04 November 2004

"Strong performance and good momentum"

- Total return of £231 million
- Significant increase in investment activity
- Strong realisation proceeds of £603 million

Interim results for the six months to 30 September 2004

Total return	£231m
Return on opening shareholders' funds	7.2%
Revenue profit before tax	£84m
Realisation proceeds	£603m
Realisation profits on disposal of investments	£95m
Unrealised profits on revaluation of investments	£118m
Investment (including co-investment funds)	£521m
Diluted net asset value per share (post interim dividend)	568p
Interim dividend	5.3p

Highlights

- Total return of £231 million, which represents a 7.2% return on restated opening shareholders' funds and compares with 5.1% for the FTSE All-Share and 6.0% for the FTSE 100 total return indices in the same period
- Investment of £521 million (including co-investment funds), which compares with £273 million for the same period last year
- Realisation proceeds of £603 million, which compares with £503 million for the same period last year

Baroness Hogg, Chairman of 3i Group plc, said: "This strong performance and good momentum confirm that the changes made to the business over the last few years are bearing fruit."

3i's Chief Executive, Philip Yea, said: "Our strategy plays to our competitive strengths. I am encouraged by the opportunities for growth. My objective is to build on the significant changes implemented at 3i over the past few years by ensuring that we use our scale with greater agility."

- ends -

For further information regarding the announcement of 3i's interim results to 30 September 2004 please see www.3iGroup.com

For further information, please contact:

Philip Yea, Chief Executive 3i Group plc	Tel: 020 7975 3386
Michael Queen, Finance Director 3i Group plc	Tel: 020 7975 3400
Patrick Dunne, Group Communications Director 3i Group plc	Tel: 020 7975 3283
Issued by: Philip Gawith The Maitland Consultancy	Tel: 020 7379 5151

Notes to editors

3i is a world leader in private equity and venture capital. We focus on buy-outs, growth capital and venture capital 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. It underpins the value that we deliver to our portfolio and to our shareholders.

Chairman's statement

A strong performance and good momentum in both investments and realisations confirm that the changes made to the business over the last few years are bearing fruit. The total return of £231 million for the six months to 30 September 2004 represents a 7.2% return on opening shareholders' funds. This compares with 5.1% for the FTSE All-Share, and 6.0% for the FTSE 100 total return index, in the same period. The Directors have announced an interim dividend of 5.3p, representing an increase of 3.9%.

Our teams around the world have been taking advantage of the market access our network brings to make investments totalling £521 million in the first half of the financial year. And profits of £95 million on realisation proceeds of £603 million demonstrate the quality of our portfolio – particularly since these profits come on top of significant increases in the value of investments recorded at the end of March. A fall in the level of provisions is a further indicator of the improvement in the health of the portfolio.

The appointment of Philip Yea as our new Chief Executive has been widely welcomed. Since joining 3i on 7 July, he has reviewed the Group's strategy and vision. In his Chief Executive's statement, he outlines the organisational changes he has made to position the business for growth, enhance the linkage between our geographic markets and the business lines, and ensure that 3i continues to attract and retain the best talent.

Two new non-executive Directors have joined the Board since the Annual General Meeting: Sir Robert Smith and Dr Peter Mihatsch. Sir Robert is a highly experienced public company director who also has substantial experience in private equity. Peter has great experience of growing successful European businesses and particular knowledge of German industry. His appointment means that half of our non-executive Directors are now based outside the UK, reflecting the increasing international breadth of 3i.

On the executive side of the Board, the major change is that Michael Queen, our Finance Director, is taking on responsibility for our important Growth Capital business. To succeed Michael, we have recruited Simon Ball, who will make an excellent addition to the Board. Meanwhile, Martin Gagen, who has been responsible for 3i in the US since 1999, stepped down from the Board in August. I would like to thank Martin for all he has done in developing this business.

Looking forward, our European Enterprise Barometer suggests that the outlook continues to be positive, but with greater uncertainty than six months ago. We will remain active investors while continuing to maintain a rigorous approach to quality and pricing.

Baroness Hogg
Chairman
3 November 2004

Chief Executive's statement

My priority since joining in July has been to meet with as many colleagues as possible in 3i's principal markets. I have found the business in good shape. Furthermore, I am encouraged by the opportunities for growth in the markets in which we operate and the potential to exploit the considerable advantages that the Group enjoys.

Our strategy plays to our competitive strengths. My objective will be to build on the significant changes that each business line has implemented over the past few years. However, it is just as important to lay the foundations for future growth, by developing further the capabilities that will allow us to invest successfully and thus achieve appropriate returns for our shareholders.

