and begun the move from organising and planning for growth to delivering it.

Michael Queen
Chief Executive
10 November 2010

Business review

The key Group financial performance measures are:

	Six months to 30 September 2010	Six months to 30 September 2009	Year to 31 March 2010
Total return	**3.8%**	3.2%	16.2%
Gross portfolio return	**8.7%**	7.8%	20.9%
Net portfolio return	**6.7%**	5.7%	15.5%
Cost efficiency	**1.7%**	2.0%	4.1%
Operating expenses per AUM	**1.0%**	1.1%	2.3%
Net debt	**£352m**	£854m	£258m
Net asset value per share movement[1]	**£0.11**	£0.07	£0.43

(1) Growth in NAV per share is stated before dividends and other distributions to shareholders and, in respect of the prior year, the rights issue and the 3i QPEP transaction.

Group overview

The Group has made good progress on investment, on returns and in strategic development in the six months to 30 September 2010. With strong earnings growth in the portfolio more than offsetting a fall in the multiples used to value the portfolio, and a further reduction in costs, the Group delivered an improved total return of £117 million (2009: £81 million), representing a 3.8% return on opening shareholders' funds (2009: 3.2%). Assets under management at 30 September 2010 were £9,304 million (2009: £9,674 million).

Table 1: **Realisations and investments**

	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Year to 31 March 2010 £m
Realisations	**293**	507	1,385
Investments	**(327)**	(190)	(386)
Net (investment)/divestment	**(34)**	317	999

On 27 September 2010, 3i announced that it had reached agreement with Mizuho Corporate Bank, Ltd. ("MHCB") to acquire Mizuho Investment Management (UK) Limited ("MIM") for consideration of £18.3 million. MIM is one of Europe's leading debt management businesses, with assets under management ("AUM") of £3.7 billion (March 2010). Completion is subject to MIM investor consent and 3i obtaining regulatory approval from the UK FSA, and is expected in January 2011.

This acquisition, combined with the development of 3i's own debt management activity, provided the catalyst for the formation of a distinct Debt Management business line. The creation of a combined "Private Equity" business, consisting of 3i's existing Buyouts and Growth Capital business lines, means that 3i now has three platforms for growth: Private Equity, Infrastructure and Debt Management.

The market

The macroeconomic environment across 3i's markets has shown some improvement from a year ago. Statistics from Dealogic's M&A review, published on 1 October 2010, show that the value of global mergers and acquisitions for the first nine months of 2010 was 22% higher than for the same period in 2009. However, there is still a degree of uncertainty about the outlook in many economies and sectors.

European private equity activity has reflected this. Preliminary quarterly data from unquote", published in October 2010, stated that transactions totalling €24 billion were completed during the three months to September 2010. This was the highest quarterly value figure recorded since the second quarter of 2008 and more than 80% of the value of all deals completed during the whole of 2009. However, deal volume in the third quarter was the lowest for more than a year and 22% lower than in the second quarter of 2010.

According to the same source, the mid-market buyouts segment, which is the one of most relevance to 3i, saw volume and value in the third quarter fall by 15% and 18%. Competition and pricing levels remained high, reflecting the overhang of capital in the market.

The European growth capital market followed a similar pattern, with total volume and value of investments for the first nine months of 2010 substantially ahead of that in 2009. The value of third quarter investment, despite 31% lower volume than in the previous quarter, was the highest since the second quarter in 2008 due to a number of large transactions. In Asia and the US, growth capital markets remain competitive and highly fragmented.

The fundraising environment for private equity during the first nine months of 2010 improved compared to 2009, although it still remains challenging.

The market environment for infrastructure investment also improved in the first six months of the financial year, and transaction volumes increased. This was due in part to a narrowing of the gap between public market valuations and private market pricing expectations, but also to an improvement in the availability and terms of debt finance, in particular for core infrastructure assets.

Factors driving the European and North American infrastructure deal flow include public sector budget constraints, the disposal of non-core infrastructure assets held by financial institutions and corporates, the emergence of a cyclical recovery and the use of infrastructure spending as an economic stimulus tool. In India, the opportunity will continue to be driven by strong economic fundamentals and the growing requirement for significant new infrastructure development.

Portfolio

The value of the portfolio at 30 September 2010 was £3,679 million (31 March 2010: £3,517 million), reflecting positive earnings growth during calendar year 2010, which more than offset lower earnings multiples.

Private Equity - Buyouts and Growth Capital

Aggregate earnings across the Buyouts portfolio grew by 8% between March and September and aggregate earnings across the Growth Capital portfolio grew by 7%. Within this, we have seen a strong performance from portfolio companies in the General Industrial sector, whilst some companies operating in service focused industries have seen slower growth.

Buyouts portfolio health continued to improve with 71% of the assets by cost classified as healthy at 30 September 2010, compared to 65% at 31 March 2010 and 60% at 30 September 2009. Leverage levels in the Buyouts portfolio have reduced from 4.5x at 31 March 2010 to 4.3x at 30 September 2010. In the Growth Capital portfolio, 70% of assets by cost were classified as healthy at 30 September 2010 compared to 74% at 31 March 2010.

We continue to develop the value of our portfolio through a combination of Active Partnership initiatives to target earnings growth and further investments into the existing portfolio to support buy and build strategies.

Infrastructure

3i's Infrastructure investment principally comprises its 33.1% holding in 3i Infrastructure plc and its US$250 million commitment to the 3i India Infrastructure Fund.

At 30 September 2010, 3i Infrastructure plc, which is advised by 3i, had investments in 14 assets spanning the social infrastructure, utilities and transportation sectors. 3i Infrastructure plc reported a total return of £31.1 million for the six months to 30 September, representing a return of 3.4% on shareholders' equity through a combination of strong income generation from underlying assets and stable operational performance. Since the period end, 3i Infrastructure plc announced the signing of an investment of up to £176 million in Eversholt Rail Group, one of the three leading rail rolling stock companies in the UK.

Of 3i's US$250 million commitment to the US$1.2 billion 3i India Infrastructure Fund, US$121.1 million had been drawn down at 30 September 2010. The Fund comprised three assets at 30 September 2010, each of which has delivered operational progress in the period. Since the period end, the Fund has completed an investment of US$182 million in GVK Energy, an asset in the power generation sector of which 3i Group's share is US$38.1 million.

Investment and Realisations

Investment

Table 2: **Investment by type** (£m) for the six months to 30 September 2010

	£m
New investment	58
Acquisition finance	15
Purchase of portfolio debt instruments	110
Restructuring	8
Capitalised interest[1]	95
Other	41
Total	327

1 Includes PIK notes.

Table 3: **Investment by business line** (£m) for the six months to 30 September 2010

	£m
Buyouts	306
Growth Capital	21
Infrastructure	-
Non-core activities	-
Total	327

Table 4: **Investment by geography** (£m) for the six months to 30 September 2010

	£m
UK	147
Continental Europe	174
Asia	3
North America	3
Rest of World	-
Total	327

Total investment in the six months to September 2010 was £327 million (2009: £190 million). The increase reflected some improvement in the pipeline for new investment, as well as the Group's continuing focus on supporting the development and growth of portfolio companies. Despite the increase, 3i continued its measured and selective approach in the face of continuing market uncertainty and high pricing.

Table 2 illustrates the split of total investment in the six months by nature of investment. The £58 million new investment in the period was in two Buyouts, £35 million in Vedici Groupe, a French acute healthcare provider, and £23 million in Trescal, a European leader in calibration and measurement service solutions. £15 million was invested in existing portfolio companies to support development and growth through acquisition, and £95 million of investment was in the form of capitalised interest. A further £110 million reflected investment in the debt instruments of two portfolio companies, Eltel and Enterprise, which were purchased at a discount. Restructuring investment of only £8 million reflected the general good health of the portfolio. Finally, other investment of £41 million included £21 million investment from within the Debt Warehouse.

Table 3 shows investment by business line, the significant majority of which (£306 million of the £327 million) was in Buyouts and included the new investments in Vedici and Trescal and portfolio debt instrument purchases (£110 million). Growth Capital investment of £21 million was all further investment in the existing portfolio.

The high proportion of Buyouts investment in the period is reflected in the geographic split of investment summarised in Table 4, with investment in the UK and Continental Europe at £321 million, representing 98% of the total.

In addition to 3i's own balance sheet investment, a further £252 million was invested on behalf of our managed and advised funds, of which £251 million was for Buyouts funds.

