The world is your

3i Group plc Interim report
for the six months to 30 September 2003

An introduction to 3i

3i is Europe's leading venture capital company. We focus on buy-outs, growth capital and early stage technology and invest across Europe, in the United States and in Asia Pacific.

Our competitive advantage comes from our international network and the strength and breadth of our relationships in business. This network provides unrivalled market access, helps us to win the deals we want to do and is a source of added value in building and realising value for our shareholders.

Financial headlines

	6 months to 30 September 2003	12 months to 31 March 2003	6 months to 30 September 2002
Total return	**£359m**	£(935)m	£(570)m
Return on opening shareholders' funds	**12.2%**	(23.7)%	(14.4)%
Revenue profit after tax*	**£64m**	£140m	£73m
Realisation proceeds	**£503m**	£976m	£619m
Realised profits on disposal of investments	**£129m**	£184m	£118m
Unrealised profits/(losses) on revaluation of investments	**£215m**	£(1,165)m	£(701)m
Investment	**£273m**	£931m	£393m
Diluted net asset value per share	**534p**	480p	548p
Interim dividend per share	**5.1p**	13.5p**	4.9p

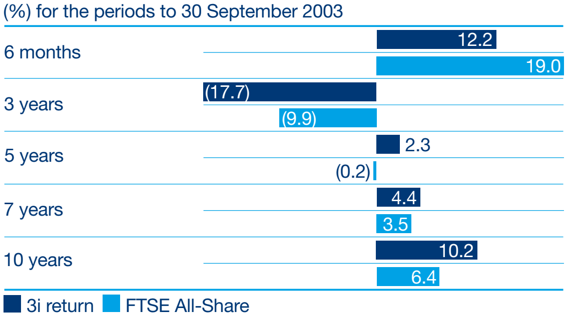
*Revenue profit after tax for the six months to 30 September 2002 is a pro forma figure derived as described in the Basis of preparation on page 11. The comparative amount originally reported was £47 million. **Dividend per share for the year to 31 March 2003.

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

Portfolio and realisation amounts referred to in this Interim report relate to assets owned by 3i Group and exclude assets managed on behalf of third parties, unless otherwise stated.

Comparative returns

Comparison of 3i's 6 month return and compound annual return (net asset value plus dividends re-invested) with the FTSE All-Share total return index
(%) for the periods to 30 September 2003



Chairman's statement

"An encouraging performance driven by better results from our buy-out, growth capital and technology businesses."

In October, 3i's European Enterprise Barometer indicated that business confidence amongst the companies in which we invest was at its highest level for three years. 3i's own half-year results, for the six months to 30 September, were the strongest since 2000. The total return was £359 million, an encouraging performance, driven by better results in all of our key areas of activity – buy-outs, growth capital and early stage technology.

The Directors have announced an interim dividend of 5.1p, representing an increase of 4.1%.

During a period in which share prices, including 3i's own, rose markedly, the FTSE All-Share index increased by more than our net asset value. Total return on opening shareholders' funds of 12.2% compared with an index return of 19.0%.

Provisions were significantly lower than a year ago. But we have continued to take a cautious approach to the valuation of our early stage technology portfolio. We have made some further individual downward "fair value" adjustments, while not adjusting the total upwards for the rise in technology market indices.

However, we were able to take advantage of the improvement in markets to achieve a good level of realisations across the business as a whole, yielding profits of £129 million on proceeds of £503 million. Combined with the low level of investment during much of this period, this resulted in a positive cash flow in the half-year of £225 million.

3i's combination of financial strength, international network and in-depth expertise enables us to take advantage of opportunities in a range of different markets, and to add value to those companies in which we invest.

As business confidence rose towards the end of the half-year, so too did our levels of investment. Signs of growth in the world economy offer the prospect that momentum will build in our markets through the second half of the year. There are still threats to business confidence, with structural imbalances in a number of the major economies. However, we believe these markets will provide some excellent opportunities for 3i, and we will continue to be rigorous and selective in our approach.

Sarah Hogg

Baroness Hogg
Chairman
5 November 2003

Our business focus

Buy-outs

In June 2003, 3i led the €109 million buy-out of **Gant**, an international, high-quality premium apparel business

3i's buy-out business is focused on the mid and smaller buy-out markets across Europe and Asia Pacific.

As with mergers and acquisitions activity, buy-out activity has shown an increase since the summer of 2003.

"After a slow start to the period, we have made attractive new investments such as Gant and expect second half buy-out investment to be higher than the first half."