In our Buyout business, the strength of our network and our sector knowledge are critical both to the buying decision and creating value post investment. In an increasingly competitive market, these advantages enable us to secure the most attractive investments whilst achieving highly profitable realisations. We are well placed to win deals and drive further value from our investments.

3i's Growth Capital business enjoys the same advantages in a less competitive sector and is rightly concentrating on further improving its origination and execution skills. There is significant opportunity to grow the amount of investment by this business line.

Our Venture Capital business is one of a handful of such businesses which can operate on a truly international basis. Bringing our resources to serve the requirements of individual sectors requires new ways of working that our venture teams are making their priority.

As an investment trust, we report our returns in terms of net asset value. However, our objective for our business lines is to deliver gross vintage returns that compare with the best in our industry. Looking forward, these are likely to be of the order of 20% for Buyouts and Growth Capital and 35% for Venture. We intend to show increasing evidence of our progress towards these returns over the next few years, although the investment cycle in our Venture business requires more time to demonstrate this.

At a time when our end markets are internationalising and a number of our competitors are addressing succession issues by trying to become more institutional, 3i is well placed through the scale of our international resources and connections to remain a leader in our industry. However, it is critical that we leverage our scale and show greater agility in bringing these resources to bear in our markets.

For this reason I have appointed Chris Rowlands, formerly Head of Growth Capital, to the newly created position of Head of Group Markets. In this position, he will be responsible for managing both our geographical markets and our other Group resources to ensure that we serve our three business lines in the most effective manner. Michael Queen, who has extensive experience in growth capital investing, will succeed Chris as Head of Growth Capital.

Simon Ball will succeed Michael as Finance Director and will join 3i on 7 February 2005. Simon brings wide experience in financial services and change management through his time at Robert Fleming and Kleinwort Benson.

Our people, both investors and support staff, are critical to our future success. As one of the few truly international players in an attractive industry, we can recruit and retain the right talent provided we pay at market rates and give opportunities for people to grow. Compensation schemes were revised last year and these give a basis through which investment executives will share in the success of the investments in which they are most directly involved. Developing the appropriate resources and capabilities requires a shift in the focus of how we manage our human resources and so our new Group Human Resources Director, Denise Collis, will become a member of our Executive Committee when she joins on 8 November.

We intend to build on the achievements of the past few years and deliver growth in value for our shareholders.

Philip Yea
Chief Executive
3 November 2004

Interim review

Macroeconomic and market conditions
Overall, the macroeconomic environment for 3i's portfolio companies remained relatively benign over the six-month period, though conditions within the different geographies and sectors in which our portfolio companies operate were variable. Both business sentiment and consumer confidence remained broadly positive. In currency terms, the euro was relatively unchanged against the US dollar, while sterling weakened significantly against both the euro and the US dollar.

Stock markets across Europe lacked direction over the period and the volume of mergers and acquisitions ("M&A"), a key driver of activity for our Buyout business, remained relatively subdued, both in Europe and globally.

The private equity and venture capital markets are experiencing increased levels of activity when compared with those in 2003, although the 2003 levels were adversely affected by the economic and business uncertainties prevailing during the first half of the year. Market statistics for the first six months of 2004 show aggregate European investment 12.5% up on the equivalent period in 2003, with buyouts up 7.5%, growth capital more than doubling (from a particularly low 2003 figure) and early-stage investment up 14.9%.

Market statistics for the venture capital market in the US, a key driver of venture capital activity worldwide, show that investment in the first six months of 2004 was up 23.2% on the equivalent period last year; and statistics for the same period for Asia Pacific show overall private equity investment up 39.6% on 2003.

There has been some improvement in the environment for realisations, although trade sales and IPO's of private equity-backed businesses remain at relatively low levels by historical standards. The level of secondary buyouts has remained high and conditions remain supportive for refinancing businesses.

Total return
3i achieved a total return of £231 million for the period, which equates to 7.2% on restated opening shareholders' funds. This compares with returns on the FTSE All-Share, FTSE 100 and FTSE SmallCap (ex investment companies) total return indices of 5.1%, 6.0% and minus 2.8% respectively.

The main drivers of the total return were a good level of profitable realisations, strong levels of income and steady growth in the value of the portfolio.

Each of our three business lines has performed satisfactorily. The Buyout return of 8.8% was underpinned by good valuation uplifts on a number of strongly-performing assets, including Westminster Healthcare, which was sold in October. The Growth Capital business line achieved an 8.3% return, mainly as a result of strong realisation profits and good levels of income from the portfolio, including a high level of special dividend receipts arising on the sale of investments. The Venture Capital business line made a positive total return of 1.4%, reflecting a good level of realised profits, a number of valuation increases arising as a result of portfolio companies raising funds from new investors at increased values, reduced levels of provisions and a foreign currency translation gain.

