10 November 2011

3i Group plc announces Half year results to 30 September 2011

(Half-yearly results for the six months to 30 September 2011)

Key points

Gross portfolio return of (8.3)%, driven by market conditions

- Portfolio earnings up by 8% in the period on a value weighted basis
- Total return of £(523)m, a (15.6)% return on opening shareholders' funds
- Realisations of £532m and investment of £448m
- Substantial increase in dividend proposed of 8.1p for the year, up from 3.6p

Michael Queen, 3i's Chief Executive, commented:

"We have not been immune to the broader market turmoil and the challenging environment has had a direct impact on our results.

However, the steps we have taken over the last two and a half years to improve the financial and operational strength of the Group, and to reduce the risk in our portfolio, give the Board confidence in announcing a significant increase in our dividend today."

Key financial data

	6 months to/as at 30 September 2011	6 months to/as at 30 September 2010
Returns		
Gross portfolio return	**£(331)m**	£307m
Gross portfolio return on opening portfolio value	**(8.3)%**	8.7%
Net portfolio return	**£(385)m**	£236m
Net portfolio return on opening portfolio value	**(9.6)%**	6.7%
Total return	**£(523)m**	£117m
Total return on opening shareholders' funds	**(15.6)%**	3.8%
Dividend per ordinary share	**2.7p**	1.2p
Assets under management		
3i	**£5,262m**	£5,513m
External funds	**£7,019m**	£3,791m
Total assets under management	**£12,281m**	£9,304m
Balance sheet		
3i portfolio value	**£3,412m**	£3,679m
Gross debt	**£1,722m**	£2,156m
Net debt	**£531m**	£352m
Liquidity	**£1,680m**	£2,129m
Net asset value	**£2,804m**	£3,161m
Diluted net asset value per ordinary share	**£2.94**	£3.30
Investment activity		
Investment	**£448m**	£327m
Realisations	**£532m**	£293m

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For further information regarding the announcement of 3i's Half-yearly results to 30 September 2011, including a live videocast of the results presentation from 09:45am, please see www.3igroup.com.

Notes to editors

3i is an international investor focused on private equity, infrastructure and debt management, investing across Europe, Asia and the Americas.

Our competitive advantage comes from our international network and the strength and breadth of our relationships in business. These underpin the value that we deliver to our portfolio and to our shareholders.

The online Half-yearly report 2011 will be available at www.reportingcentre.3igroup.com/2011/halfyearlyreport from 3.00pm today.

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 2011 will be determined in accordance with English law. The Half-yearly results for 2011 and 2010 are unaudited.

Chairman’s statement

“Resilient in the face of strong headwinds.”

By any measure, the market and macroeconomic environment in the first half of the financial year was turbulent, producing strong headwinds for investment businesses like 3i. Fortunately, due to our focus on the portfolio, the strengthening of our balance sheet, and a measured approach to investment activity, we entered the financial year in a robust financial position. Indeed, the performance of the portfolio, especially that of our more recent investments, provided considerable comfort.

Unsurprisingly, the major factor driving the financial performance for the six months to 30 September was the significant fall in stock markets during the period, which impacted the multiples used to value our private equity portfolio at 30 September 2011. Although earnings growth was good in some areas of the portfolio, increased uncertainty over the outlook for many countries and sectors also led us to take a more cautious view of current year forecast earnings for a number of portfolio companies.

As a consequence of these two factors, and despite good performances from our Infrastructure and Debt Management businesses, the total return for the period was (15.6)% of opening shareholders’ funds at £(523) million (2010: £117million).

Throughout the first half, we continued with a highly selective approach to new investment. This, combined with a strong level of realisations at the beginning of the period, resulted in good cash flow enabling a further reduction in our gross debt to £1.7 billion (31 March 2011: £2.0 billion).

Having set out our return objectives at our annual results in May, in our pre-close statement in September we announced that the Board was reviewing the proportion of this return which should be paid to shareholders in the form of dividends. This review is complete and, as a result, the Board has decided that a significant rebasing of the dividend is appropriate.

The Board has declared an interim dividend of 2.7p (2010: 1.2p) and announced its intention to propose a total dividend for the year as a whole of 8.1p, subject to shareholder approval. In making this decision the Board has been very mindful of the needs of the business and the varying requirements of our shareholders, as well as taking into account the considerable uncertainty and volatility in the environment.

Simon Borrows, who brings a broad range of financial and investment experience, joined the Board as Chief Investment Officer on 17 October 2011. He is also a non-executive director of British Land Company plc and Inchcape plc and was formerly Chairman of Greenhill & Co International LLP.

We are currently in the later stages of a process to recruit additional non-executives to the Board and the Board notes the publication of the Davies Report on Women on Boards. We strongly support the principle of boardroom diversity, of which gender is one important aspect. Our aim is to have a broad range of approaches, background, skills and experience and to make appointments on merit and against objective criteria, including diversity.

Predicting the outlook these days is one of the most challenging aspects of producing a Chairman’s statement. High degrees of uncertainty remain over several key drivers of the global economy. At the same time there are significant opportunities for businesses such as 3i emerging out of growth in the developing economies and the structural changes taking place in many sectors and countries. The right thing for 3i to do is therefore to ensure that we retain our strong financial position, increase our competitive advantage, especially in our high potential markets, and continue to improve all aspects of our performance.