Jonathan Russell
Director – Buy-outs

Financial highlights (£m) for 6 months to 30 September 2003

	Mid-market buy-outs	Smaller buy-outs
Total return	91	110
Investment	125	16
Realisation proceeds	78	151
Realised profits	35	26
Unrealised value movement	57	79

■ Mid-market buy-outs ■ Smaller buy-outs

Growth capital

In June 2003, 3i committed to invest £12.5 million in **Revus Energy**, an oil and gas exploration and production company

Our growth capital business supports high growth businesses expanding organically or through acquisition.

We expect to see increased demand as companies return to growth agendas.

"On the back of a strong performance from our growth capital business in the first half, our focus is to capitalise on our market access and increase the level of new investment."

Chris Rowlands
Director – Growth Capital

Financial highlights (£m) for 6 months to 30 September 2003

Total return	170
Investment	76
Realisation proceeds	197
Realised profits	47
Unrealised value movement	106

Early stage technology

3i has invested a total of £7 million in **Cambridge Silicon Radio**, a designer and manufacturer of single chip radio devices

3i's early stage technology business is focused on Healthcare, Software, Communications and Electronics in Europe, Asia Pacific and the US.

After three difficult years, the markets for some of these sectors are showing signs of picking up, together with mergers and acquisitions and IPO activity.

"The improvement in our performance is encouraging. We are now starting to see increased levels of technology spending by major corporates, which is feeding through to increased activity in our own portfolio."

Rod Perry
Director – Technology

Financial highlights (£m) for 6 months to 30 September 2003

Total return	(12)
Investment	56
Realisation proceeds	77
Realised profits	21
Unrealised value movement	(27)

Operating and financial review

Economic and market conditions After almost two years of geo-political and economic uncertainty and difficult stock markets, we have seen signs of stronger economic activity. This has been evidenced by a number of indicators, including our own Barometer survey of business confidence across Europe.

The Barometer survey taken in March 2003, which was affected by the considerable anxiety over the Iraq war, produced a record low score of minus 117. Our survey covering August showed a significant improvement to minus 17 and our latest survey, taken in October, came out at plus 11, the first positive result since the end of 2000.

The period also saw strong growth in stock market indices, in anticipation of growth in corporate profits. In addition, the level of mergers and acquisitions ("M&A"), a key driver of activity in our market, picked up through the summer after being at a subdued level since 2000.

The private equity and venture capital markets are also starting to show increased activity after a slow first half of 2003. Market statistics for the first half show aggregate European investment 8% down on the first half of 2002, with buy-outs being flat, growth capital being down 24% and early stage investment down by 18%.

Market statistics for the US venture market for the second quarter of 2003 showed a slight increase in investment levels after a two and a half year decline.

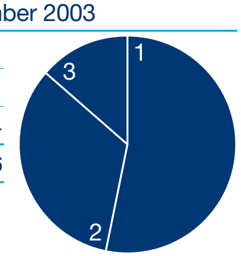
Conditions for realisations were difficult for most of the period, though we are now beginning to see the re-emergence of trade buyers as corporates re-enter the M&A market. There are also indications that IPO markets, particularly in the UK and US, may be re-opening.

Total return The Group achieved a positive total return of £359 million for the six months to 30 September 2003, which equates to 12.2% on opening shareholders' funds. This return is lower than those on a number of quoted market indices, largely because of a lag in recognising value increases in our portfolio. Only our quoted assets and unquoted investments valued using the earnings basis are directly linked to stock market movements. These made up 6% and 24% respectively of our opening portfolio.

The main drivers of our total return were a good level of profitable realisations and growth in the value of our portfolio, the latter being primarily due to higher price-earnings ratios ("P/Es") used to value our investee companies.

Portfolio value by product (£m) as at 30 September 2003

1 Buy-outs*	2,131
2 Growth capital*	1,331
3 Early stage technology	544
Total	**4,006**



*Buy-outs and growth capital include a total of £723 million in late stage technology companies. See page 14 for further information.