Investment
3i invested a total of £422 million (£521 million including investment on behalf of co-investment funds), which is a substantial increase over the low level of investment in the equivalent period last year.

Buyouts represented 51% of total investment, Growth Capital 32% and Venture Capital 17%. Of the amount invested in Venture Capital, 68% was further investment into existing portfolio companies.

There is an increasing level of investment undertaken overseas, with continental Europe representing 53%, the US 8% and Asia Pacific 3% of the total invested. The share of investment represented by continental Europe reflects our focus on the relatively less mature private equity and venture capital markets there (compared with those in the UK), and also 3i's ability to access and execute deals across Europe through our regional presence and ability to resource transactions on a pan-European basis.

Realisations
3i generated realisation proceeds of £603 million (2003: £503 million) during the period, reflecting a profit over 31 March values of £95 million (19%), compared with £134 million (36%) in the equivalent period last year. The uplift over 31 March values on realisations of equity investments was 28% (2003: 61%). The reduced uplift figures relative to last year are largely due to the high level of realisations achieved in the earlier months of this period compared with last year. These assets were realised for amounts similar to their carrying value at 31 March 2004 as they were then valued on an imminent sale basis. Realised profits are stated net of write-offs, which amounted to £13 million (2003: £25 million). Overall, 12% of the opening portfolio was realised during the period (2003: 10%).

Although most of our realisation proceeds continue to come from sales of portfolio businesses to trade and financial purchasers, six portfolio companies achieved IPO's during the period (two on the Official List of the London Stock Exchange, two on AIM and one each in Frankfurt and Hong Kong). The IPO's of Pinewood Shepperton, the film and TV studios business, and E2V Holdings, a supplier of switching, sensing and imaging components, were notable in providing 3i with a 100% cash realisation on IPO.

Unrealised value movement
The unrealised profit on the revaluation of investments was £118 million (2003: £222 million).

The weighted average earnings multiple applied to investments valued on an earnings basis was 12.0 at both 30 September and 31 March. However, for those investments valued on an earnings basis at both dates, there was a small increase in earnings multiples, giving rise to a value increase of £18 million.

The aggregate attributable earnings of investments valued on an earnings basis at both the start and the end of the period increased by approximately 2%, giving rise to a £22 Million value increase. A number of strongly-performing Mid-market Buyouts and Growth Capital assets contributed significantly to this increase.

The net valuation impact arising on investments being valued on a basis other than cost for the first time ("first-time uplifts") was £32 million. The relatively low figure reflects the reduced level of investment made in late 2002 and the first half of 2003.

Provisions against investments in businesses which may fail totalled £44 million in the period, representing 1% of the opening portfolio value and a significant improvement over levels in recent periods.

There was a net £21 million valuation increase as a result of investee companies raising funds from new investors at increased values (£25 million), valuation reductions relating to the application of 3i's downround methodology (£4 million) and restructuring provisions (£nil).

Other movements on unquoted investments include valuation increases totalling £85 million on investments being revalued on an imminent sale basis, a foreign currency translation gain of £27 million and a valuation reduction of £38 million applied to the carrying value of loan investments and fixed income shares.

The quoted investments held at 30 September decreased in aggregate by £1 million (2003: £44 million increase), broadly reflecting the flat smaller quoted equities market over the period.

Carried interest and investment performance plans
The charge in the period of £25 million (2003: £12 million) reflects both profitable realisations and strong value growth on a number of recent investments.

Income and costs
Total operating income before interest payable was £161 million (2003: £130 million). The increase over the same period last year is due mainly to the receipt of several large special dividends arising on the sale of investments and a rise in deal-related fees resulting from the increased level of investment.

Net interest payable decreased relative to last year, reflecting both the reduced level of net borrowings and the lower average rate of interest following the €550 million convertible bond issue in August 2003.

Management expenses of £81 million are higher than in the equivalent period last year (but in line with the run-rate for the whole of the last financial year) mainly as a result of staff bonus costs being accrued at a higher level than in the first half of last year. Staff headcount during the period fell slightly, from 750 at 31 March to 740 at 30 September.

The portfolio
The number of investments in the portfolio fell from 1,878 at 31 March to 1,738 at 30 September, reflecting the high level of realisations.

As at 30 September, the top 10 investments represented 15% of the total portfolio by value, and the top 50 represented 38%, highlighting the relatively low exposure 3i has to individual company risk.