Realisations

Table 5: **Realisations by business line** (£m) for the six months to 30 September 2010

	£m
Buyouts	169
Growth Capital	68
Infrastructure	1
Non-core activities	55
Total	293

Table 6: **Realisations by geography** (£m) for the six months to 30 September 2010

	£m
UK	194
Continental Europe	97
Asia	1
North America	1
Rest of World	-
Total	293

Table 7: **Realisations by type** (£m) for the six months to 30 September 2010

	£m
Trade sales	154
Secondaries	15
Sale of quoted investments	1
Loan repayments	11
Other	112
Total	293

Proceeds from realisations in the six months to 30 September 2010 at £293 million (2009: £507 million) were lower than last year but at a higher uplift to opening value of 11% (2009: 3%).

As can be seen from Table 5, Buyouts generated the largest level of realisations at £169 million, of which £121 million related to the partial realisation of Inspicio. The next largest Buyouts realisation was Panreac Química S.A., which generated £29 million of proceeds. Growth Capital realisations of £68 million included the sales of Kneip and Dirickx Groupe S.A.

Non-core realisations of £55 million comprised £10 million from the Venture Portfolio and £45 million from SMI. As a result, the non-core portfolio value represents less than 4% of total portfolio value at 30 September 2010 (31 March 2010: 4.7%).

Table 6 shows the geographic split of realisations. Almost all the realisations of £293 million were in the UK and Continental Europe, including the largest three realisations of the year, Inspicio, Panreac Química S.A. and Kneip.

Returns

Table 8: **Total return**

	For the six months to 30 September 2010 £m	For the six months to 30 September 2009 £m	For the year to 31 March 2010 £m
Realised profits over value on disposal of investments	**30**	13	218
Unrealised profits on revaluation of investments	**196**	227	458
Portfolio income			
Dividends	**23**	22	59
Income from loans and receivables	**57**	54	110
Fees receivable/(payable)	**1**	-	(2)
Gross portfolio return	**307**	316	843
Fees receivable from external funds	**30**	28	59
Carried interest receivable from external funds	**19**	(2)	30
Carried interest and performance fees payable	**(31)**	(2)	(88)
Operating expenses	**(89)**	(108)	(221)
Net portfolio return	**236**	232	623
Net interest payable	**(72)**	(55)	(112)
Movement in the fair value of derivatives	**(8)**	8	9
Net foreign exchange movements	**(29)**	(66)	(35)
Pension/actuarial loss	**(7)**	(36)	(71)
Other (including taxes)	**(3)**	(2)	(7)
Total comprehensive income ("Total return")	**117**	81	407

The Group generated a total return for the six months to 30 September 2010 of £117 million (2009: £81 million), which represented a 3.8% return over opening shareholders' funds. The primary contributor to the return was gross portfolio return of £307 million, reflecting value growth of £196 million, portfolio income of £81 million and realised profits of £30 million. Aggregate core portfolio company earnings used for valuations improved by 8% in the six months, although the impact was partially offset by a reduction in earnings multiples, due to the fall in quoted equity multiples during the period. This is in contrast to the six months to 30 September 2009, where portfolio company earnings reduced, although multiples rose strongly, leading to value growth of £227 million.

Operating expenses, at £89 million, were £19 million lower than the same period last year, although net interest payable increased to £72 million (2009: £55 million). Finally, total return included an adverse currency movement of £29 million (2009: £66 million) in the period and an IAS 19 pensions charge of £7 million (2009: £36 million).

Gross portfolio return

Table 9: **Gross Portfolio Return by business line**

	Gross portfolio return		Return as % of opening portfolio value	
	2010	2009	**2010**	2009
for the six months to 30 September	**£m**	£m	**%**	%
Buyouts	**135**	132	**8.4**	8.9
Growth Capital	**112**	159	**8.4**	9.3
Infrastructure	**31**	57	**7.6**	15.4
Non-core activities	**29**	(32)	**17.6**	(6.9)
Gross portfolio return	**307**	316	**8.7**	7.8

Gross portfolio return for the six months to 30 September 2010 totalled £307 million (2009: £316 million), an 8.7% return on opening portfolio value. All business lines generated a positive return in the period.

The Buyouts gross portfolio return for the period of £135 million (2009: £132 million) represented an 8.4% (2009: 8.9%) return on opening portfolio value. It comprised unrealised value growth of £84 million (2009: £53 million), portfolio income of £41 million (2009: £40 million) and realised profits of £10 million (2009: £39 million). The improvement in value growth reflected the increase in portfolio company earnings. However, the lower gross portfolio return was due to the reduction in realised profits.

Growth Capital gross portfolio return for the six months of £112 million (2009: £159 million) represented an 8.4% (2009: 9.3%) return on opening portfolio value and comprised unrealised value growth of £86 million (2009: £132 million), portfolio income of £28 million (2009: £22 million) and a realised loss of £2 million (2009: £5 million profit). Portfolio company earnings used for valuation increased in the six months to September 2010, driving a £164 million value growth increase (2009: £(64) million). However, a reduction in earnings multiples generated a £67 million negative value movement in the six months to September 2010 (2009: £219 million value growth), leading to an overall reduction in value growth year on year from £132 million to £86 million.

Infrastructure gross portfolio return for the period of £31 million (2009: £57 million) comprised value growth of £22 million and portfolio income of £9 million. Value growth in the period related to the increase in the share price of 3i Infrastructure plc (“3iN”), which drove an £11 million increase in the period (2009: £47 million), together with an £11 million increase in the value of the 3i India Infrastructure Fund.

Non-core gross portfolio return for the period of £29 million (2009: £(32) million) comprised realised profits of £22 million, unrealised value growth of £4 million and portfolio income of £3 million. The increase in returns reflected a £53 million improvement in realised profits from the realised loss of £31 million in the prior year.

Realised profits

Realised profits of £30 million represented an 11% uplift on opening portfolio value (2009: 3%). Table 10 shows that the realised profit comprised £8 million from the core portfolio (at a 3% uplift to opening value) and £22 million from the non-core portfolio (at a 67% uplift to opening value).

Table 10: **Realised profits by business line**

	For the six months to 30 September 2010 £m	For the six months to 30 September 2009 £m
Buyouts	**10**	39
Growth Capital	**(2)**	5
Infrastructure	**-**	-
Core	**8**	44
Non-core	**22**	(31)
Total	**30**	13
% uplift on opening portfolio value	**11%**	3%

Unrealised value movements

The unrealised value movement was £196 million for the six months to 30 September 2010 (2009: £227 million). This reflected the impact of an improvement in portfolio company earnings, partially offset by the reduction in earnings multiples.

The first half of the year saw an improvement of 8% in earnings used to value the core portfolio. This improvement in trading built on the 5% increase in valuation earnings in the six months to 31 March 2010 and generated value growth of £273 million.

Over the six months to September 2010, earnings multiples used for valuation reduced by 5%, consistent with the movements in comparable sector and geographic market multiples, and leading to a negative value movement of £71 million.

Table 11 shows an analysis of portfolio value by valuation basis at 30 September 2010.

Table 11: **Proportion of portfolio value by valuation basis** (%) as at 30 September 2010

	2010 %
Earnings	**68**
Imminent sale	**6**
Net assets	**1**
Quoted	**9**
Other	**16**

Table 12: **Unrealised profits/(losses) on revaluation of investments**

	For the six months to 30 September 2010 £m	For the six months to 30 September 2009 £m	For the year to 31 March 2010 £m
Earnings and multiples based valuations			
Equity - Earnings multiples	**(71)**	464	536
- Earnings	**273**	(322)	(171)
Loans - Impairments (earnings basis)	**(42)**	2	76
Market adjustment	**-**	(40)	(8)
Other bases			
Provisions	**(40)**	(27)	(24)
Uplift to imminent sale	**66**	1	(28)
Loans – Impairments (other basis)	**(26)**	52	16
Other movements on unquoted investments	**29**	(11)	(16)
Quoted portfolio	**7**	108	77
Total	**196**	227	458

Impact of earnings multiple movements

Equity markets were highly volatile during the six months to 30 September 2010, however returns on the major European indices remained close to zero at the end of the period. Multiples used in the valuations process reduced by 5% in the period, broadly in line with comparable sector and geographic market multiples.