Total return	6 months to 30 September 2003 £m	6 months to 30 September 2002 £m
Total operating income before interest payable	130	153
Interest payable	(50)	(55)
Management expenses	(70)	(76)
Realised profits on disposal of investments	129	118
Unrealised profits/(losses) on revaluation of investments	215	(701)
Other (tax and currency)	5	(9)
– Revenue return	76	48
– Capital return	283	(618)
Total return	**359**	(570)

Summary of changes to 3i portfolio	6 months to 30 September 2003 £m	6 months to 30 September 2002 £m
Opening portfolio	3,939	5,109
Investment	211	315
Realisation proceeds	(503)	(619)
Realised profits on disposal of investments	129	118
Unrealised profits/(losses) on revaluation of investments	215	(701)
Other	15	29
Closing portfolio	**4,006**	4,251

First and subsequent investment	6 months to 30 September 2003 £m	6 months to 30 September 2002 £m
New first investments	158	222
Further funding or drawdown on existing arrangements	115	171
Total	**273**	393

Improved results in each of our business areas underpinned the overall Group return. Returns in the smaller buy-out and growth capital businesses, aided by good levels of realisations, were particularly strong at 15% and 13% respectively on the opening portfolio. The mid-market buy-out return of 8% included a number of significant valuation uplifts on recent investments as they moved from being valued on a cost basis for the first time. Our early stage technology business produced a small negative total return despite some profitable realisations and a significantly lower level of value reductions. Although there was a significant rise in quoted technology indices during the period, we have not increased the valuations of early stage technology investments unless there has been a financing "up round".

Investment We invested £273 million, including co-investment funds, which compares with £393 million for the equivalent period last year. The period of economic uncertainty during the latter half of 2002 and the early months of this year led to a deferral of many strategic decisions by businesses and investors. This lowered our new investment pipeline coming into the period. Since then, economic confidence has improved and corporate activity has risen.

Buy-out transactions represented 51% of our investment and growth capital 28%. Early stage technology represented 21%, with 80% of this to support existing portfolio companies.

Continental European investment rose to 67% of total investment following several significant buy-out investments. UK investment represented 23%, the US 7% and Asia Pacific 3%.

Realisations We generated realisation proceeds of £503 million and realised profits of £129 million. The aggregate uplift over 31 March 2003 valuations on equity realisations was 61%. Including sales and redemptions of loans and fixed income shares, 10% of the opening portfolio was realised.

Realised profits are stated net of write-offs of £25 million (2002: £32 million).

The majority of the realisations were from our smaller buy-out and growth capital portfolios.

Unrealised value movement The unrealised value movement on the revaluation of investments was £215 million, representing a strong improvement on the £701 million value reduction for the same period last year.

The weighted average P/E applied to investments valued on an earnings basis rose from 8.1 at 31 March to 10.7 at 30 September. The impact of increased P/E ratios generated value growth of £235 million. The quoted investments we retained increased in value by £44 million (2002: £192 million reduction).

A small number of recent investments in our mid-market buy-out portfolio generated most of the increase in value arising from "first time uplift".

Realisation proceeds	6 months to 30 September 2003 £m	6 months to 30 September 2002 £m
Quoted equity proceeds and IPO	**73**	112
Unquoted equity proceeds	**298**	257
Loan and fixed income shares	**132**	250
Total	**503**	619

Net realised profit over opening valuation (£m)	**129**	118
Equity proceeds (£m)	**371**	369
Uplift over opening equity valuation (%)	**61**	49
Percentage of opening equity portfolio sold (%)	**10**	7

Unrealised profits/(losses) on revaluation of investments	6 months to 30 September 2003 £m	6 months to 30 September 2002 £m
Price-earnings ratios	**235**	(212)
Earnings growth	**8**	38
First time valuation uplift from cost	**59**	(17)
Provisions	**(65)**	(141)
Down rounds and restructuring	**(68)**	(130)
Other movements on unquoted investments	**2**	(47)
Quoted portfolio	**44**	(192)
Total	**215**	(701)

Provisions for investments in companies which might fail were £65 million (2002: £141 million), and valuation reductions relating to down rounds and restructuring provisions fell significantly to £68 million from £130 million in the six months to 30 September 2002 and £361 million for the 12 months to 31 March 2003.

The British Venture Capital Association recently issued new best practice Valuation Guidelines. 3i adopted these guidelines at 30 September 2003. There was no material impact on the overall valuation of the portfolio.

The portfolio Following two difficult years, the health of our portfolio has stabilised. In line with our strategy, the portfolio remains balanced in terms of both product and geography. At 30 September, 53% of the portfolio is represented by buy-outs, 33% by growth capital investments and 14% by early stage technology investments. Geographically, 62% of our portfolio is in the UK, 32% in continental Europe, 4% in the US and 2% in Asia Pacific.

Income and costs Total operating income before interest payable was £130 million (2002: £153 million). The decrease from 2002 is a result of the realisation of a small number of higher yielding investments, a lower level of special interest receipts on the sale or restructuring of assets and a fall in deal-related fees due to the lower level of investment activity.