3i's permanent capital, international reach, portfolio diversity and liquidity have enabled 3i to be resilient in the face of strong headwinds. These strengths, combined with the opportunities we have in Asia and South America, together with increasing contributions from our Infrastructure and Debt Management businesses mean that we face the future with confidence.

Sir Adrian Montague
Chairman
9 November 2011

Chief Executive's statement

Market environment
2011 began with promising signs of a return in confidence, with an increase in M&A activity and the opening up of financial markets. However, over the summer months, concerns about the stability of the Eurozone area and particularly high levels of sovereign debt intensified. This resulted in large falls in global stock markets and increased volatility over the first six month period of 3i's financial year.

Performance
We have not been immune to the broader market turmoil and the challenging environment has had a direct impact on our results for this period. Our Net Asset Value has fallen by 16% from 351p per share at 31 March 2011 to 294p per share at 30 September 2011; primarily as a result of the fall in market multiples which we use to value the majority of our private equity portfolio. However gross portfolio return at (8.3)% was in line with the relevant market movement for our portfolio.

Notwithstanding the economic conditions the private equity portfolio delivered an increase in earnings, on a value weighted basis, of 8%. However, it is clear that the environment is creating greater pressure for a number of our portfolio companies, particularly those with higher leverage that we invested in during 2007 and 2008.

We achieved a good level of realisations at £532 million at good exit money multiples, with the larger disposals ranging from 2.5 to 7.8x cash invested, although most of these were before the recent period of uncertainty began in the summer. Investment was £448 million and our investment priorities remain focussed on companies and sectors which are well positioned for the current environment. Our investment in Hilite, the German based engineering business is an excellent example of this.

Our Infrastructure business line continued to deliver a robust performance. The Debt Management business performed well in the period exceeding fee income expectations.

Positioning of 3i
Although conditions are clearly difficult, and it is easy to compare the macroeconomic picture to the first stage of the financial crisis in 2008, 3i is better placed to face the current situation. One of the key reasons for this is that over the past two and a half years we have taken steps to strengthen the balance sheet as a precaution against exactly the kind of market conditions we are seeing today.

We have reduced gross debt from a peak of £2.6 billion to £1.7 billion today, and net debt currently stands at around £0.5 billion compared to £1.9 billion in March 2009. During this 6 month period we reduced the amount of maturing debt that we roll-over into new facilities and have bought in approximately €95 million of debt that was due to mature in 2012. Together with our strong liquidity position, this gives us much more confidence to face what appears to be an increasingly uncertain period for both realisations and refinancings.

And it is not just at the corporate level where we have made improvements. Our investment and asset management capabilities have also been strengthened since 2008, which is showing in the performance of our recent investments and the good progress of our Infrastructure and Debt management business lines. In addition, we have been reducing gearing at the portfolio level to better enable companies to deal with any temporary fluctuations in performance that might be brought about by current operating conditions.

The triennial funding valuation of our UK pension scheme was also agreed in September. The Group has agreed to make additional cash contributions; £60 million was paid in September and £36 million will be paid in the next financial year. We have also entered into a contingent asset arrangement, which gives us the flexibility to enter into a de-risking strategy and reduce future volatility for shareholders.

Private equity development
Last year we announced the combination of our European Growth and Buyout teams to form a single European private equity business. As we reach the end of the Eurofund V investment period, we are now further reshaping this combined business to reflect the current market condition and the likely new investment environment over the next few years. In addition we are integrating our US team to create a Developed Markets Private Equity Team. This will allow operating efficiencies to be achieved across the business which in turn enable a reduction of operating expenses of at least £15 million per annum, from financial year 2012/2013.

Over the past three years we have reduced operating expenses, excluding debt management, by about 40% and these changes will result in a further step reduction to that cost base.

In developing markets private equity we have strengthened our China team with the appointment of Paul Su as head of the business and in Brazil we established an Advisory Board to support the team in Sao Paulo.

Infrastructure and Debt Management
Our European Infrastructure assets have continued to perform well. In India we have launched the second India Infrastructure Fund which we expect to complete during 2012.

In Debt Management the CLO funds are performing ahead of our original business plan, generating good advisory and performance fees. During the period we have launched a new Credit Opportunities Fund initially funded by 3i. The aim is for the fund to take advantage of the dislocation that we see in credit markets.

Leadership Team
The changes in the Private Equity business require some changes to the Leadership Team and a realignment of leadership roles. As we have already announced, Simon Borrows has joined as Chief Investment Officer, while his predecessor Ian Nolan is leaving 3i.

Menno Antal and Alan Giddins will jointly lead our developed markets private equity business covering Europe and the US, and Guy Zarzavatdjian will take over responsibility for developing markets in addition to his current responsibility for the Growth Capital Fund.

Bob Stefanowski will step down from the Leadership Team to focus on two of our larger portfolio companies.

Model for returns and dividend policy
At the full year results in May, I introduced the model for returns that we are using to guide the business' performance over the medium term. For the first time, we have presented our net return performance by business line to give shareholders a clearer view on the composition of the total return that they receive.