The average EBITDA multiple used to value Buyouts investments on an earnings basis was 8.9x pre-marketability discount (March 2010: 9.1x). In the Growth Capital portfolio, the average EBITDA multiple used to value investments was 9.4x pre discount, a 9% decrease from the 10.3x used at 31 March 2010.

Earnings movements

When valuing a portfolio investment on an earnings basis, the earnings used are the latest management accounts data for the last 12 months, unless the data from the forecast is lower or a lower figure from the latest audited accounts provides a more reliable picture of performance. The mix of earnings used to 30 September 2010 was 6% audited accounts (2009: 22%), 85% management accounts (2009: 39%), and 9% current year forecast accounts (2009: 39%). The reduction in the number of valuations using forecast earnings reflected an improvement in forward-looking earnings, and is consistent with an improvement in portfolio performance.

The aggregate 8% recovery in earnings in the six months to 30 September led to value growth of £273 million. A number of assets, particularly in the General Industrial sector, saw significant increases in earnings.

Loan impairments

Where the attributable enterprise value of a portfolio company is less than the carrying value of 3i's shareholder loans, the shortfall recognised is classified as an impairment. Impairments for the six months totalled £(68) million (2009: £54 million reversal), of which £(42) million related to assets valued on an earnings basis.

Imminent sale

Imminent sale includes all assets currently in a negotiated sale process. There were seven assets valued on an imminent sales basis at 30 September 2010, with the associated value growth totalling £66 million. The largest value increase related to the sale of MWM GmbH (£44 million), which was signed on 22 October but is not expected to complete until later in the financial year.

Provisions

A provision is recognised where we anticipate that there is a 50% or greater chance that a company may fail within the next 12 months. Provisions on four assets totalled £40 million (2009: £27 million) or 1.1% of opening portfolio value, for the six months to 30 September 2010.

Other movements on unquoted investments

The 'other' category includes a number of assets valued using different valuation bases such as Discounted Cash Flow (DCF), sum of parts (where different divisions are valued on a different basis), or other industry specific methods.

Quoted portfolio

Total quoted equity movement for the six months to 30 September 2010 was £7 million (2009: £108 million). The Group's investment in 3i Infrastructure plc accounts for 97% of the quoted portfolio, and a 3.8p increase in the 3i Infrastructure plc share price led to an £11 million increase in value.

Portfolio income

Portfolio income of £81 million (2009: £76 million) comprised interest receivable on loans of £57 million (2009: £54 million) and dividends of £23 million (2009: £22 million). As a proportion of interest receivable continues to be capitalised, total income received as cash in the period was £29 million.

Debt Warehouse

During the period, the Debt Warehouse generated realised profits of £5 million and portfolio income of £4 million. The agreement to acquire MIM was announced on 27 September and the acquisition is not expected to complete until January 2011, so has no impact on these results.

Net portfolio return

Fees receivable from external funds

Fees receivable from external funds of £30 million for the six months to 30 September 2010 (2009: £28 million) comprised £18 million of fees from our managed Buyouts funds, £9 million receivable from advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund, and £3 million from the Growth Capital Fund. The increase in fee income from the prior year reflected the launch of the Growth Capital Fund on 25 March 2010.

Net carried interest and performance fees payable

Carried interest payable is intended to align the incentives of 3i's investment staff with the interests of 3i's shareholders, its fund investors and the management teams in 3i's portfolio. Carried interest payable is accrued on the realised and unrealised profits generated, taking relevant performance hurdles into account. Net carried interest in the six months to 30 September 2010 was £12 million payable (2009: £4 million payable), in line with the increase in portfolio value.

Operating expenses

Table 13: **Operating expenses/AUM and cost efficiency** for the six months to 30 September

	2010 **£m**	2009 £m
Operating expenses	**89**	108
Fees receivable from external funds[1]	**(30)**	(29)
Net operating expenses	**59**	79
Operating expenses/AUM	**1.0%**	1.1%
Cost efficiency (Net operating expenses/opening portfolio)	**1.7%**	2.0%

1 Excluding performance fees from 3i Infrastructure plc.

Operating expenses, at £89 million for the six months, were down 18% from the same period last year (2009: £108 million). Headcount reduced from 537 at 30 September 2009 to 488 at 31 March 2010 and to 469 at 30 September 2010, driving a 15% reduction in employment costs. The disposal of non-core activities and lower restructuring costs also contributed to the year-on-year reduction.

As can be seen from Table 13, this reduction and the increase in fees from external funds meant that both cost efficiency and the new operating expenses per AUM performance measure improved to 1.7% and 1.0% respectively.

Total return

Net interest payable

Net interest payable for the six months to 30 September 2010 was £72 million (2009: £55 million). Interest payable increased to £79 million (2009: £61 million) and includes accelerated amortisation of £8 million relating to the repurchase and cancellation of the convertible bond. The average level of cash and deposits increased during the period, although the continued low interest rate environment resulted in only a small increase in interest receivable to £7 million (2009: £6 million).

Exchange movements

The Group's policy during the period was to use only core currency borrowings to hedge the portfolio. As a result, debt hedging ratios at 30 September 2010 were 57% of European and Nordic euro and krona denominated portfolios and 36% of the North American and Asian US dollar portfolios. The foreign exchange charge of £29 million in the six months (2009: £66 million) was driven by the strengthening of sterling against both the US dollar and the euro. The Board has recently decided to extend the hedging policy to include the use of derivative contracts of a value up to 30% of the corresponding US dollar and euro portfolio value. Implementation of this extension will be phased throughout the second half of the year.

Pensions

A charge of £7 million in the period relates to the Group's UK-defined benefit pension scheme. A fall in long-term corporate bond yields has reduced the discount factor used to determine the present value of the scheme's liabilities, thereby increasing the deficit under IAS 19. However, this was partially offset by the impacts of both improved bond returns in the period, which led to an increase in the value of the plan's assets, and a reduction in the long-term inflation rate.

Discussions with the Pension Trustees have commenced regarding the 2010 triennial funding valuation.

Portfolio value and assets under management

Assets under management

Table 14: **Assets under management**

	Business line	% invested at 30 September 2010	Residual cost	AUM 30 September 2010	AUM 31 March 2010
Active investing managed funds					
3i Eurofund V	Buyouts	62%	n/a	€5,000m	€5,000m
3i India Infrastructure Fund	Infrastructure	42%	n/a	\$945m[1]	\$945m[1]
3i Growth Capital Fund	Growth Capital	35%	n/a	€1,192m	€1,192m
Active investing advised funds					
3i Infrastructure plc	Infrastructure	n/a	n/a	£937m[2]	£928m[2]
Invested managed funds					
3i Eurofund III	Buyouts/Growth Capital	91%	€98m	€98m	€96m
3i Eurofund IV	Buyouts	96%	€627m	€627m	€640m
Other invested funds	Various	Various	£324m	£324m	£364m
Other assets					
3i-owned (non-fund)	Buyouts		£103m	£103m	£93m
	Growth Capital		£1,107m	£1,107m	£1,269m
	Infrastructure		£1m	£1m	£1m
	Non-core		£134m	£134m	£168m
Total AUM				£9,304m	£9,633m

1. Adjusted to reflect 3i Infrastructure plc's \$250 million commitment to the Fund.
2. Based on latest published NAV (ex-dividend).

The definition of assets under management (AUM) was updated at 31 March 2010 to align the measurement of AUM with market practice by including the cost of 3i's as well as external commitments, together with portfolio assets at cost. This change is now possible as each business line has made commitments to invest in or alongside the managed funds. The new AUM definition underpins the introduction of a new cost metric, operating expenses/AUM, also in line with market practice.

The reduction in assets under management to £9,304 million at 30 September 2010 (31 March 2010: £9,633 million), primarily reflected the impact of the strengthening of sterling against both the euro and the US dollar on the sterling value of non-sterling assets under management, together with the impact of realisations during the period.

Portfolio assets directly owned by the Group

Table 15: **Portfolio value movement by business line**

	Opening portfolio value 1 April 2010 £m	Investment £m	Opening value realised £m	Value movement £m	Other £m	**Closing portfolio value 30 September 2010 £m**
Core business lines						
Buyouts	1,614	306	(159)	84	(60)	**1,785**
Growth Capital	1,331	21	(70)	86	(31)	**1,337**
Infrastructure	407	-	(1)	22	(4)	**424**
	3,352	327	(230)	192	(95)	**3,546**
Non-core activities	165	-	(33)	4	(3)	**133**
Total	3,517	327	(263)	196	(98)	**3,679**

The value of assets directly owned by the Group increased from £3,517 million at 31 March 2010 to £3,679 million at 30 September 2010. Investments, realisations and value movements are discussed elsewhere in this report. The other movements relate primarily to foreign exchange and movements in capitalised interest.