Accounting policies and valuation
Financial Reporting Standard 17 "Retirement Benefits" has been implemented in full for the first time during the period. Additionally, the recommendations of Urgent Issues Task Force Abstract 38 "Accounting for ESOP Trusts" have been implemented and the presentation of comparatives changed accordingly.

Work to comply with the requirements of International Financial Reporting Standards ("IFRS") in the year to 31 March 2006 is advancing to plan. Differences have been identified, revised accounting policies are being finalised and systems changes are in progress. Subject to the endorsement by the EU of certain specific standards, notably IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement", 3i is confident that it will be able to meet requirements for financial reporting during the year to 31 March 2006. The first financial statements prepared on an IFRS basis will be those for the six months to 30 September 2005.

There have been no changes in valuation methodology during the period.

Cash flows and capital structure
Net cash inflow for the period was £64 million. Net borrowings at 30 September were £901 million, down from £936 million at 31 March. Gearing at 30 September was 26%, compared with 29% at 31 March.

There were no significant changes in 3i's capital structure during the period.

Since 30 September, 3i has adopted a new hedging policy, which will be implemented over the next 12 months. The policy is designed to eliminate, as far as possible, the exposure of assets denominated in foreign currencies to movements in the exchange rates between sterling and the respective currencies. Foreign currency borrowings and swaps will be used to effect the hedges.

Outlook
Since the start of October, the pipelines for new investments and exits have been at reasonably good levels. Economic conditions remain broadly supportive, despite some uncertainty surrounding the outlook for the global economy, both the listed equity and M&A markets are showing signs of activity.

We remain positive about the prospects for the second half of the year.

Consolidated statement of total return

for the six months to 30 September 2004

	6 months to 30 September 2004			6 months to 30 September 2003			12 months to 31 March 2004		
						(as restated)*			(as restated)*
			(unaudited)			(unaudited)			(audited)
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital profits									
Realised profits on disposal of investments		95	95		134	134		228	228
Unrealised profits on revaluation of investments		118	118		222	222		336	336
		213	213		356	356		564	564
Carried interest and investment performance plans		(25)	(25)		(12)	(12)		(40)	(40)
		188	188		344	344		524	524
Total operating income before interest payable	146	15	161	130	-	130	262	5	267
Interest payable	(27)	(15)	(42)	(27)	(23)	(50)	(51)	(42)	(93)
	119	188	307	103	321	424	211	487	698
Administrative expenses	(36)	(45)	(81)	(30)	(40)	(70)	(72)	(91)	(163)
Other finance income/(costs) on pension plan	1		1	(2)		(2)	(3)		(3)
Actuarial gains/(losses) on pension plan		3	3		10	10		(4)	(4)
Return before tax and currency translation adjustment	84	146	230	71	291	362	136	392	528
Tax	(14)	12	(2)	(9)	8	(1)	(29)	25	(4)
Return for the period before currency translation adjustment	70	158	228	62	299	361	107	417	524
Currency translation adjustment	1	2	3	12	(6)	6	24	(24)	-
Total return	71	160	231	74	293	367	131	393	524
Total return per share									
Basic (pence)	11.7p	26.5p	38.2p	12.3p	48.7p	61.0p	21.8p	65.2p	87.0p
Diluted (pence)	11.3p	25.6p	36.9p	12.1p	48.1p	60.2p	21.2p	63.8p	85.0p

Movement in shareholders' funds

for the six months to 30 September 2004

	6 months to 30 September 2004	6 months to 30 September 2003	12 months to 31 March 2004
		(as restated)*	(as restated)*
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Opening balance	3,395	2,936	2,936
Prior year adjustment	(165)	(147)	(147)
Opening balance as restated	3,230	2,789	2,789
Revenue return	71	74	131
Capital return	160	293	393
Total return	231	367	524
Dividends	(32)	(31)	(84)
Proceeds of issues of shares	2	6	12
Own shares	5	(5)	(11)
Movement in the period	206	337	441
Closing balance	3,436	3,126	3,230

*As restated to reflect the adoption of FRS 17 – Retirement Benefits and UITF 38 – Accounting for ESOP Trusts. See Basis of preparation.