Today's announcement of a significantly rebased dividend and progressive dividend policy is a signal of the Board's confidence in the long term achievement of our strategic goals and the delivery of this model for returns.

Outlook
Although we are making good progress towards the delivery of our strategy, it is clear that 3i is not immune to the market turmoil and volatility. Concerns over excessive levels of sovereign debt taken on by many Western governments combined with political turbulence and de-leveraging pressures on the banking system are likely to lead to increased risk and lower growth, particularly in Europe. This means that now, more than ever, we need to manage the business with a greater margin of safety than we would under more stable economic conditions.

We will continue to provide support and challenge to our portfolio companies to ensure that they not only withstand a tough market environment, but that they come out the other side in a stronger position and ready to seize the opportunities that a recovery will bring.

At the Group level, the transformation that 3i has undergone over the past two years has put us in much stronger shape to face this tough market with confidence. Today we have announced changes to prepare for the next stage in our private equity business' development. Together with the opportunities we are pursuing in infrastructure and debt management, these position us well to deliver on our strategy and maximise value for our shareholders for the long term.

Michael Queen
Chief Executive
9 November 2011

Business review

The key Group financial performance measures are:

	Six months to 30 September 2011	Six months to 30 September 2010	Year to 31 March 2011
Total return	**(15.6)%**	3.8%	10.6%
Gross portfolio return	**(8.3)%**	8.7%	17.1%
Net portfolio return	**(9.6)%**	6.7%	12.8%
Cost efficiency[1]	**1.4%**	1.7%	3.2%
Operating expenses per AUM	**0.8%**	1.0%	1.8%
Net debt	**£531m**	£352m	£522m
Net asset value per share movement[2]	**£(0.55)**	£0.11	£0.33

1 Cost efficiency is net operating expenses over opening portfolio value.
2 Growth in NAV per share is stated before dividends.

Group overview

3i is an international investor focused on private equity, infrastructure and debt management, investing in Europe, Asia and the Americas. All three business lines invest using a combination of capital from the Group's own balance sheet capital and external funds. Total assets under management, including 3i's commitments to funds, at 30 September 2011 were £12.3 billion (31 March 2011: £12.7 billion). This business review provides detail on our performance for the six months to 30 September 2011 as well as our financial position as at that date, together with commentary on our markets and principal risk factors.

The major factors driving the Group's financial performance for the first half of the financial year were the significant fall in stock markets in the period and macro-economic uncertainty, which impacted both the multiples used to value our portfolio and, in some cases, the earnings outlook. As a consequence, despite the solid performance of the Private Equity portfolio and good performances from our Infrastructure and Debt Management businesses, the total return for the period was £(523) million or (15.6)% of opening shareholders' funds (30 September 2010: £117 million and 3.8%).

A further reduction of gross debt to £1.7 billion (31 March 2011: £2.0 billion) was achieved through a highly selective approach towards new investment, a good level of realisations and the repayment of debt maturing in the period. Liquidity, including cash and undrawn facilities of £1.7 billion at 30 September 2011 (31 March 2011: £1.8 billion) remained strong. Net debt increased marginally to £531 million at 30 September 2011 (31 March 2011: £522 million).

Net operating expenses reduced in the period to £55 million (2010: £59 million), with an increase in operating expenses offset by additional fees generated in the period, resulting in an improvement in both cost efficiency at 1.4% (2010: 1.7%) and operating expenses per AUM at 0.8% (2010: 1.0%).

Further strategic progress was made in the period. A team was established in Sao Paolo, Brazil, to develop 3i's presence in the growing South American private equity market. In addition, this team will support portfolio companies elsewhere in the world with the development of their business in the region. 3i also became the first European firm to secure an allocation ($100 million) from the Chinese government to invest in renminbi.

The Group exercised the entirety of its holding of 3i Infrastructure plc warrants during the period, increasing its holding to 35%. In sharp contrast to much of the stock market, 3i Infrastructure's shares increased in value by 3% in the period.

In Debt Management, the integration of Mizuho Investment Management (UK) Limited ("MIM"), acquired in February 2011, has proceeded well. Active portfolio management has seen a marked improvement in the performance of the acquired funds, with strong management fee income in the period. New strategic initiatives include the Credit Opportunities Fund, which was launched in August 2011, targeting European bonds, loans and floating rate notes and, in addition, Vintage II, a private equity fund of funds, had its first close in November 2011.

Overall, the Group's financial strength and the performance of its portfolio enabled it to be resilient to market conditions, which became significantly more challenging towards the end of the period.

Model for returns

Net portfolio return by business line

Table 1: **Net portfolio return by business line**

for the six months to 30 September	Private Equity 2011 £m	2010 £m	Infrastructure 2011 £m	2010 £m	Debt Management 2011 £m	2010 £m	Non-core 2011 £m	2010 £m	Total 2011 £m	2010 £m
Gross portfolio return	**(321)**	242	**(2)**	31	**(2)**	5	**(6)**	29	**(331)**	307
Fees	**15**	21	**11**	9	**17**	-	**-**	-	**43**	30
Net carried interest	**9**	(16)	**(4)**	4	**(4)**	-	**-**	-	**1**	(12)
Operating expenses[1]	**(74)**	(73)	**(11)**	(11)	**(10)**	(2)	**(3)**	(3)	**(98)**	(89)
Net portfolio return	**(371)**	174	**(6)**	33	**1**	3	**(9)**	26	**(385)**	236
	(10.9)%	6.1%	**(1.3)%**	8.1%	**7.1%**	4.0%	**(7.4)%**	15.8%	**(9.6)%**	6.7%

1 Operating expenses by business line include direct costs and an allocation of all other operating expenses.

The model for returns at a Group and business line level was set out in the Annual report for the year to 31 March 2011. As can be seen from Table 1, we have increased disclosure further by reporting net portfolio return by business line.