Net interest payable has decreased in line with the reduction in net borrowings.

Management expenses were £6 million lower than in the same period last year, as cost reduction measures taken over the past two years continue to work through.

Cash flows and capital structure There was a net cash inflow of £225 million during the period. We raised €550 million through the issue of convertible bonds in August. The bonds are due in 2008 and have a conversion price of 842p (a 45% premium to the "reference price" of 580p) and an annual coupon rate of 1.375%. Net borrowings decreased by £206 million and our gearing reduced to 25% at 30 September from 35% at 31 March.

Outlook Improving business confidence, rising stock markets and increased levels of M&A activity are helpful to our industry. In addition, within each of 3i's businesses there are specific factors indicating a more positive outlook – in buy-outs, the continuing pressure on corporates to focus on their core activities is generating opportunities and vendors' pricing expectations are now more realistic; in growth capital, opportunities are being created as businesses re-launch deferred growth strategies; and, in early stage technology, we are starting to see increased levels of technology spending in some sectors by major corporates.

Our new investment pipeline is currently strong and we expect to increase investment levels in the second half.

Brian Larcombe
Chief Executive
5 November 2003

Consolidated statement of total return

for the six months to 30 September 2003

	6 months to 30 September 2003 (unaudited)			6 months to 30 September 2002 (unaudited)			12 months to 31 March 2003 (audited)		
	Revenue £m	**Capital £m**	**Total £m**	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Capital profits									
Realised profits on disposal of investments		**129**	**129**		118	118		184	184
Unrealised profits/(losses) on revaluation of investments		**215**	**215**		(701)	(701)		(1,165)	(1,165)
		344	**344**		(583)	(583)		(981)	(981)
Total operating income before interest payable	**130**	**–**	**130**	153	–	153	298	10	308
Interest payable	**(27)**	**(23)**	**(50)**	(52)	(3)	(55)	(57)	(53)	(110)
	103	**321**	**424**	101	(586)	(485)	241	(1,024)	(783)
Administrative expenses	**(30)**	**(40)**	**(70)**	(53)	(23)	(76)	(64)	(89)	(153)
Cost of changes to organisational structure	**–**	**–**	**–**	–	–	–	(5)	(5)	(10)
Return before tax and currency translation adjustment	**73**	**281**	**354**	48	(609)	(561)	172	(1,118)	(946)
Tax	**(9)**	**8**	**(1)**	(1)	2	1	(32)	35	3
Return for the period before currency translation adjustment	**64**	**289**	**353**	47	(607)	(560)	140	(1,083)	(943)
Currency translation adjustment	**12**	**(6)**	**6**	1	(11)	(10)	6	2	8
Total return	**76**	**283**	**359**	48	(618)	(570)	146	(1,081)	(935)
Total return per share									
Basic (pence)	**12.4p**	**46.3p**	**58.7p**	7.8p	(101.3)p	(93.5)p	23.9p	(177.1)p	(153.2)p
Diluted (pence)	**12.1p**	**45.1p**	**57.2p**	7.8p	(101.0)p	(93.2)p	23.9p	(176.9)p	(153.0)p

Movement in shareholders' funds

for the six months to 30 September 2003

	6 months to 30 September 2003 (unaudited) £m	6 months to 30 September 2002 (unaudited) £m	12 months to 31 March 2003 (audited) £m
Opening balance	**2,936**	3,945	3,945
Revenue return	**76**	48	146
Capital return	**283**	(618)	(1,081)
Total return	**359**	(570)	(935)
Dividends	**(31)**	(29)	(81)
Proceeds of issues of shares	**6**	4	7
Movement in the period	**334**	(595)	(1,009)
Closing balance	**3,270**	3,350	2,936

Consolidated revenue statement

for the six months to 30 September 2003

	6 months to 30 September 2003 (unaudited) £m	6 months to 30 September 2002 (pro forma)* (unaudited) £m	6 months to 30 September 2002 (unaudited) £m	12 months to 31 March 2003 (audited) £m
Interest receivable on loan investments	**43**	48	48	96
Fixed rate dividends	**4**	10	10	17
Other interest receivable and similar income	**17**	17	17	34
Interest payable	**(27)**	(28)	(52)	(57)
Net interest income	**37**	47	23	90
Dividend income from equity shares	**45**	50	50	106
Share of net losses of joint ventures	**–**	(1)	(1)	(1)
Fees receivable	**21**	23	28	46
Other operating income	**–**	1	1	–
Total operating income	**103**	120	101	241
Administrative expenses and depreciation	**(30)**	(33)	(53)	(64)
Cost of changes to organisational structure	**–**	–	–	(5)
Profit on ordinary activities before tax	**73**	87	48	172
Tax on profit on ordinary activities	**(9)**	(14)	(1)	(32)
Profit for the period	**64**	73	47	140
Dividends				
Interim (5.1p per share proposed, 2003: 4.9p per share paid)	**(31)**	(29)	(29)	(29)
Final (2003: 8.6p per share paid)				(52)
Profit retained for the period	**33**	44	18	59
Dividends per share (pence)	**5.1p**	4.9p	4.9p	13.5p
Earnings per share				
Basic (pence)	**10.5p**	12.0p	7.7p	22.9p
Diluted (pence)	**10.2p**	11.9p	7.7p	22.9p