Table 16: **3i direct portfolio value by geography**

	As at 30 September 2010 £m	As at 30 September 2009 £m	As at 31 March 2010 £m
Continental Europe	**1,625**	1,462	1,381
UK	**1,286**	1,504	1,327
Asia	**508**	468	509
North America	**253**	339	294
Rest of World	**7**	7	6
Total	**3,679**	3,780	3,517

Table 17: **3i direct portfolio value by sector**

	As at 30 September 2010 £m	As at 30 September 2009 £m	As at 31 March 2010 £m
Business Services	**681**	717	694
Consumer	**322**	312	303
Financial Services	**329**	352	335
General Industrial	**1,225**	837	1,020
Healthcare	**414**	637	427
Media	**144**	173	177
Oil, Gas and Power	**61**	98	71
Technology	**79**	289	83
	3,255	3,415	3,110
Infrastructure	**424**	365	407
Total	**3,679**	3,780	3,517

As can be seen from Tables 16 and 17, 3i continues to have a well diversified portfolio by geographic region and sector. The changes to the geographic and sector mix in the period were minimal. The increase in value of the Continental Europe portfolio reflected the investments in Trescal, Vedici and Eltel in the period, and the General Industrial portfolio grew in value reflecting the strong performance of the companies in this sector, with significant value increases in Norma Group, Hyva Investments BV and MWM GmbH.

Balance sheet

Table 18: **Group balance sheet**

	As at 30 September 2010	As at 30 September 2009	As at 31 March 2010
Shareholders' funds	**£3,161m**	£2,746m	£3,068m
Gross debt	**£2,156m**	£2,529m	£2,510m
Net debt	**£352m**	£854m	£258m
Liquidity	**£2,129m**	£1,959m	£2,731m
Gearing	**11%**	31%	8%
Diluted net asset value per share	**£3.30**	£2.86	£3.21

Borrowings and gearing

Gross debt reduced in the period from £2,510 million to £2,156 million, reflecting the Group's continuing focus on conservative balance sheet management. Significant movements in debt included the repayment of £195 million of the convertible bond, and of £89 million of commercial paper, together with a £43 million foreign exchange related reduction reflecting the strengthening of sterling against both the US dollar and the euro.

The repayments during the six months reduced the amount of long-term debt repayable within one year. The balance at 30 September 2010 of £250 million (31 March 2010: £33 million), now includes the convertible bond, as this matures in May 2011.

On 20 September 2010, £486 million of revolving credit facility matured and a £300 million forward start facility, maturing on 31 October 2012, commenced.

Net debt increased from £258 million to £352 million as the cash inflow from net divestment and portfolio income was offset by operating expenses in the period. As a consequence, gearing also increased marginally from 8% to 11%. Net debt is subject to a limit of £1 billion.

Liquidity and cash

Liquidity reduced in the six months from £2,731 million to £2,129 million. This reduction reflected the debt repayment in the six months and the operating cash outflows. In addition, the replacement of the £486 million revolving credit facility with the £300 million forward start facility resulted in a reduction in undrawn committed facilities. Liquidity at 30 September 2010 comprised cash and deposits of £1,804 million and undrawn facilities of £325 million.

Diluted NAV

The diluted NAV per ordinary share at 30 September 2010 was £3.30 (31 March 2010: £3.21). This primarily reflected the total return in the period of £117 million (12p) partially offset by the impact of the payment of the year end dividend of £19 million (2p).

Risks and uncertainties

The main elements of 3i's risk management framework, together with a detailed description of the principal inherent risks and uncertainties faced by the Group, are set out in the Risk section of the 3i Group 2010 Annual report. The following provides a description of the principal risks faced by the Group, which remain unchanged in the period and are expected to remain as principal inherent risks and uncertainties in the second half of the financial year:

External – Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations.

Strategic – Risks arising from the analysis, design and implementation of the Group's business model and key decision on the investment levels and capital allocations.

Investment – Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios.

Treasury and funding – Risks in relation to changes in market prices and rates; access to capital markets and third-party funds; and the Group's capital structure.

Operational – Risks arising from inadequate or failed processes, people and systems or from external factors affecting these.

The Group continues to review the effectiveness of its risk management and has undertaken several initiatives to deepen its understanding of risks faced by portfolio companies. This half-yearly report makes reference to the evolution and management of key risks, and related results and outcomes, which should be viewed in the context of the risk management framework and principal inherent risk factors.

Long-term performance

Table 19: **Long-term performance – Buyouts**

New investments made in financial years to 31 March Vintage year	Total investment £m	Return flow £m	Value remaining £m	**IRR to 30 September 2010**	IRR to 31 March 2010	IRR to 30 September 2009
2010	-	-	-	**-**	-	-
2009	373	1	343	**4%**	9%	(8)%
2008	808	141	391	**(11)%**	(18)%	(26)%
2007	690	322	579	**22%**	25%	22%
2006	512	1,167	33	**49%**	49%	47%
2005	373	953	87	**61%**	62%	61%
2004	331	524	162	**35%**	34%	33%
2003	277	664	28	**49%**	49%	49%
2002	186	441	-	**61%**	61%	61%

Analysis excludes investment in Debt Warehouse

Table 20: **Long-term performance – Growth Capital**

New investments made in financial years to 31 March Vintage year	Total investment £m	Return flow £m	Value Remaining £m	**IRR to 30 September 2010**	IRR to 31 March 2010	IRR to 30 September 2009
2010	21	-	16	**n/a[1]**	n/a	n/a
2009	208	42	153	**(3)%**	(7)%	(19)%
2008	1,059	404	551	**(3)%**	(3)%	(5)%
2007	554	218	334	**-%**	(2)%	(6)%
2006	445	597	72	**22%**	24%	23%
2005	179	269	33	**25%**	25%	26%
2004	297	488	26	**26%**	25%	25%
2003	231	411	83	**26%**	24%	25%
2002	498	717	6	**12%**	12%	12%

1. 2010 vintage IRR is undisclosed as the asset in the vintage is less than 12 months old.

Tables 19 and 20 show that, for the vintage years from 2002 to 2006, there was little change to Buyouts and Growth Capital long-term performance over the six month period to 30 September 2010 and returns remain strong. Buyouts 2007 performance is also strong, but returns for 2008 remain negative, despite a significant improvement in the period reflecting the strong value growth on MWM GmbH and Scandlines GmbH.

Growth Capital returns for vintage years 2007 to 2009 remain negative, although they have all shown some improvement in the six months to 30 September 2010, reflecting value growth across the portfolio.

Consolidated statement of comprehensive income

for the six months to 30 September 2010

	Notes	**Six months to 30 September 2010 (unaudited) £m**	Six months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Realised profits over value on the disposal of investments	2	**30**	13	218
Unrealised profits on the revaluation of investments	3	**196**	227	458
		226	240	676
Portfolio income				
Dividends		**23**	22	59
Income from loans and receivables		**57**	54	110
Fees receivable/(payable)		**1**	-	(2)
Gross portfolio return	1	**307**	316	843
Fees receivable from external funds	1	**30**	28	59
Carried interest				
Carried interest receivable from external funds		**19**	(2)	30
Carried interest and performance fees payable		**(31)**	(2)	(88)
Operating expenses		**(89)**	(108)	(221)
Net portfolio return		**236**	232	623
Interest receivable		**7**	6	12
Interest payable		**(79)**	(61)	(124)
Movement in the fair value of derivatives	4	**(8)**	8	9
Exchange movements		**(101)**	(242)	(359)
Other finance expenses		**(1)**	–	(2)
Profit/(loss) before tax		**54**	(57)	159
Income taxes		**(2)**	(2)	(5)
Profit/(loss) for the period		**52**	(59)	154
Other comprehensive income				
Exchange differences on translation of foreign operations		**72**	176	324
Actuarial loss		**(7)**	(36)	(71)
Other comprehensive income for the period		**65**	140	253
Total comprehensive income for the period ("Total return")		**117**	81	407
Analysed in reserves as:				
Revenue		**31**	53	97
Capital		**14**	(148)	(14)
Translation reserve		**72**	176	324
		117	81	407
Earnings per share				
Basic (pence)	8	**5.5**	(7.1)	17.2
Diluted (pence)	8	**5.4**	(7.1)	17.1

The rates and amounts of dividends paid and proposed are shown in note 9.