All three of 3i's business lines invest using a combination of the Group's own balance sheet capital and external capital. The profile and composition of gross and net portfolio returns for each business line reflect the mix of own and external capital deployed. Overall, the Group aims to deliver an average 15% return on equity over a five year period. For the financial years to 31 March 2010 and 2011, the Group achieved total return of 16.2% and 10.6% respectively.

Private Equity

Given the blend of own and external capital deployed in this business line (30 September 2011 own: 64%, external: 36%), gross portfolio return is the key component of performance. An 8% reduction in the multiples used to value the portfolio, contributed significantly to a negative gross portfolio return of £321 million for the six months to 30 September 2011 (2010: £242 million profit).

Fees earned by managing external funds generated £15 million in the six months to 30 September 2011 (2010: £21 million), the reduction being due to lower fees from Eurofund V. Net carried interest was a positive £9 million in the period (2010: £16 million cost), reflecting the reduction in the valuation of the portfolio. Operating expenses remained broadly in line with the prior period, despite the addition of the Brazilian team.

Infrastructure

At 30 September 2011, 31% of the assets under management of the Infrastructure business were from the Group's own balance sheet, broadly in line with the Group's aim (25%), with the balance provided by external investors. The Infrastructure business line's performance was underpinned by the increase in 3i Infrastructure plc's share price, which resulted in a gain of £11 million for the Group, as well as by dividends of £9 million received from 3i Infrastructure plc in the period. However, this was offset by an unrealised value loss for the 3i India Infrastructure Fund of £22 million, principally as a result of the fall in the share price of Adani Power and foreign exchange losses arising from the depreciation of the rupee against the US dollar.

Fees earned by the Infrastructure business line in the period increased to £11 million (2010: £9 million), resulting from the growth in the portfolio of 3i Infrastructure plc. Typically we would expect fees, net carry and operating expenses to be accretive to gross portfolio return. However, due to the reversal of carried interest accruals following the value reduction of the 3i India Infrastructure Fund in the period, this has not been the case for the six months under review.

Debt Management
As new funds are launched in Debt Management, the Group aims to have 10% of the assets under management in this business line provided by 3i. At 30 September 2011 this percentage was 1%.

The main driver of returns for the Debt Management business line is fees earned from managing the underlying collateralised loan obligation ("CLO") and debt funds. A strong performance in the underlying funds resulted in a good level of fees at £17 million (2010: £nil).

Assets under management

Table 2: **Assets under management**

	Close date	Original fund size	Original 3i commitment	% invested at September 2011	Gross money multiple[1] at September 2011	AUM
Private Equity						
3i Eurofund III	July 1999	€1,990m	€995m	91%	2.1x	€96m
3i Eurofund IV	June 2004	€3,067m	€1,941m	96%	2.3x	€691m
3i Eurofund V	Nov 2006	€5,000m	€2,780m	80%	0.8x	€5,000m
3i Growth Capital Fund	March 2010	€1,192m	€800m	52%	1.0x	€1,192m
Growth Capital non-fund	various	various	various	n/a	n/a	£981m
Other	various	various	various	n/a	n/a	£252m
Infrastructure						
3i India Infrastructure Fund	March 2008	$1,195m	$250m	65%	1.1x	$945m[2]
3i Infrastructure plc	March 2007	£1,004m[3]	£352m[4]	n/a	n/a	£1,004m
Other	various	various	various	n/a	n/a	£75m
Debt Management					Paying yield[5]	
Harvest I	April 2004	€514m	€15m	100%	9.4%	€273m
Harvest II	April 2005	€552m	€5m	100%	11.4%	€518m
Harvest III	April 2006	€660m	€5m	100%	9.2%	€617m
Harvest IV	June 2006	€752m	€6m	100%	10.3%	€723m
Harvest V	April 2007	€650m	€10m	100%	4.6%	€599m
Windmill I	October 2007	€600m	€5m	100%	5.3%	€491m
Friday Street	August 2006	€300m	nil	100%	2.6%	€143m
3i Credit Opportunities Fund	September 2011	€50m	€50m	23%	n/a	€50m
Vintage I	March 2007	€500m	nil	100%	4.4x[1]	€413m
Non-core						£108m
Total AUM (in sterling)						**£12,281m**

1 Gross money multiple is cash returned to the Fund plus value, as at 30 September 2011, as a multiple of cash invested.

2 Adjusted to reflect 3i Infrastructure plc's $250 million commitment to the Fund.

3 Based on latest published NAV (ex-dividend).

4 3i Group's proportion of latest published NAV.

5 The paying yield of the CLO and debt funds is the average annual return for equity note holders since the funds' inception.