*In the year to 31 March 2003, the Group adopted the recommendations in the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies, and revised the method of allocation of expenses between revenue and capital. To aid comparability, the comparatives to 30 September 2002 have been restated to reflect these changes and are included as a "pro forma" above. These changes are explained in more detail in the Basis of preparation on page 11.

Consolidated balance sheet

as at 30 September 2003

Assets	£m	30 September 2003 (unaudited) £m	£m	30 September 2002 (unaudited) £m	£m	31 March 2003 (audited) £m
Treasury bills and other eligible bills		**1**		1		1
Loans and advances to banks		**800**		695		527
Debt securities held for treasury purposes		**218**		198		283
Debt securities and other fixed income securities held as financial fixed asset investments						
Loan investments	**1,229**		1,326		1,336	
Fixed income shares	**199**		264		228	
Equity shares						
Listed	**168**		210		187	
Unlisted	**2,410**		2,451		2,188	
		4,006		4,251		3,939
Interests in joint ventures						
Share of gross assets	**116**		–		104	
Share of gross liabilities	**(85)**		–		(81)	
		31		–		23
Tangible fixed assets		**43**		52		45
Other assets		**214**		185		181
Total assets		**5,313**		5,382		4,999
Liabilities						
Deposits by banks		**290**		343		423
Debt securities in issue		**1,103**		1,373		1,350
Convertible bonds		**384**		–		–
Other liabilities		**217**		221		239
Provision for joint venture deficit						
Share of gross assets	**–**		(74)		–	
Share of gross liabilities	**–**		80		–	
		–		6		–
Subordinated liabilities		**49**		89		51
		2,043		2,032		2,063
Called up share capital		**306**		305		305
Share premium and redemption reserve		**355**		347		350
Capital reserve		**2,223**		2,403		1,940
Revenue reserve		**386**		295		341
Equity shareholders' funds		**3,270**		3,350		2,936
Total liabilities		**5,313**		5,382		4,999
Net asset value per share						
Basic (pence)		**534p**		549p		481p
Diluted (pence)		**534p**		548p		480p

Approved by the Board
5 November 2003

Consolidated cash flow statement

for the six months to 30 September 2003

	6 months to 30 September 2003 (unaudited) £m	6 months to 30 September 2002 (unaudited) £m	12 months to 31 March 2003 (audited) £m
Operating activities			
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**29**	44	75
Other interest received and similar income	**17**	16	31
Interest paid on borrowings	**(31)**	(54)	(58)
Dividends received from equity shares	**45**	47	102
Fees and other net cash receipts	**20**	31	46
Operating and administrative costs paid	**(51)**	(59)	(68)
Net cash inflow from operating activities	**29**	25	128
Taxation (paid)/received	**(2)**	3	4
Capital expenditure and financial investment			
Investment in equity shares, fixed income shares and loans	**(194)**	(299)	(673)
Investment in equity shares and loans acquired from joint ventures	**–**	(10)	(17)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments	**501**	624	975
Fees intrinsic to acquisition or disposal of investments	**–**	–	10
Investment interest paid	**(23)**	(3)	(53)
Investment administrative expenses	**(40)**	(23)	(94)
Investment in joint ventures	**–**	(5)	(54)
Divestment or repayment of interests in joint ventures	**–**	10	19
Purchase of tangible fixed assets	**(1)**	(3)	(5)
Sale of tangible fixed assets	**1**	–	1
Net cash flow from capital expenditure and financial investment	**244**	291	109
Equity dividends paid	**(52)**	(49)	(78)
Management of liquid resources	**(162)**	(122)	15
Net cash flow before financing	**57**	148	178
Financing			
Debt due within one year	**(283)**	(87)	(104)
Debt due after more than one year	**265**	(50)	(32)
Issues of shares	**6**	4	7
Net cash flow from financing	**(12)**	(133)	(129)
Increase in cash	**45**	15	49