Consolidated revenue statement

for the six months to 30 September 2004

	6 months to 30 September 2004 (unaudited) £m	6 months to 30 September 2003 (as restated)* (unaudited) £m	12 months to 31 March 2004 (as restated)* (audited) £m
Interest receivable on loan investments	**51**	43	84
Fixed rate dividends	**3**	4	8
Other interest receivable and similar income	**21**	17	33
Interest payable	**(27)**	(27)	(51)
Net interest income	**48**	37	74
Dividend income from equity shares	**53**	45	94
Share of net losses of joint ventures	**-**	-	(1)
Fees receivable	**18**	21	43
Other operating income	**-**	-	1
Total operating income	**119**	103	211
Administrative expenses and depreciation	**(36)**	(30)	(72)
Other finance income/(costs) on pension plan	**1**	(2)	(3)
Profit on ordinary activities before tax	**84**	71	136
Tax on profit on ordinary activities	**(14)**	(9)	(29)
Profit for the period	**70**	62	107
Dividends			
Interim (5.3p per share proposed, 2004: 5.1p per share paid)	**(32)**	(31)	(31)
Final (2004: 8.9p per share paid)			(53)
Profit retained for the period	**38**	31	23
Dividends per share (pence)	**5.3p**	5.1p	14.0p
Earnings per share			
Basic (pence)	**11.6p**	10.3p	17.8p
Diluted (pence)	**11.2p**	10.2p	17.3p

*As restated to reflect the adoption of FRS 17 – Retirement Benefits and UITF 38 – Accounting for ESOP Trusts. See Basis of preparation.

Consolidated balance sheet

as at 30 September 2004

	30 September 2004 (unaudited)		30 September 2003 (as restated)* (unaudited)		31 March 2004 (as restated)* (audited)	
Assets	**£m**	**£m**	£m	£m	£m	£m
Treasury bills and other eligible bills		**1**		1		1
Loans and advances to banks		**718**		800		534
Debt securities held for treasury purposes		**225**		218		284
Debt securities and other fixed income securities held as financial fixed asset investments						
Loan investments	**1,408**		1,229		1,312	
Fixed income shares	**124**		199		150	
Equity shares						
Listed	**227**		168		225	
Unlisted	**2,619**		2,410		2,639	
		4,378		4,006		4,326
Interests in joint ventures						
Share of gross assets	**51**		116		80	
Share of gross liabilities	**(22)**		(85)		(53)	
		29		31		27
Tangible fixed assets		**39**		43		40
Other assets		**160**		151		118
Total assets		**5,550**		5,250		5,330
Liabilities						
Deposits by banks		**213**		290		215
Debt securities in issue		**1,207**		1,103		1,128
Convertible bonds		**377**		384		367
Other liabilities		**249**		217		262
Subordinated liabilities		**48**		49		45
Defined benefit liabilities		**20**		81		83
		2,114		2,124		2,100
Called up share capital		**307**		306		307
Share premium account		**361**		354		359
Capital redemption reserve		**1**		1		1
Capital reserve		**2,386**		2,126		2,226
Revenue reserve		**431**		388		392
Own shares		**(50)**		(49)		(55)
Equity shareholders' funds		**3,436**		3,126		3,230
Total liabilities		**5,550**		5,250		5,330
Net asset value per share						
Basic (pence)		**568p**		518p		535p
Diluted (pence)		**568p**		518p		535p

*As restated to reflect the adoption of FRS 17 – Retirement Benefits and UITF 38 – Accounting for ESOP Trusts. See Basis of preparation.

Approved by the Board
3 November 2004

Consolidated cash flow statement

for the six months to 30 September 2004

		6 months to 30 September 2004 (unaudited) £m	6 months to 30 September 2003 (as restated)* (unaudited) £m	12 months to 31 March 2004 (as restated)* (audited) £m
Operating activities				
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments		**26**	29	66
Other interest received and similar income		**20**	17	35
Dividends received from equity shares		**53**	45	93
Fees and other net cash receipts	- revenue	**18**	20	41
	- capital	**15**	-	5
Administrative expenses paid	- revenue	**(55)**	(40)	(53)
	- capital	**(45)**	(40)	(91)
Additional pension contributions		**(60)**	-	(13)
Net cash flow from operating activities		**(28)**	31	83
Returns on investment and servicing of finance				
Interest paid on borrowings	- revenue	**(22)**	(31)	(59)
	- capital	**(15)**	(23)	(42)
Net cash flow from returns on investments and servicing of finance		**(37)**	(54)	(101)
Taxation paid		**(1)**	(2)	(2)
Capital expenditure and financial investment				
Investment in equity shares, fixed income shares and loans		**(426)**	(194)	(756)
Sale, repayment or redemption of equity shares, fixed income shares and loan investments		**605**	501	913
Purchase of tangible fixed assets		**(2)**	(1)	(2)
Sale of tangible fixed assets		**-**	1	1
Net cash flow from capital expenditure and financial investment		**177**	307	156
Acquisitions and disposals				
Investment in joint ventures		**-**	-	(25)
Divestment or repayment of interests in joint ventures		**5**	-	25
Net cash flow from acquisitions and disposals		**5**	-	-
Equity dividends paid		**(54)**	(52)	(83)
Management of liquid resources		**(146)**	(162)	(15)
Net cash flow before financing		**(84)**	68	38
Financing				
Debt due within one year		**50**	(283)	(232)
Debt due after more than one year		**8**	265	200
Issues of shares		**2**	6	12
Own shares		**-**	(11)	(20)
Net cash flow from financing		**60**	(23)	(40)
Change in cash		**(24)**	45	(2)