The Group defines its assets under management ("AUM") as the total commitments, including the Group's, to its active managed and advised funds, as well as the residual cost of investments in funds that are already invested and the cost of any other investments owned directly by 3i.

Total AUM of £12,281 million at 30 September 2011 (31 March 2011: £12,686 million) reflected net divestment activity from both the Group's balance sheet and invested funds and a £171 million reduction due to the strengthening of sterling against the euro and US dollar denominated active managed and advised funds. These factors were partially offset by the launch of the €50 million 3i Credit Opportunities Fund in the period.

The market

Signs of a macroeconomic recovery in Europe and the US for the first half of calendar 2011 were reversed over the summer months as concerns about the Eurozone intensified. Financial markets and mergers and acquisitions ("M&A") activity reflected this. Dealogic's Global M&A Review for the third quarter of 2011 reported global M&A activity down 23% in the quarter, compared with a 27% increase in the first half of the year. At 24%, Europe accounted for its lowest share of worldwide M&A since 1998, due to growth elsewhere and caution over the environment in Europe.

European private equity activity followed this pattern. According to unquote's Private Equity Barometer, rising deal volumes in the first half of 2011 were followed by a 31% fall in the three months to 30 September 2011. Reports suggest that European private equity activity is likely to be subdued in the final quarter of 2011 and into early 2012, due to macroeconomic uncertainty and the availability of debt to finance transactions. However, should capital markets regain confidence, private equity activity is likely to benefit from the resultant increase in M&A activity and capital available for investment.

Table 3: **Funds raised and invested – Europe 2000 to 30 June 2011** (€bn)

	Funds raised	Investment
2000	48	35
2001	40	24
2002	28	28
2003	27	29
2004	27	37
2005	72	47
2006	112	71
2007	80	72
2008	80	54
2009	18	24
2010	18	39
H1 2011	17	18

As can been seen from Table 3, from 2005 to 2008, funds raised were substantially in excess of the amount invested. This overhang of capital has been reduced by the levels of investment relative to fund raising in recent years and, increasingly, by the lapsing of commitments made in earlier years for funds not invested. Another potential consequence of this pattern is that the number of private equity exits may increase overall M&A activity as funds reach the end of their life.

Private equity fundraising in developing markets continues to be centred on China, India and Brazil, which together attracted 70% of all capital raised in the first six months of calendar 2011 (2010: 50%). However, private equity investment, as a percentage of GDP, in these three countries remains well below developed economies such as the US and the UK. Growth in these markets may therefore arise from continuing increases in GDP as well as increased penetration. Notwithstanding the attractive fundamentals of these emerging markets, the high level of competition warrants a measured approach in order to ensure appropriate pricing of new investments.

The fundamentals for the **infrastructure** market remain broadly positive, despite a slow-down in M&A activity, driven by increased uncertainty around pricing and a deterioration in the availability and terms of debt. Given the stable nature of its underlying investments, the asset class is seen as a relative safe haven in times of economic uncertainty. In Europe, a few sizeable transactions were completed, but activity has tended to focus on infrastructure sub-sectors where debt is more readily available, namely those offering a defensive earnings profile and a degree of inflation protection.

Markets in India have been volatile, resulting in a slow-down in transaction activity. This was also due to the caution exercised by the government in approving new projects. The local banking market, however, remains supportive of infrastructure development.

We expect that transaction volumes in the infrastructure market are likely to remain relatively subdued for the second half of the year, with activity still focused on sectors where debt is available in the right quantum and on the right terms.

Near term, deal flow in Europe is expected to be supported by continuing political commitments to reduce deficits and by non-core asset disposals. Further opportunities will arise as infrastructure funds nearing the end of their investment periods look to sell or refinance assets to prove valuation points.
In India, there remains significant demand for infrastructure investment. In the long term, reforms to the legal and regulatory environment are likely to benefit investors who can bring international standards of governance to the market.

A lack of primary asset deal flow and an uncertain market outlook in Europe meant that there was limited fundraising in the debt management market in the first half of calendar 2011. New European primary issuance slowed during the summer months, with an increase in the number of unsyndicated transactions and an increase in arranging banks amending transactions. Looking forward, expectations are that new primary issuance will be more conservatively structured (lower leverage and higher level of equity). We have seen secondary prices in the European loan market falling, in line with other asset classes, reflecting wider European macro concerns but providing some opportunity for investment in strong underlying businesses.

Returns

Table 4: **Total return**

	For the six months to 30 September 2011 £m	For the six months to 30 September 2010 £m	For the year to 31 March 2011 £m
Realised profits over value on disposal of investments	**31**	30	124
Unrealised (losses)/profits on revaluation of investments	**(441)**	196	325
Portfolio income			
Dividends	**20**	23	41
Income from loans and receivables	**51**	57	110
Fees receivable	**8**	1	1
Gross portfolio return	**(331)**	307	601
Fees receivable from external funds	**43**	30	67
Carried interest receivable from external funds	**(11)**	19	25
Carried interest and performance fees payable	**12**	(31)	(63)
Operating expenses	**(98)**	(89)	(181)
Net portfolio return	**(385)**	236	449
Net interest payable	**(52)**	(72)	(127)
Movement in the fair value of derivatives	**(16)**	(8)	(1)
Net foreign exchange movements	**(19)**	(29)	(17)
Pension actuarial loss	**(49)**	(7)	20
Other (including taxes)	**(2)**	(3)	-
Total comprehensive income ("Total return")	**(523)**	117	324