Consolidated statement of changes in equity
for the six months to 30 September 2010

	Notes	**Six months to 30 September 2010 (unaudited) £m**	Six months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Total equity at the start of the period	7	**3,068**	1,862	1,862
Profit/(loss) for the period	7	**52**	(59)	154
Exchange differences on translation of foreign operations	7	**72**	176	324
Actuarial loss	7	**(7)**	(36)	(71)
Total comprehensive income for the period		**117**	81	407
Share-based payments	7	**(1)**	(2)	9
Release on exercise/forfeiture of share options	7	**(4)**	-	-
Own shares	7	**-**	-	(9)
Ordinary dividends	9	**(19)**	-	(9)
Issues of ordinary shares	7	**-**	805	808
Total equity at the end of the period		**3,161**	2,746	3,068

Consolidated balance sheet
as at 30 September 2010

	Notes	**30 September 2010 (unaudited) £m**	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Assets				
Non-current assets				
Investments				
Quoted equity investments		**320**	519	312
Unquoted equity investments		**1,963**	1,822	1,818
Loans and receivables		**1,396**	1,439	1,387
Investment portfolio	1	**3,679**	3,780	3,517
Carried interest receivable		**78**	46	75
Property, plant and equipment		**16**	20	17
Total non-current assets		**3,773**	3,846	3,609
Current assets				
Other current assets		**67**	63	74
Derivative financial instruments		**-**	2	-
Deposits		**713**	384	728
Cash and cash equivalents		**1,091**	1,289	1,524
Total current assets		**1,871**	1,738	2,326
Total assets		**5,644**	5,584	5,935
Liabilities				
Non-current liabilities				
Carried interest payable		**(87)**	(45)	(61)
Loans and borrowings	5	**(1,840)**	(1,720)	(1,964)
B shares		**(6)**	(6)	(6)
Convertible bonds	6	**-**	(395)	(363)
Subordinated liabilities		**-**	(7)	-
Retirement benefit deficit		**(9)**	(14)	(28)
Deferred income taxes		**(2)**	(2)	(2)
Provisions		**(6)**	(4)	(10)
Total non-current liabilities		**(1,950)**	(2,193)	(2,434)
Current liabilities				
Trade and other payables		**(190)**	(211)	(176)
Carried interest payable		**(24)**	(21)	(70)
Loans and borrowings	5	**(63)**	(346)	(125)
Convertible bonds	6	**(187)**	-	-
Derivative financial instruments		**(60)**	(55)	(52)
Current income taxes		**(4)**	(2)	(3)
Provisions		**(5)**	(10)	(7)
Total current liabilities		**(533)**	(645)	(433)
Total liabilities		**(2,483)**	(2,838)	(2,867)
Net assets		**3,161**	2,746	3,068
Equity				
Issued capital	7	**717**	717	717
Share premium	7	**779**	777	779
Capital redemption reserve	7	**43**	42	43
Share-based payment reserve	7	**16**	18	24
Translation reserve	7	**217**	(3)	145
Capital reserve	7	**973**	818	959
Revenue reserve	7	**497**	447	482
Other reserves	7	**5**	5	5
Own shares	7	**(86)**	(75)	(86)
Total equity		**3,161**	2,746	3,068

Consolidated cash flow statement

for the six months to 30 September 2010

	Six months to 30 September 2010 (unaudited) £m	Six months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Cash flow from operating activities			
Purchase of investments	**(211)**	(94)	(190)
Proceeds from investments	**293**	477	1,315
Portfolio interest received	**7**	9	16
Portfolio dividends received	**22**	22	59
Portfolio fees paid	-	(1)	(2)
Fees received from external funds	**34**	24	56
Carried interest received	**15**	-	3
Carried interest paid	**(49)**	(46)	(57)
Operating expenses	**(135)**	(127)	(251)
Interest received[1]	**7**	6	12
Interest paid[1]	**(54)**	(56)	(124)
Income taxes paid	**(1)**	(1)	(3)
Net cash flow from operating activities	**(72)**	213	834
Cash flow from financing activities			
Net proceeds from liquidation of 3i QPEP	-	110	110
Proceeds from the nine for seven rights issue	-	732	732
Fees paid for the nine for seven rights issue	-	(33)	(33)
Proceeds from issues of share capital	-	16	18
Purchase of own shares	-	-	(9)
Repurchase of B shares	-	(6)	(6)
Dividend paid	**(19)**	-	(9)
Proceeds from long-term borrowings	-	-	351
Repayment of long-term borrowings	**(26)**	(51)	(205)
Repurchase of long-term borrowings	**(28)**	-	(77)
Repurchase of short-term borrowings	**(195)**	-	-
Net cash flow from short-term borrowings	**(89)**	3	(144)
Net cash flow from derivatives	-	(35)	(34)
Net cash flow from financing activities	**(357)**	736	694
Cash flow from investing activities			
Purchases of property, plant and equipment	-	-	(1)
Net cash flow from deposits[1]	**15**	(327)	(669)
Net cash flow from investing activities	**15**	(327)	(670)
Change in cash and cash equivalents	**(414)**	622	858
Cash and cash equivalents at the beginning of the period	**1,524**	675	675
Effect of exchange rate fluctuations	**(19)**	(8)	(9)
Cash and cash equivalents at the end of the period	**1,091**	1,289	1,524

1 Interest received, interest paid and net cash flow from deposits have been reclassified from financing activities to enhance disclosure.

Notes to the accounts

1 Segmental analysis

6 months to 30 September 2010 (unaudited)	Buyouts £m	Growth Capital £m	Infrastructure £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return[1]						
Realised profits/(losses) over value on the disposal of investments	**10**	**(2)**	**-**	**19**	**3**	**30**
Unrealised profits/(losses) on the revaluation of investments	**84**	**86**	**22**	**11**	**(7)**	**196**
Portfolio income						
Dividends	**-**	**11**	**9**	**3**	**-**	**23**
Income from loans and receivables	**40**	**17**	**-**	**-**	**-**	**57**
Fees receivable/(payable)	**1**	**-**	**-**	**-**	**-**	**1**
	135	**112**	**31**	**33**	**(4)**	**307**
Fees receivable from external funds	**18**	**3**	**9**	**-**	**-**	**30**
Net (investment)/divestment						
Realisations	**169**	**68**	**1**	**45**	**10**	**293**
Investment	**(306)**	**(21)**	**-**	**-**	**-**	**(327)**
	(137)	**47**	**1**	**45**	**10**	**(34)**
Balance sheet						
Value of investment portfolio at the end of the period	**1,785**	**1,337**	**424**	**92**	**41**	**3,679**

Six months to 30 September 2009 (unaudited)	Buyouts £m	Growth Capital £m	Infrastructure £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return[1]						
Realised profits/(losses) over value on the disposal of investments	39	5	-	7	(38)	13
Unrealised profits /(losses) on the revaluation of investments	53	132	47	8	(13)	227
Portfolio income						
Dividends	-	8	9	5	-	22
Income from loans and receivables	38	16	1	-	(1)	54
Fees receivable/(payable)	2	(2)	-	-	-	-
	132	159	57	20	(52)	316
Fees receivable from external funds	20	-	8	-	-	28
Net (investment)/divestment						
Realisations	62	275	45	32	93	507
Investment	(111)	(62)	(2)	-	(15)	(190)
	(49)	213	43	32	78	317
Balance sheet						
Value of investment portfolio at the end of the period	1,560	1,551	365	137	167	3,780

1 Segmental analysis continued

12 months to 31 March 2010 (audited)	Buyouts £m	Growth Capital £m	Infrastructure £m	Smaller Minority Investments £m	Venture Portfolio £m	Total £m
Gross portfolio return[1]						
Realised profits/(losses) over value on the disposal of investments	223	(14)	-	15	(6)	218
Unrealised profits/(losses) on the revaluation of investments	249	145	84	8	(28)	458
Portfolio income						
Dividends	-	36	15	8	-	59
Income from loans and receivables	78	29	1	2	-	110
Fees receivable/(payable)	-	(2)	-	-	-	(2)
	550	194	100	33	(34)	843
Fees receivable from external funds	39	-	20	-	-	59
Net (investment)/divestment						
Realisations	467	578	46	69	225	1,385
Investment	(243)	(121)	(2)	(1)	(19)	(386)
	224	457	44	68	206	999
Balance sheet						
Value of investment portfolio at the end of the year	1,614	1,331	407	107	58	3,517

1 The segmental profit or loss reported in accordance with IFRS 8: Operating Segments, is defined as gross portfolio return.