*As restated to reflect the adoption of FRS 17 – Retirement Benefits and UITF 38 – Accounting for ESOP Trusts. See Basis of preparation.

Notes to the financial statements

for the six months to 30 September 2004

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

	6 months to 30 September 2004 (unaudited) £m	6 months to 30 September 2003 (as restated)* (unaudited) £m	12 months to 31 March 2004 (as restated)* (audited) £m
Revenue profit before tax	**84**	71	136
Fees receivable and deal-related costs accounted for in the capital reserve	**15**	-	5
Administrative expenses allocated to the capital reserve	**(45)**	(40)	(91)
	54	31	50
Interest payable - revenue	**27**	27	51
	81	58	101
Depreciation of equipment and vehicles	**2**	3	5
Tax on investment income included within income from overseas companies	**-**	-	(1)
Interest received by way of loan notes	**(16)**	(15)	(28)
Additional pension contributions	**(60)**	-	(13)
Movement in prepayments and accrued income	**(12)**	(6)	3
Movement in accruals and deferred income	**(21)**	(4)	17
Movement in provisions for liabilities and charges	**(2)**	(5)	(2)
Reversal of losses of joint ventures less distributions received	**-**	-	1
Net cash flow from operating activities	**(28)**	31	83

2 Reconciliation of net cash flows to movements in net debt

	6 months to 30 September 2004 (unaudited) £m	6 months to 30 September 2003 (unaudited) £m	12 months to 31 March 2004 (audited) £m
Change in cash in the period	**(24)**	45	(2)
Cash flow from management of liquid resources	**146**	162	15
Cash flow from debt financing	**(57)**	13	33
Cash flow from subordinated liabilities	**(2)**	5	(1)
Cash flow from finance leases	**1**	-	-
Change in net debt from cash flows	**64**	225	45
Foreign exchange movements	**(28)**	(17)	27
Non-cash changes	**-**	(2)	5
Movement in net debt in the period	**36**	206	77
Net debt at start of period	**(938)**	(1,015)	(1,015)
Net debt at end of period	**(902)**	(809)	(938)

3 Analysis of net debt

	1 April 2004 (audited) £m	Cash flow (unaudited) £m	Exchange movement (unaudited) £m	Other non-cash changes (unaudited) £m	30 September 2004 (unaudited) £m
Cash and deposits repayable on demand	**94**	**(24)**	**1**	**-**	**71**
Treasury bills, other loans, advances and treasury debt securities	**725**	**146**	**2**	**-**	**873**
Deposits and debt securities repayable within one year	**(160)**	**(50)**	**(9)**	**(7)**	**(226)**
Deposits and debt securities repayable after one year	**(1,550)**	**(7)**	**(21)**	**7**	**(1,571)**
Subordinated liabilities repayable after one year	**(45)**	**(2)**	**(1)**	**-**	**(48)**
Finance leases	**(2)**	**1**	**-**	**-**	**(1)**
	(938)	**64**	**(28)**	**-**	**(902)**

*As restated to reflect the adoption of FRS 17 – Retirement Benefits and UITF 38 – Accounting for ESOP Trusts. See Basis of preparation.

Basis of preparation

The accounting policies used in the preparation of the Interim report are the same as those used in the statutory accounts for the year to 31 March 2004, except as explained below, and are those expected to be used for the year to 31 March 2005.

Financial Reporting Standard 17 – Retirement Benefits ("FRS 17") The Group has adopted fully the reporting requirements of FRS 17, having previously complied with the transitional requirements of the standard. Ongoing service cost, finance charges or credits and expected returns on assets are shown in the revenue return. Differences between expected and actual returns and changes in actuarial assumptions are shown as part of the capital return. The effect of adopting FRS 17 is to reduce shareholders' funds by £110 million at 31 March 2004.

Urgent Issues Task Force Abstract 38 – Accounting for ESOP Trusts ("UITF 38") The Group has also adopted UITF 38. This requires shares held by the 3i Group Employee Trust to be accounted for as a deduction in arriving at shareholders' funds rather than as an asset. The effect of this is to reduce shareholders' funds by £55 million at 31 March 2004.