A total return for the Group for the six months to 30 September 2011 of £(523) million (2010: £117 million), represented a 15.6% loss over opening shareholders' funds (2010: 3.8% profit). The turbulence noted in global financial markets since July 2011 has had a negative impact on the valuation of the portfolio, driving a value decrease of £(441) million (2010: £196 million). Earnings multiples, typically derived from comparable quoted companies, used to value the portfolio were 8% lower in the six month period to 30 September 2011. The portfolio has however maintained a solid trading performance overall in light of tough trading conditions, with earnings used in the valuations contracting by 1% in the period, whereas earnings on a value weighted basis grew by 8% in the period.

Net operating expenses reduced in the period to £55 million (2010: £59 million) as a result of flat or reduced costs in most parts of the business. Fees receivable from external funds were £43 million (2010: £30 million) in the six months to 30 September 2011 and operating expenses were £98 million (2010: £89 million). Strategic initiatives, including the acquisition of MIM in February 2011 and the launch of the Brazilian business have increased both fee income and operating expenses.

Gross portfolio return

The Group’s gross portfolio return for the six months to 30 September 2011 was £(331) million (2010: £307 million) and was comprised of realised gains of £31 million (2010: £30 million), portfolio income of £79 million (2010: £81 million) and an unrealised value reduction of £441 million (2010: £196 million profit).

As can be seen from Table 5, the Private Equity gross portfolio return was the biggest influence on the Group’s gross portfolio return for the six months to 30 September 2011, which was a loss of £331 million (2010: £307 million profit), representing an 8.3% negative return on the opening portfolio value (2010: 8.7% profit).

Table 5: **Gross portfolio return by business line**

	Gross portfolio return		Return as % of opening portfolio value	
	2011	2010	**2011**	2010
for the six months to 30 September	**£m**	£m	**%**	%
Private Equity	**(321)**	242	**(9.5)**	8.4
Infrastructure	**(2)**	31	**(0.4)**	7.6
Debt Management	**(2)**	5	**(14.3)**	6.7
Non-core activities	**(6)**	29	**(5.0)**	17.6
Gross portfolio return	**(331)**	307	**(8.3)**	8.7

The Private Equity gross portfolio return, a loss of £321 million (2010: £242 million profit), was substantially driven by unrealised value decreases of £414 million (2010: £172 million profit). Asset valuations decreased as a result of a reduction in the market multiples used to value the portfolio and the use of current year forecast earnings where lower than historic, offset by earnings growth on a value weighted basis of 8% in the period.

Realised profits and portfolio income from the Private Equity portfolio were £25 million (2010: £4 million) and £68 million (2010: £66 million) respectively.

The Infrastructure business line generated a negative gross portfolio return for the period of £2 million (2010: £31 million profit). The return benefitted from the increase in 3i Infrastructure plc’s share price (£11 million), and dividends (£9 million), offset by unrealised value losses in the 3i India Infrastructure Fund and by the negative impact of foreign exchange movements across all assets. Operational performance of the assets was solid with good growth in EBITDA for operational assets relative to the corresponding period last year.

Debt Management’s gross portfolio return reflects the value movement and associated income resulting from the equity holdings owned by the Group in the underlying CLOs, managed by the Debt Management team. The broker quotes used to value these holdings and the investments in the Credit Opportunities Fund experienced a sharp decline in September, creating a value decrease of £3 million for the six months to 30 September 2011 (2010: £2 million value decrease).

Non-core activities represented a total of £105 million of value in 39 portfolio companies at 30 September 2011 (31 March 2011: £121 million in 60 companies). A negative £6 million gross portfolio return (2010: £29 million profit) reflects the lower market multiples used to value the portfolio.

Realised profits

Realised profits of £31 million represented an uplift of 6% on the opening portfolio value (2010: 11%). The lower percentage uplift was due to the timing of the largest realisations in the period, which were at the beginning of the financial year. The largest disposals were made at money multiples, ranging from 2.5x to 7.8x cash investment.

Unrealised value movements

The unrealised value movement for the six months to 30 September 2011 was a reduction of £441 million (2010: £196 million profit). This reflected the impact of the fall in global financial markets from 31 March to 30 September 2011, which resulted in a reduction in the multiples used to value the portfolio. Multiples used to value the portfolio were 8% lower than at 31 March 2011.

Actual earnings growth for the portfolio in the period, on a value weighted basis, was 8%. However, the use of a greater proportion of forecast earnings, reflecting caution about the environment, resulted in a reduction of 1% in the earnings used to value the portfolio at 30 September 2011, compared to those used at 31 March 2011.

Table 6 shows an analysis of portfolio value by valuation basis at 30 September 2011.