Notes to the financial statements

for the six months to 30 September 2003

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

	6 months to 30 September 2003 (unaudited) £m	6 months to 30 September 2002 (unaudited) £m	12 months to 31 March 2003 (audited) £m
Revenue profit before tax	**73**	48	172
Depreciation of equipment and vehicles	**3**	3	7
Tax on investment income included within income from overseas companies	**–**	–	(1)
Interest received by way of loan notes	**(15)**	(15)	(41)
Movement in other assets associated with operating activities	**(11)**	7	(9)
Movement in prepayments and accrued income associated with operating activities	**(13)**	(10)	12
Movement in accruals and deferred income associated with operating activities	**(3)**	(5)	(15)
Movement in provisions for liabilities and charges	**(5)**	(4)	2
Reversal of losses of joint ventures less distributions received	**–**	1	1
Net cash inflow from operating activities	**29**	25	128

2 Reconciliation of net cash flows to movements in net debt

	6 months to 30 September 2003 (unaudited) £m	6 months to 30 September 2002 (unaudited) £m	12 months to 31 March 2003 (audited) £m
Increase in cash in the period	**45**	15	49
Cash flow from management of liquid resources	**162**	122	(15)
Cash flow from debt financing	**13**	142	143
Cash flow from subordinated liabilities	**5**	(5)	(7)
Change in net debt from cash flows	**225**	274	170
Foreign exchange movements	**(17)**	–	(46)
Non-cash changes	**(2)**	2	50
Movement in net debt in the period	**206**	276	174
Net debt at start of period	**(1,015)**	(1,189)	(1,189)
Net debt at end of period	**(809)**	(913)	(1,015)

3 Analysis of net debt

	1 April 2003 (audited) £m	**Cash flow (unaudited) £m**	**Exchange movement (unaudited) £m**	**Other non-cash changes (unaudited) £m**	**30 September 2003 (unaudited) £m**
Cash and deposits repayable on demand	**99**	**45**	**–**	**–**	**144**
Treasury bills, other loans, advances and treasury debt securities	**712**	**162**	**1**	**–**	**875**
Deposits and debt securities repayable within one year	**(401)**	**283**	**–**	**(2)**	**(120)**
Deposits and debt securities repayable after one year	**(1,372)**	**(270)**	**(17)**	**2**	**(1,657)**
Subordinated liabilities repayable after one year	**(51)**	**5**	**(1)**	**(2)**	**(49)**
Finance leases	**(2)**	**–**	**–**	**–**	**(2)**
	(1,015)	**225**	**(17)**	**(2)**	**(809)**

Basis of preparation

The accounting policies used in the preparation of this Interim report are the same as those used in the statutory accounts for the year to 31 March 2003 and those expected to be used for the year to 31 March 2004.

The six month period is treated as a discrete period except in so far as tax in the revenue account is charged on the basis of an estimated annual effective rate.

The figures for the year to 31 March 2003 have been extracted from the accounts filed with the Registrar of Companies on which the auditors issued an unqualified report. This Interim report does not constitute statutory accounts.

In the year to 31 March 2003, the Group adopted the recommendations contained in the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies, issued in January 2003. Fee income and costs earned or incurred as an intrinsic part of an intention to acquire or dispose of an investment have been accounted for in full as part of capital return. To the extent taxation losses have been transferred between capital and revenue in order to be utilised against excess taxable profits, the transfer is reflected in the Statement of total return and Revenue statement. In the year to 31 March 2003, the methodology used to identify the administrative expenses available for allocation to the capital reserve was modified. The methodology for allocation of finance costs has also been revised to allocate all finance costs less interest income between capital and revenue. The proportion of costs allocated to the capital reserve was decreased from 80% to 70%. Consequently, to aid comparability, a pro forma of the Revenue statement has been presented to show the results as if these changes had been adopted for the six months to 30 September 2002.

Independent review report to 3i Group plc

Introduction We have been instructed by the Company to review the financial information for the six months ended 30 September 2003 which comprises Consolidated statement of total return, Movement in shareholders' funds, Consolidated revenue statement, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 3 and the Basis of preparation. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 Interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

Ernst & Young LLP
London
5 November 2003

New investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group. The analyses below exclude investments in joint ventures.