Certain comparatives have been restated to reflect these changes.

The figures for the year to 31 March 2004 (before restatement) have been extracted from the accounts filed with the Registrar of Companies on which the auditors issued a report, which was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985. The Interim report does not constitute statutory accounts.

3i's actual future results may differ materially from the plans, goals and expectations set forth in any of its forward-looking statements. Any forward-looking statements speak only as of the date they are made. 3i does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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 2004 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 2004.

Ernst & Young LLP
London
3 November 2004

Note 1
The Interim report 2004 will be posted to shareholders on 15 November 2004 and thereafter copies will be available from the Company Secretary, 3i Group plc, 91 Waterloo Road, London SE1 8XP.

Note 2
The interim dividend will be payable on 5 January 2005 to holders of shares on the register on 3 December 2004. The ex-dividend date will be 1 December 2004.

New investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group (including co-investment funds). The analyses below exclude investments in joint ventures.

Investment by business line (£m)	**6 months to 30 September 2004**	6 months to 30 September 2003	12 months to 31 March 2004
Buyouts	**305**	141	492
Growth Capital	**142**	76	313
Venture Capital	**74**	56	174
Total	**521**	273	979

Investment by geography (3i only – excluding co-investment funds) (£m)			
UK	**152**	53	309
Continental Europe	**222**	134	401
US	**35**	18	61
Asia Pacific	**13**	6	13
Total	**422**	211	784

Investment by geography (including co-investment funds) (£m)			
UK	**201**	65	375
Continental Europe	**268**	182	526
US	**35**	18	61
Asia Pacific	**17**	8	17
Total	**521**	273	979

Continental European investment (£m)			
Benelux	**14**	52	73
France	**81**	12	89
Germany/Austria/Switzerland	**89**	48	186
Italy	**10**	18	19
Nordic	**46**	27	106
Spain	**26**	20	34
Other European*	**2**	5	19
Total	**268**	182	526

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

Investment by FTSE industrial classification (£m)			
Resources	**89**	4	11
Industrials	**125**	53	219
Consumer goods	**69**	80	306
Services and utilities	**142**	66	290
Financials	**59**	20	33
Information technology	**37**	50	120
Total	**521**	273	979

Portfolio analysis

The Group's equity, fixed income and loan investments total £4,378 million at 30 September 2004 (excluding co-investment funds). The analyses below exclude joint ventures.

Portfolio value by business line (£m)	At 30 September 2004	At 31 March 2004
Buyouts	**2,291**	2,306
Growth Capital	**1,493**	1,487
Venture Capital	**594**	533
Total	**4,378**	4,326

Portfolio value by geography (including co-investment funds) (£m)		
UK	**2,861**	3,024
Continental Europe	**2,473**	2,299
US	**269**	241
Asia Pacific	**83**	86
Total	**5,686**	5,650

Portfolio value by geography (3i only – excluding co-investment funds) (£m)		
UK	**2,361**	2,506
Continental Europe	**1,685**	1,511
US	**262**	234
Asia Pacific	**70**	75
Total	**4,378**	4,326

Continental European portfolio value (£m)		
Benelux	**212**	181
France	**296**	234
Germany/Austria/Switzerland	**512**	454
Italy	**61**	53
Nordic	**311**	332
Spain	**252**	224
Other European*	**41**	33
Total	**1,685**	1,511

* 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**	155
Industrials	**1,051**	1,018
Consumer goods	**1,093**	1,026
Services and utilities	**1,172**	1,275
Financials	**290**	238
Information technology	**601**	614
Total	**4,378**	4,326

Portfolio value by valuation method (£m)		
Imminent sale or IPO	**258**	174
Listed	**227**	225
Secondary market	**25**	29
Earnings	**1,222**	1,347
Cost	**535**	509
Further advance	**174**	149
Net assets	**100**	103
Other (including other Venture Capital assets valued below cost)	**305**	328
Loan investments and fixed income shares	**1,532**	1,462
Total	**4,378**	4,326

Portfolio analysis

Buyout portfolio value by valuation method (£m)	At 30 September 2004	At 31 March 2004
Imminent sale or IPO	**176**	103
Listed	**102**	103
Secondary market	**1**	1
Earnings	**684**	834
Cost	**87**	78
Net assets	**18**	20
Other	**75**	61
Loan investments and fixed income shares	**1,148**	1,106
Total	**2,291**	2,306