Table 6: **Proportion of portfolio value by valuation basis** (%) as at 30 September 2011

	%
Earnings	**64**
Imminent sale	**5**
Discounted Cash Flow	**7**
Quoted	**15**
Industry metric	**5**
Other	**4**

Table 7: **Unrealised (losses)/profits on revaluation of investments**

six months to 30 September		**2011 £m**	2010 £m
Private Equity, Infrastructure and Non-core			
Earnings and multiples based valuations			
Equity	- Earnings multiples	**(182)**	(71)
	- Earnings	**(52)**	273
Loans	- Impairments (earnings basis)	**(52)**	(42)
Other bases			
Provisions		**(43)**	(40)
Uplift to imminent sale		**6**	66
Discounted Cash Flow		**(2)**	13
Loans – Impairments (other basis)		**(14)**	(24)
Other movements on unquoted investments		**(41)**	7
Quoted portfolio		**(58)**	16
Debt Management			
Broker quotes		**(3)**	(2)
Total		**(441)**	196

Earnings multiple movements

The multiples used in the valuations process reflected the fall in markets noted in the period, reducing by 8% since 31 March 2011. This is in line with the movement in multiples seen in relevant sector and geographic public markets.

The average EBITDA multiple used to value the Private Equity portfolio on an earnings basis was 8.2x before marketability discount (March 2011: 8.8x).

Earnings movements

When valuing a portfolio investment on an earnings basis, in general the earnings used are the last 12 months management accounts data to June 2011, unless the data from the current year forecast is lower. The mix of earnings used to 30 September 2011 was 4% audited accounts (March 2011: 4%), 73% management accounts (March 2011: 84%), and 23% current year forecast accounts (March 2011: 12%). The increase in the number of valuations using forecast earnings reflected the reduction in forward-looking earnings expectations of a number of portfolio companies, which has been symptomatic of the outlook for many economies and markets.

The reduction in aggregate earnings used for valuations was 1%, which reflects the use of these forecast earnings. Earnings growth performance compared to the prior year was stable with a 1% increase in aggregate. However, on a weighted by value basis, earnings in the portfolio grew by 8%. ("weighted by value basis" refers to the aggregate earnings movement noted, weighted by the carrying value of each portfolio company at 30 September 2011). This indicates that the larger assets in the portfolio continue to perform well in challenging market conditions. More detail on the portfolio earnings is included in the Portfolio section of this report.

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 past six months totalled £(66) million (2010: £(66) million), of which £(52) million (2010: £(42) million) related to assets valued on an earnings basis.

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. The £43 million provision in the period relates to two portfolio companies.

Imminent sale

Imminent sale includes those assets in a negotiated sale process. MWM was the only material investment valued on an imminent sales basis at 30 September 2011, with the associated value growth totalling £6 million. Proceeds of £197 million, £4 million higher than the 30 September 2011 valuation, were received on 1 November 2011.

Other movements on unquoted investments

The 'other' category includes a number of assets valued using different valuation bases, such as industry specific methods, or sum of parts (where different divisions are valued on a different basis). There were no individual asset movements worthy of note.

Quoted portfolio

The Group's quoted portfolio increased as a proportion of the whole to 15% in the period following the IPO of Norma. However, the total quoted equity movement for the six months to 30 September 2011 was a reduction of £58 million (2010: £16 million increase). The value movement in quoted bid prices in the period reflected an increase of £11 million relating to 3i Infrastructure plc. This was offset by value decreases of £69 million across the remaining quoted portfolio, the most notable being Norma (£49 million) and Adani Power (£17 million).

Portfolio income

Portfolio income of £79 million (2010: £81 million) comprised interest receivable on loans of £51 million (2010: £57 million), dividends of £20 million (2010: £23 million) and fees receivable of £8 million (2010: £1 million). As a proportion of interest receivable continues to be capitalised, total income received as cash in the period was £30 million (2010: £29 million).

Net portfolio return

This section comments on the Group net portfolio return. Details regarding net portfolio return performance for each business line is provided in the Model for returns section.

Table 8: **Net portfolio return**

	For the six months to 30 September 2011 £m	For the six months to 30 September 2010 £m	For the year to 31 March 2011 £m
Gross portfolio return	**(331)**	307	601
Fees receivable from external funds	**43**	30	67
Net carried interest and performance fees payable	**1**	(12)	(38)
Operating expenses	**(98)**	(89)	(181)
Net portfolio return	**(385)**	236	449

Fees receivable from external funds

Fees receivable from external funds increased to £43 million for the six months to 30 September 2011 (2010: £30 million), reflecting the acquisition of MIM and the subsequent improvement in performance of the CLO funds managed by the Debt Management business line. Fees in the period comprised £15 million (2010: £21 million) of fees from our managed private equity funds, £11 million (2010: £9 million) receivable from advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund, and £17 million (2010: £nil) from the management of debt funds.

Net carried interest and performance fees payable

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 2011 was £1 million receivable (2010: £12 million payable), due to the reduction in value in the Private Equity portfolio in particular, which gave rise to the reversal of previous accruals.

Operating expenses

Table 9: **Operating expenses/AUM and cost efficiency** for the six months to 30 September

	2011 £m	2010 £m
Operating expenses	**98**	89
Fees receivable from external funds	**(43)**	(30)
Net operating expenses	**55**	59
Operating expenses/AUM	**0.8%**	1.0%
Cost efficiency (Net operating expenses/opening portfolio)	**1.4%**	1.7%

Net operating expenses reduced in the period to £55 million (2010: £59 million), with an increase in operating expenses offset by additional fees generated in the period, resulting in an improvement in both cost efficiency at 1.4% (2010: 1.7%) and operating expenses per AUM at 0.8% (2010: 1.0%).