2 Realised profits over value on the disposal of investments

	6 months to 30 September 2010 Unquoted equity (unaudited) £m	**6 months to 30 September 2010 Quoted equity (unaudited) £m**	**6 months to 30 September 2010 Loans and receivables (unaudited)[1] £m**	**6 months to 30 September 2010 Total (unaudited) £m**
Realisations	**127**	**1**	**165**	**293**
Valuation of disposed investments	**(89)**	**(1)**	**(161)**	**(251)**
Investments written off	**-**	**-**	**(12)**	**(12)**
	38	**-**	**(8)**	**30**

	6 months to 30 September 2009 Unquoted equity (unaudited) £m	6 months to 30 September 2009 Quoted equity (unaudited) £m	6 months to 30 September 2009 Loans and receivables (unaudited) £m	6 months to 30 September 2009 Total (unaudited) £m
Realisations	139	175	193	507
Valuation of disposed investments	(147)	(152)	(190)	(489)
Investments written off	(3)	-	(2)	(5)
	(11)	23	1	13

	12 months to 31 March 2010 Unquoted equity (audited) £m	12 months to 31 March 2010 Quoted equity (audited) £m	12 months to 31 March 2010 Loans and receivables (audited) £m	12 months to 31 March 2010 Total (audited) £m
Realisations	701	389	295	1,385
Valuation of disposed investments	(527)	(279)	(283)	(1,089)
Investments written off	(32)	-	(46)	(78)
	142	110	(34)	218

1 Loans and receivables include net proceeds of £16 million (September 2009: £29 million, March 2010: £64 million) and realised profits of £5 million (September 2009: £28 million, March 2010: £55 million) from the variable funding notes relating to the Debt Warehouse.

3 Unrealised profits on the revaluation of investments

	6 months to 30 September 2010 Unquoted equity (unaudited) £m	6 months to 30 September 2010 Quoted equity (unaudited) £m	6 months to 30 September 2010 Loans and receivables (unaudited) £m	6 months to 30 September 2010 Total (unaudited) £m
Movement in the fair value of equity	**288**	**7**	**-**	**295**
Provisions, loan impairments and other movements[1]	**(20)**	**-**	**(79)**	**(99)**
	268	**7**	**(79)**	**196**

	6 months to 30 September 2009 Unquoted equity (unaudited) £m	6 months to 30 September 2009 Quoted equity (unaudited) £m	6 months to 30 September 2009 Loans and receivables (unaudited) £m	6 months to 30 September 2009 Total (unaudited) £m
Movement in the fair value of equity	119	108	-	227
Provisions, loan impairments and other movements[1]	(24)	-	24	-
	95	108	24	227

	12 months to 31 March 2010 Unquoted equity (audited) £m	12 months to 31 March 2010 Quoted equity (audited) £m	12 months to 31 March 2010 Loans and receivables (audited) £m	12 months to 31 March 2010 Total (audited) £m
Movement in the fair value of equity	321	77	-	398
Provisions, loan impairments and other movements[1]	(24)	-	84	60
	297	77	84	458

1 Included within loan impairments is a £2 million value decrease for variable funding notes relating to the Debt Warehouse (September 2009: £45 million value increase, March 2010: £45 million value increase).

Provisions have been recognised only on investments where it is considered there is greater than 50% risk of failure. All other equity movements are included within the movement in the fair value of equity.

4 Movement in the fair value of derivatives

	6 months to 30 September 2010 (unaudited) £m	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Interest rate swaps	**(8)**	7	7
Derivative element of convertible bonds	**-**	1	3
Call options	**-**	-	(1)
	(8)	8	9

5 Loans and borrowings

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Loans and borrowings are repayable as follows:			
Within one year	63	346	125
In the second year	395	62	33
In the third year	517	455	726
In the fourth year	50	603	268
In the fifth year	–	–	50
After five years	878	600	887
	1,903	2,066	2,089

Principal borrowings include:

	Rate	Maturity	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Issued under the £2,000 million note issuance programme					
Fixed rate					
£200 million notes (public issue)	6.875%	2023	200	200	200
£400 million notes (public issue)	5.750%	2032	375	400	375
€350 million notes (public issue)	5.625%	2017	303	–	312
Other			95	93	99
Variable rate					
€500 million notes (public issue)	EURIBOR+0.200%	2012	395	455	436
Other			260	379	268
			1,628	1,527	1,690
Committed multi-currency facilities					
£100 million	LIBOR+2.75% to +3.00%	2012	66	99	92
£486 million	LIBOR+1.5938%	2012	–	200	165
£300 million	LIBOR+2.75%	2012	159	–	–
£200 million	LIBOR+3.75%	2014	50	–	50
			275	299	307
Other					
Commercial paper			–	240	92
Total loans and borrowings			1,903	2,066	2,089

The £100 million multi-currency facility rate is subject to LIBOR plus a tiered margin based upon the asset cover ratio of the Group. Due to an improvement in the asset cover ratio for the six months ending 30 September 2010, the rate reduced to LIBOR+2.75% from LIBOR +3.00%. The undrawn commitment fee on the £100 million multi-currency facility is 50% of the margin.

The £486 million multi-currency facility previously maturing in September 2010, was refinanced in July 2009 by way of a £300 million forward start facility which matures in 2012. The undrawn commitment fee on the £300 million forward start facility is 50% of the margin.

The £200 million multi-currency facility has an undrawn commitment fee of 50% of the margin.

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £1,878 million (30 September 2009: £2,027 million; 31 March 2010: £2,030* million), determined where applicable with reference to their published market price.

*Restated to include the fair value of commercial paper.

6 Convertible bonds

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Opening balance	363	384	384
Amortisation on £430 million convertible bonds	19	11	21
Repurchase during the period	(195)	–	(42)
Closing balance	187	395	363

On 29 May 2008, a £430 million three year 3.625% convertible bond was raised. The Group share price on issue was £8.86 and the conversion price for bondholders was £11.32. Following the rights issue, the conversion price for bondholders reduced to £7.51.

On issue, part of the proceeds was recognised as a derivative financial instrument and the remaining amount recognised as a loan held at amortised cost with an effective interest rate of 8.5%. The fair value of the loan at 30 September 2010 was £195 million (30 September 2009: £419 million; 31 March 2010: £391 million), determined by its published market price. The derivative element of the £430 million convertible bond is cash settled.

In the six month period to 30 September 2010, the Group had repurchased £195 million of the bond, leaving an outstanding convertible loan balance at face value of £193 million repayable in May 2011. As a result of the convertible bond repurchase, the Group has recognised accelerated amortisation of £8 million in the period.

7 Equity

6 months to 30 September 2010	Share capital (unaudited) £m	Share premium (unaudited) £m	Capital redemption reserve (unaudited) £m	Share-based payment reserve (unaudited) £m	Translation reserve (unaudited) £m	Capital reserve (unaudited) £m	Revenue reserve (unaudited) £m	Other reserves (unaudited) £m	Own shares (unaudited) £m	Total equity (unaudited) £m
Opening balance	**717**	**779**	**43**	**24**	**145**	**959**	**482**	**5**	**(86)**	**3,068**
Profit for the period						**21**	**31**			**52**
Exchange differences on translation of foreign operations					**72**					**72**
Actuarial loss						**(7)**				**(7)**
Total comprehensive income for the period	-	-	-	-	**72**	**14**	**31**	-	-	**117**
Share-based payments				**(1)**						**(1)**
Release on exercise/forfeiture of share options				**(7)**			**3**			**(4)**
Ordinary dividends							**(19)**			**(19)**
Closing balance	**717**	**779**	**43**	**16**	**217**	**973**	**497**	**5**	**(86)**	**3,161**

6 months to 30 September 2009	Share capital (unaudited) £m	Share premium (unaudited) £m	Capital redemption reserve (unaudited) £m	Share-based payment reserve (unaudited) £m	Translation reserve (unaudited) £m	Capital reserve (unaudited) £m	Revenue reserve (unaudited) £m	Other reserves (unaudited) £m	Own shares (unaudited) £m	Total equity (unaudited) £m
Opening balance	284	405	42	20	(179)	968	394	5	(77)	1,862
Loss for the period						(112)	53			(59)
Exchange differences on translation of foreign operations					176					176
Actuarial loss						(36)				(36)
Total comprehensive income for the period	-	-	-	-	176	(148)	53	-	-	81
Share-based payments				(2)						(2)
Release on exercise/forfeiture of share options						(2)			2	-
Issue of ordinary shares	433	372								805
Closing balance	717	777	42	18	(3)	818	447	5	(75)	2,746

On 12 June 2009, 3i Group plc raised £699 million net of £33 million of expenses by way of a rights issue.