Growth Capital portfolio value by valuation method (£m)		
Imminent sale or IPO	**56**	38
Listed	**125**	122
Secondary market	**24**	28
Earnings	**537**	513
Cost	**184**	202
Further advance	**16**	32
Net assets	**81**	82
Other	**148**	169
Loan investments and fixed income shares	**322**	301
Total	**1,493**	1,487

Venture Capital portfolio value by valuation method (£m)		
Imminent sale or IPO	**26**	33
Earnings	**1**	-
Cost	**264**	229
Further advance	**158**	117
Net assets	**1**	1
Other Venture Capital assets valued below cost	**65**	64
Other	**17**	34
Loan investments and fixed income shares	**62**	55
Total	**594**	533

Technology portfolio value by stage (£m)		
Venture Capital	**594**	533
Late stage technology		
Quoted	**131**	136
Buyouts	**194**	305
Growth Capital	**291**	317
	616	758
Total	**1,210**	1,291

The Venture Capital 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 Buyouts and Growth Capital.

Venture Capital portfolio value by sector (£m)		
Healthcare	**194**	169
Communications	**143**	117
Electronics, semiconductors and advanced technologies	**97**	73
Software	**160**	174
Total	**594**	533

Realisations analysis

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

Realisations proceeds by business line (£m)	**6 months to 30 September 2004**	6 months to 30 September 2003	12 months to 31 March 2004
Buyouts	**388**	229	464
Growth Capital	**133**	197	339
Venture Capital	**82**	77	120
Total	**603**	503	923

Realisations proceeds by geography (£m)			
UK	**445**	317	608
Continental Europe	**148**	119	245
US	**9**	11	10
Asia Pacific	**1**	56	60
Total	**603**	503	923

Realisations proceeds (£m)			
IPO	**34**	-	7
Sale of quoted investments	**38**	73	118
Trade and other sales	**345**	298	532
Loan and fixed income share repayments	**186**	132	266
Total	**603**	503	923

Realisations proceeds by FTSE industrial classification (£m)			
Resources	**60**	13	14
Industrials	**90**	73	216
Consumer goods	**90**	78	167
Services and utilities	**282**	225	352
Financials	**3**	68	80
Information technology	**78**	46	94
Total	**603**	503	923

Funds under management

(£m)	**At 30 September 2004**	At 31 March 2004
Third party unquoted co-investment funds	**1,884**	1,875
Quoted investment companies*	**646**	600
Total	**2,530**	2,475

* Includes the 3i Group Pension Plan.

Ten largest investments

At 30 September 2004, the Directors' valuation of the ten largest investments was a total of £677 million. The cost of these investments is £348 million.

Investment	First invested in	Cost (Note 1) £m	Proportion of equity shares held	Directors' Valuation (Note1) £m
Westminster Health Care Holdings Ltd (2)				
Care homes operator	2002			
Equity shares		1	49.6%	101
Loans		37		37
		38		**138**
SR Technics Holding AG				
Technical solutions provider for commercial aircraft fleets	2002			
Equity shares		7	32.2%	47
Loans		50		50
		57		**97**
Yellow Brick Road BV(3)				
Directory services	2004			
Equity shares		6	22.7%	35
Loans		16		47
		22		**82**
Betapharm Arzneimittel GmbH				
Supplier of generic prescription drugs	2003			
Equity shares		3	66.2%	3
Loans		63		63
		66		**66**
Travelex Holdings Ltd(4)				
Foreign currency services	1998			
Equity shares		-	19.6%	61
		-		**61**
Keos SA				
Transport operator	2004			
Equity shares		11	41.4%	11
Loans		42		42
		53		**53**
ERM Holdings Ltd(5)				
Environmental consultancy	2001			
Equity shares		-	38.1%	19
Loans		33		33
		33		**52**
Williams Lea Group Ltd				
Outsourced print services	1965			
Equity shares		33	38.1%	45
		33		**45**
Vetco International Ltd(6)				
Oilfield equipment manufacturer	2004			
Equity shares		**-**	17.7%	-
Loans		44		44
		44		**44**
Tato Holdings Ltd				
Manufacture and sale of specialist chemicals	1989			
Equity shares		2	25.2%	39
		2		**39**

Notes

1 The investment information is in respect of 3i's holding and excludes any co-investment by 3i managed funds.
2 This investment has been sold since the period end.
3 In April 2004, three portfolio companies in the Telephone Directories sector were merged to form Yellow Brick Road BV. 3i's equity value was converted into a loan and into new equity shares.
4 The cost of the equity held in Travelex Holdings Ltd is £121,000.
5 The cost of the equity held in ERM Holdings Ltd is £406,000.
6 The cost of the equity held in Vetco International Ltd is £427,000.