Investment by product (£m)	**6 months to 30 September 2003**	6 months to 30 September 2002	12 months to 31 March 2003
Buy-outs	**141**	177	482
Growth capital	**76**	123	273
Early stage technology	**56**	93	176
Total	**273**	393	931

Investment by geography (3i only – excluding co-investment funds) (£m)			
UK	**53**	197	318
Continental Europe	**134**	84	304
US	**18**	31	74
Asia Pacific	**6**	3	20
Total	**211**	315	716

Investment by geography (£m)			
UK	**65**	248	399
Continental Europe	**182**	111	436
US	**18**	31	74
Asia Pacific	**8**	3	22
Total	**273**	393	931

Continental European investment (£m)			
Benelux	**52**	3	67
France	**12**	12	36
Germany/Austria/Switzerland	**48**	48	149
Italy	**18**	7	32
Nordic	**27**	23	69
Spain	**20**	17	75
Other European*	**5**	1	8
Total	**182**	111	436

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

Investment by FTSE industrial classification (£m)			
Resources	**4**	3	12
Industrials	**53**	86	328
Consumer goods	**80**	130	194
Services and utilities	**66**	61	197
Financials	**20**	33	54
Information technology	**50**	80	146
Total	**273**	393	931

Portfolio analysis

The Group's equity, fixed income and loan investments total £4,006 million at 30 September 2003 (excluding co-investment funds). The analyses below exclude joint ventures.

Portfolio value by product (£m)	At 30 September 2003	At 31 March 2003
Buy-outs	**2,131**	2,001
Growth capital	**1,331**	1,349
Early stage technology	**544**	589
Total	**4,006**	3,939

Portfolio value by geography (including co-investment funds) (£m)		
UK	**3,031**	3,041
Continental Europe	**1,977**	1,773
US	**177**	182
Asia Pacific	**80**	101
Total	**5,265**	5,097

Portfolio value by geography (£m)		
UK	**2,495**	2,494
Continental Europe	**1,271**	1,175
US	**170**	180
Asia Pacific	**70**	90
Total	**4,006**	3,939

Continental European portfolio value (£m)		
Benelux	**141**	101
France	**205**	186
Germany/Austria/Switzerland	**328**	319
Italy	**82**	69
Nordic	**279**	273
Spain	**218**	211
Other European*	**18**	16
Total	**1,271**	1,175

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

Portfolio value by FTSE industrial classification (£m)		
Resources	**171**	186
Industrials	**1,028**	944
Consumer goods	**923**	873
Services and utilities	**1,046**	1,018
Financials	**230**	274
Information technology	**608**	644
Total	**4,006**	3,939

Portfolio value by valuation method (£m)		
Imminent sale or IPO	**83**	37
Listed	**168**	187
Secondary market	**48**	30
Earnings	**1,251**	938
Cost	**514**	607
Further advance	**125**	155
Net assets	**114**	139
Other (including other technology assets valued below cost)	**275**	282
Loan investments and fixed income shares	**1,428**	1,564
Total	**4,006**	3,939

Buy-out portfolio value by valuation method (£m)	**At 30 September 2003**	At 31 March 2003
Imminent sale or IPO	**18**	12
Listed	**70**	67
Secondary market	**7**	7
Earnings	**750**	536
Cost	**141**	149
Net assets	**24**	40
Other	**61**	115
Loan investments and fixed income shares	**1,060**	1,075
Total	**2,131**	2,001

Growth capital portfolio value by valuation method (£m)		
Imminent sale or IPO	**47**	14
Listed	**98**	120
Secondary market	**41**	23
Earnings	**500**	377
Cost	**147**	187
Further advance	**19**	42
Net assets	**90**	98
Other	**85**	69
Loan investments and fixed income shares	**304**	419
Total	**1,331**	1,349

Early stage technology portfolio value by valuation method (£m)		
Imminent sale or IPO	**18**	11
Earnings	**1**	25
Cost	**226**	271
Further advance	**106**	113
Net assets	**–**	1
Other technology assets valued below cost	**107**	79
Other	**22**	19
Loan investments and fixed income shares	**64**	70
Total	**544**	589

Technology portfolio value by stage (£m)		
Early stage	**544**	589
Late stage		
Quoted	**124**	103
Buy-outs	**339**	294
Growth capital	**260**	250
	723	647
Total	**1,267**	1,236

The early stage portfolio comprises investments in immature businesses which typically require further funding. The late stage portfolio comprises investments in more mature, typically self-funding businesses, including investments made by way of buy-outs and growth capital.