Year to 31 March 2010	Share capital (audited) £m	Share premium (audited) £m	Capital redemption reserve (audited) £m	Share-based payment reserve (audited) £m	Translation reserve (audited) £m	Capital reserve (audited) £m	Revenue reserve (audited) £m	Other reserves (audited) £m	Own shares (audited) £m	Total equity (audited) £m
Opening balance	284	405	42	20	(179)	968	394	5	(77)	1,862
Profit for the year						57	97			154
Exchange differences on translation of foreign operations					324					324
Actuarial loss						(71)				(71)
Total comprehensive income for the year	-	-	-	-	324	(14)	97	-	-	407
Share-based payments				9						9
Release on exercise/forfeiture of share options				(5)		5				-
Own shares									(9)	(9)
Ordinary dividends							(9)			(9)
Issue of ordinary shares	433	374	1							808
Closing balance	717	779	43	24	145	959	482	5	(86)	3,068

8 Per share information

The earnings and net assets per share attributable to the equity shareholders of the Company are based on the following data:

	6 months to 30 September 2010 (unaudited)	6 months to 30 September 2009 (unaudited)	12 months to 31 March 2010 (audited)
Earnings per share (pence)			
Basic	**5.5**	(7.1)	17.2
Diluted	**5.4**	(7.1)	17.1
Earnings (£m)			
Profit/(loss) for the period attributable to equity holders of the Company	**52**	(59)	154

	6 months to 30 September 2010 (unaudited) Number	6 months to 30 September 2009 (unaudited) Number	12 months to 31 March 2010 (audited) Number
Weighted average number of shares in issue			
Ordinary shares	**970,444,952**	850,771,252	910,689,107
Own shares	**(19,689,835)**	(16,208,452)	(16,310,231)
	950,755,117	834,562,800	894,378,876
Effect of dilutive potential ordinary shares			
Share options	**6,251,029**	-	5,026,956
Diluted shares	**957,006,146**	834,562,800	899,405,832

	30 September 2010 (unaudited)	30 September 2009 (unaudited)	31 March 2010 (audited)
Net assets per share (£)			
Basic	**3.32**	2.88	3.23
Diluted	**3.30**	2.86	3.21
Net assets (£m)			
Net assets attributable to equity holders of the Company	**3,161**	2,746	3,068

	30 September 2010 (unaudited) Number	30 September 2009 (unaudited) Number	31 March 2010 (audited) Number
Number of shares in issue			
Ordinary shares	**970,538,698**	970,206,013	970,381,476
Own shares	**(19,631,587)**	(15,832,669)	(19,758,485)
	950,907,111	954,373,344	950,622,991
Effect of dilutive potential ordinary shares			
Share options	**7,964,960**	6,073,695	6,607,673
Diluted shares	**958,872,071**	960,447,039	957,230,664

9 Dividends

	6 months to 30 September 2010 (unaudited) pence per share	6 months to 30 September 2010 (unaudited) £m	6 months to 30 September 2009 (unaudited) pence per share	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) pence per share	12 months to 31 March 2010 (audited) £m
Declared and paid during the period						
Ordinary shares						
Final dividend	**2.0**	**19**	-	-	-	-
Interim dividend	-	-	-	-	1.0	9
	2.0	**19**	-	-	1.0	9
Proposed dividend	**1.2**	**12**	1.0	10	2.0	19

10 Contingent liabilities

	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	**7**	2	5

At 30 September 2010, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

11 Related parties

The Group has various related parties stemming from relationships with limited partnerships managed by the Group, its investment portfolio, its advisory arrangements, and its key management personnel.

Limited partnerships

The Group manages a number of external funds which invest through limited partnerships. Group companies act as the general partners of these limited partnerships and exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

Statement of comprehensive income	6 months to 30 September 2010 (unaudited) £m	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Carried interest receivable	**19**	(2)	30
Fees receivable from external funds	**25**	25	47

Balance sheet	30 September 2010 (unaudited) £m	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Carried interest receivable	**78**	46	75

11 Related parties continued

Investments

The Group makes minority investments in the equity of unquoted and quoted companies. This normally allows the Group to participate in the financial and operating policies of those companies. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts included for these investments are as follows:

Statement of comprehensive income	**6 months to 30 September 2010 (unaudited) £m**	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Realised profits/(losses) over value on the disposal of investments	**18**	(26)	58
Unrealised profits on the revaluation of investments	**195**	63	327
Portfolio income	**75**	63	126

Balance sheet	**30 September 2010 (unaudited) £m**	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Quoted equity investments	**311**	352	302
Unquoted equity investments	**1,481**	1,147	1,267
Loans and receivables	**1,236**	1,327	1,264

From time to time transactions occur between related parties within the investment portfolio which the Group influences to facilitate the reorganisation or recapitalisation of an investee company. There has been no single transaction in the period with a material effect on the Group's financial statements and all such transactions are fully included in the above disclosure.

Advisory arrangements

The Group acts as adviser to 3i Infrastructure plc, which is listed on the London Stock Exchange, and acted as adviser to 3i QPEP prior to its solvent liquidation. The following amounts have been included in respect of these advisory relationships:

Statement of comprehensive income	**6 months to 30 September 2010 (unaudited) £m**	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Unrealised profits on the revaluation of investments	**11**	49	72
Fees receivable from external funds	**5**	3	12
Dividends	**9**	9	15

Balance sheet	**30 September 2010 (unaudited) £m**	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Quoted equity investments	**310**	277	300

11 Related parties continued

Key management personnel
The Group's key management personnel comprises the members of the Leadership team, which has replaced the Management Committee, and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

Statement of comprehensive income	**6 months to 30 September 2010 (unaudited) £m**	6 months to 30 September 2009 (unaudited) £m	12 months to 31 March 2010 (audited) £m
Salaries, fees, supplements and benefits in kind	**3**	2	4
Bonuses and deferred share bonuses	**2**	1	8
Increase in accrued pension	**-**	-	-
Carried interest payable	**11**	4	11
Share-based payments	**-**	1	1
Termination benefits	**-**	-	-

Balance sheet	**30 September 2010 (unaudited) £m**	30 September 2009 (unaudited) £m	31 March 2010 (audited) £m
Bonuses and deferred share bonuses	**3**	1	7
Carried interest payable within one year	**2**	2	8
Carried interest payable after one year	**14**	6	7

Carried interest paid in the year to key management personnel was £11 million (2009: £6 million).

12 Post balance sheet events

In the period from 1 October to 29 October 2010, the Group had purchased a total of £25.8 million of its convertible bonds on the open market for £26.1 million. The Group confirmed via an RNS announcement on 19 October 2010 that the bonds would be cancelled, leaving the Group with an outstanding convertible bond liability of £167.5 million at maturity. The impact of this purchase on the statement of comprehensive income is a £0.1 million gain.

Accounting policies

Basis of preparation

These financial statements are the unaudited condensed half-yearly consolidated financial statements (the “Half-yearly Financial Statements”) of 3i Group plc, a company incorporated in Great Britain and registered in England and Wales, and its subsidiaries (together referred to as the “Group”) for the six-month period ended 30 September 2010.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the Consolidated Financial Statements for the year to 31 March 2010 (“Report and Accounts 2010”), as they provide an update of previously reported information.

The Half-yearly Financial Statements were authorised for issue by the Directors on 10 November 2010.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and Accounts 2010. The new and revised International Financial Reporting Standards (“IFRS”) and interpretations effective in the period have had no impact on the accounting policies of the Group. The Half-yearly Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2010, prepared under IFRS, have been filed with the Registrar of Companies and the auditors have issued a report, which was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The preparation of the Half-yearly Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies and in “Portfolio valuation – an explanation” in the Report and Accounts 2010.

The Half-yearly Financial Statements have been prepared using the going concern basis, and the Directors are not aware of any new events or circumstances which would make this inappropriate.