Early stage technology portfolio value by sector (£m)		
Healthcare	**183**	195
Communications	**111**	112
Electronics, semiconductors and advanced technologies	**74**	72
Software	**176**	210
Total	**544**	589

Realisations analysis

Analysis of the Group's realisation proceeds (excluding co-investment funds).

Realisations proceeds by product (£m)	**6 months to 30 September 2003**	6 months to 30 September 2002	12 months to 31 March 2003
Buy-outs	**229**	428	613
Growth capital	**197**	145	270
Early stage technology	**77**	46	93
Total	**503**	619	976
Realisations proceeds by geography (£m)			
UK	**317**	535	727
Continental Europe	**119**	79	238
US	**11**	1	2
Asia Pacific	**56**	4	9
Total	**503**	619	976
Realisations proceeds (£m)			
IPO	**–**	33	37
Sale of quoted investments	**73**	79	110
Trade and other sales	**298**	257	493
Loan and fixed income share repayments	**132**	250	336
Total	**503**	619	976
Realisations proceeds by FTSE industrial classification (£m)			
Resources	**13**	53	60
Industrials	**73**	167	294
Consumer goods	**78**	117	192
Services and utilities	**225**	217	330
Financials	**68**	32	42
Information technology	**46**	33	58
Total	**503**	619	976

Funds under management

(£m)	**At 30 September 2003**	At 31 March 2003
Third party unquoted co-investment funds	**1,778**	1,587
Quoted investment companies*	**558**	452
Total	**2,336**	2,039

*Includes the 3i Group Pension Plan.

Ten largest investments

At 30 September 2003, the Directors' valuation of the ten largest investments was a total of £438 million. These investments cost £277 million.

Investment	First invested in	Cost[1] £m	Proportion of equity shares held	Directors' valuation[1] £m
Travelex Holdings Ltd[2] Foreign currency services	1998			
Equity shares		–	19.6%	64
		–		**64**
Westminster Health Care Holdings Ltd Care homes operator	2002			
Equity shares		1	49.6%	14
Loans		38		38
		39		**52**
Fonecta Group Oy Directory services	2002			
Equity shares		4	33.5%	36
Loans		12		12
		16		**48**
Malmberg Investments BV Educational publisher	2001			
Equity shares		7	41.8%	26
Loans		18		18
		25		**44**
Pets at Home Group Ltd Retailer of pets and pet supplies	1995			
Equity shares		2	26.0%	18
Loans		25		25
		27		**43**
ERM Holdings Ltd[3] Environmental consultancy	2001			
Equity shares		–	38.1%	7
Loans		34		34
		34		**41**
SR Technics Holding AG Repair and maintenance of aeroplane engines and frames	2002			
Equity shares		7	32.2%	7
Loans		33		33
		40		**40**
Refresco Holding BV Fruit juice producer	2003			
Equity shares		3	62.8%	3
Fixed income shares		18		18
Loans		18		18
		39		**39**
Tato Holdings Ltd Manufacture and sale of specialist chemicals	1989			
Equity shares		2	25.0%	34
		2		**34**
Beltpacker plc Manufacturer/marketing of healthcare/beauty products, footwear and accessories	2000			
Equity shares		12	38.9%	–
Loans		43		33
		55		**33**

Notes

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

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

3 The cost of the equity held in ERM Holdings Ltd is £437,000.

Information for shareholders

Financial calendar	
Ex-dividend date	3 December 2003
Record date	5 December 2003
Interim dividend expected to be paid	7 January 2004

Shareholder profile Location of investors at 30 September 2003	
UK (including retail shareholders)	79.72%
Continental Europe	6.19%
US	10.26%
Other international	3.83%

At 30 September 2003, the number of shares in issue was 612,214,591.

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 3970

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Group plc, please contact:

Group Communications
3i Group plc
91 Waterloo Road
London SE1 8XP
Telephone +44 (0)20 7928 3131
Fax +44 (0)20 7928 0058
e-mail ir@3igroup.com

Alternatively, please visit our investor relations website **www.3igroup.com** for full up-to-date investor relations information including the latest share price, recent annual and interim reports, results presentations and financial reviews.

3i Group plc is a deposit taker regulated by the Financial Services Authority.

Designed and produced by Radley Yeldar (London). Printed by CTD Capita.

The paper used for the production of this brochure is manufactured from 50% totally chlorine-free pulps sourced from plantation forests, offcuts and forest thinnings. The further 50% is manufactured from recycled fibres.

3i Group plc
91 Waterloo Road
London SE1 8XP
England
Telephone +44 (0)20 7928 3131
Fax +44 (0)20 7928 0058
Website www.3igroup.com

M39103 November 2003