The Group operates in business lines where significant seasonal or cyclical variations in activity are not experienced during the financial year.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

a) the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
b) the interim management report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of 3i Group plc and their functions are listed below.

By order of the Board

K J Dunn Secretary
10 November 2010

Board of Directors

Sir Adrian Montague, Chairman
Michael Queen, Chief Executive and executive Director
John Allan, Non-executive Director
Alistair Cox, Non-executive Director
Richard Meddings, Non-executive Director and Senior Independent Director
Willem Mesdag, Non-executive Director
Christine Morin-Postel, Non-executive Director
Julia Wilson, Finance Director and executive Director

Independent review report to 3i Group plc

Introduction

We have been engaged by 3i Group plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagement 2410 (UK and Ireland) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

As disclosed in the accounting policies note, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of half-yearly financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

Ernst & Young LLP
London
10 November 2010

Top ten investments

The list below provides information on ten of our largest investments in respect of the Group's holding, excluding any managed or advised external funds. One investment has been excluded from the ten largest investments due to commercial reasons.

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
3i Infrastructure plc 3i-infrastructure.com Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	33.1%	270	310
MWM GmbH mwm.net Provider of decentralised power generation systems	Buyout Germany 2007 Sale	41.3%	70	168
ACR Capital Holdings Pte Limited asiacapitalre.com Reinsurance in large risk segments	Growth Singapore 2006 Industry metric	31.1%	105	151
Enterprise Group Holdings Limited enterprise.plc.uk UK utilities and public sector maintenance outsourcing	Buyout UK 2007 Earnings	31.7%	193	145
NORMA Group Holding GmbH normagroup.com Provider of engineered joining technology	Buyout Germany 2005 Earnings	29.2%	33	139
Foster + Partners[1] fosterandpartners.com Architectural services	Growth UK 2007 Earnings	40.0%		127
Mémora Servicios Funerarias memora.es Funeral service provider	Buyout Spain 2008 Earnings	38.1%	104	107
3i India Infrastructure Holdings Limited[2] Fund investing in Indian infrastructure	Infrastructure India 2007 Fund	21.2%	59	106
Mayborn Group Plc mayborngroup.com Manufacturer and distributor of baby products	Buyout UK 2006 Earnings	37.8%	83	102
Quintiles Transnational Corporation quintiles.com Clinical research outsourcing solutions	Growth US 2008 Earnings	4.9%	70	98

1. The cost of this investment cannot be disclosed for commercial reasons.
2. There is no website for 3i India Infrastructure Holdings Limited.

Forty other large investments

In addition to the ten largest investments shown, detailed below are forty other large investments which are substantially all of the Group's investments valued over £9 million. This does not include 12 investments that have been excluded for commercial reasons.

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Otnortopco AS (Xellia/Alpharma) xellia.com Developer and supplier of specialist active pharmaceutical ingredients	Buyout Norway 2007 Earnings	46.3%	73	86
Sortifandus, S.L. (GES – Global Energy Services) services-ges.com Wind power service provider	Buyout Spain 2006 Earnings	42.8%	43	85
Ålö Intressenter AB alo.se Manufacturer of front end loaders	Growth Sweden 2002 Earnings	35.2%	38	83
Navayuga Group necltd.com Engineering and construction	Growth India 2006 Earnings	10.0%	23	75
Eltel Networks Oy eltelnetworks.com Network services	Buyout Finland 2007 Earnings	38.6%	85	71
Cornwall Topco Limited (Civica) civica.co.uk Public sector IT and services	Buyout UK 2008 Earnings	41.0%	79	69
Labco SAS labco.eu Clinical laboratories	Growth France 2008 Earnings	12.3%	65	64
Scandferries Holding GmbH (Scandlines) scandlines.de Ferry operator in the Baltic Sea	Buyout Germany 2007 Other	22.4%	38	63
Mold-Masters Luxembourg Holdings S.A.R.L. moldmasters.com Plastic processing technology provider	Growth Canada 2007 Earnings	49.3%	75	62
Azelis Holding S.A. azelis.com Distributor of speciality chemicals, polymers and related services	Buyout Luxembourg 2007 Earnings	32.1%	49	62

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Tato Holdings Limited[1] Manufacture and sale of speciality chemicals	Non-core UK 1990 Earnings	26.0%	2	60
Phibro Animal Health Corporation Pahc.com Animal healthcare	Growth US 2009 Earnings	29.9%	89	54
Beijing Digital Telecom Co. Limited dixintong.com Mobile phone retailer	Growth China 2006 Earnings	17.4%	11	43
Environmental Scientifics Group (ESG)[2] esg.co.uk Global testing and inspection	Buyout UK 2007 Earnings	38.0%	24	42
AES Engineering Limited aesseal.co.uk Manufacturer of mechanical seals and support systems	Growth UK 1996 Earnings	40.6%	30	42
Joyon Southside joyon.cn Real estate	Growth China 2007 DCF	49.9%	27	39
Vedici Groupe Vedici.com Private acute care	Buyout France 2010 Earnings	21.1%	36	37
Radius Systems Limited radius-systems.com Manufacture of thermoplastic pipe systems for gas and water distribution	Buyout UK 2008 Earnings	31.6%	33	33
Everis Participaciones S.L. everis.com IT consulting business	Growth Spain 2007 Earnings	18.3%	30	32
RBG Limited rbgltd.com Oil and gas service provider	Buyout UK 1996 Earnings	39.5%	4	32
Soya Concept AS soyaconcept.com Fashion design company	Growth Denmark 2007 Earnings	44.1%	13	28

1. No company website available for this investment.
2. Formerly Inspicio Sarl.

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Goromar XXI, S.L. (Esmalglass) esmalglass.com Manufacture of frites, glazes and colours for tiles	Buyout Spain 2002 Earnings	21.6%	21	28
KemFine Oy Kemfine.com Manufacturer of fine chemicals	Buyout Finland 2004 Earnings	35.0%	22	26
Inspecta Holding Oy Inspecta.fi Supplier of testing and inspection services	Buyout Finland 2007 Earnings	39.2%	48	24
Trescal trescal.com Calibration services	Buyout France 2010 Earnings	23.5%	23	24
MKM Building Supplies (Holdings) Limited mkmbs.co.uk Building material supplier	Growth UK 1998 Earnings	30.3%	14	24
Hyperion Insurance Group Limited hyperiongrp.com Specialist insurance intermediary	Growth UK 2008 Other	19.1%	22	23
La Sirena lasirena.es Specialist frozen food retailer	Buyout Spain 2006 Earnings	47.3%	36	20
Consultim Finance SAS cerenicimo.fr Wholesaler of rental real estate	Growth France 2007 Earnings	20.0%	12	20
Boomerang TV, S.A. grupoboomerangtv.com Production of audiovisual contents	Growth Spain 2008 Earnings	34.1%	23	20
Polyconcept Investments B.V. polyconcept.com Supplier of promotional products	Growth Netherlands 2005 Earnings	13.0%	21	20
Refresco Group B.V. refresco.com Manufacturer of private label juices and soft drinks	Growth Netherlands 2010 Earnings	12.7%	21	19

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held	Residual cost £m	Valuation £m
Pearl (AP) Group Limited (Agent Provocateur) agentprovocateur.com Women's lingerie and associated products	Buyout UK 2007 DCF	39.0%	44	19
Lekolar AB lekolar.se Distributor of pedagogical products and educational materials	Buyout Sweden 2007 Earnings	34.1%	26	17
Indiareit Offshore Fund indiareit.com Indian real estate fund	Growth India 2006 Fund	20.0%	21	16
DC Druck Chemie GmbH druckchemie.com Business services	Buyout Germany 2008 Earnings	44.3%	26	16
Sulake Corporation Oy Sulake.com Social entertainment focused on online social places and games	Non-core Finland 2003 Other	16.5%	5	11
Salmaneco, S.A. (Café y Té) cafeandte.com Coffee house operator	Growth Spain 2006 Earnings	46.8%	10	10
Siro Clinpharm Private Limited siroclinpharm.com Clinical trial and data management services	Growth India 2007 Earnings	39.3%	11	9
Shearings Group Limited shearings.com Tour operator	Buyout UK 1997 Earnings	36.6%	1	9

Financial calendar

The interim dividend is expected to be paid on 12 January 2011 to holders of ordinary shares on the register on 10 December 2010. The ex-dividend date will be 8 December 2010.

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November 2010