Gross operating expenses of £98 million (2010: £89 million) were higher as a result of the development of the Debt Management business and the launch of 3i in South America. Total head count remained flat at 492 (31 March 2011: 491).

Total return

Net interest payable

Net interest payable for the six months to 30 September 2011 was £52 million (2010: £72 million). Interest payable reduced to £58 million (2010: £79 million), as a result of the reduction in gross debt following the convertible bond maturing, as well as repurchases and repayments of other debt balances in the period where the decision was taken not to refinance. Interest receivable reduced marginally to £6 million in the period (2010: £7 million), following a reduction in the average level of cash and deposits held.

Exchange movements

The Group continued to operate a partial hedging strategy against the portfolio using core currency borrowings and derivatives. As a result, debt hedging ratios at 30 September 2011 were 66% of European and Nordic euro and krona denominated portfolios and 52% of the North American and Asian US dollar portfolios. The net foreign exchange charge of £19 million in the six months (2010: £29 million) was driven by the strengthening of sterling against the unhedged element of the euro balance sheet, offset partially by the weakening of sterling against the unhedged element of the US dollar balance sheet.

Pensions

The negative impact of the financial markets has also impacted the UK defined benefit pension scheme, resulting in an increase in value of the scheme's liabilities driven by a reduction in bond yields. Together with the accounting impact of the funding settlement of the triennial valuation for the UK scheme, this resulted in an IAS 19 pension charge of £49 million (2010: £7million).

The triennial funding valuation was completed on 29 September 2011. Additional contributions to the pension scheme have been agreed with the Pension Trustees. The Group has agreed to make additional funding contributions, £60 million of which was paid in September 2011, and a further amount, expected to be £36 million, to be paid in April 2012. The effect of both payments is reflected in the actuarial charge for this period in accordance with IAS 19. In addition, the Group has agreed to put in place a contingent asset arrangement at no cash or strategic cost to the Group, allowing flexibility to implement a longer-term de-risking strategy. Further details of these arrangements are provided in Note 10 to the financial statements.

Investment activity

Table 10: **Realisations and investments**

	Six months to 30 September 2011 £m	Six months to 30 September 2010 £m	Year to 31 March 2011 £m
Realisations	**532**	293	609
Investments	**(448)**	(327)	(719)
Net divestment/(investment)	**84**	(34)	(110)

The Group realised £532 million in the first six months of the year (2010: £293 million), taking advantage of attractive market pricing. Investment increased but remained measured at £448 million (2010: £327 million) as the Group continued to be a selective investor.

Investment

Table 11: **Investment by type** (£m) for the six months to 30 September 2011

	£m
New investment	302
Acquisition finance	9
Capitalised interest[1]	95
Other	42
Total	448

1 Includes PIK notes.

Table 12: **Investment by business line** (£m) for the six months to 30 September 2011

	£m
Private Equity	409
Infrastructure	33
Debt Management	6
Non-core activities	-
Total	448

Table 13: **Investment by geography** (£m) for the six months to 30 September 2011

	£m
UK	113
Continental Europe	305
Asia	12
The Americas	18
Rest of World	-
Total	448

Total investment in the six months to September 2011 was £448 million (2010: £327 million). This increase reflected the improvement in the pipeline for new investment. Despite the increase, 3i continued its measured and selective approach in the face of continuing market uncertainty and high pricing.

Table 11 illustrates the split of total investment in the six months by nature of investment. Other investment of £42 million included the £33 million exercise of 3i Infrastructure plc warrants.

Table 12 shows investment by business line, the significant majority of which (£409 million of the £448 million) was in Private Equity and included the six new Private Equity investments listed in Table 14, which comprised £294 million of the £302 million new investment in the six months to 30 September 2011 (2010: £58 million). Infrastructure investment represented the exercise of 3i Investments plc warrants that the Group received at the IPO of 3i Infrastructure plc, which increased 3i Group's holding to 35% at 30 September 2011. Debt Management had investment of £6 million in the period, relating to the newly created Credit Opportunities Fund.

Table 14: **New Private Equity Investment** for the six months to 30 September 2011

Investment	Private Equity Fund	Country	Sector	3i investment £m
Action	Eurofund V	Netherlands	Consumer	134
Hilite	Eurofund V	Germany/US	Industrials and Energy	95
TouchTunes	Growth Capital Fund	US	Technology, Media, Telecoms	18
Loxam	Growth Capital Fund	France	Business Services	17
GO Outdoors	Growth Capital Fund	UK	Consumer	17
World Freight	Growth Capital Fund	France	Business Services	13
Total				294

In addition to 3i's own balance sheet investment, a further £261 million was invested on behalf of managed and advised funds, of which £224 million was for Buyouts funds, £36 million was for the Growth Capital Fund and £1 million was for Infrastructure.

Realisations

Table 15: **Realisations by business line** (£m) for the six months to 30 September 2011

	£m
Private Equity	523
Infrastructure	1
Debt Management	-
Non-core activities	8
Total	532

Table 16: **Realisations by geography** (£m) for the six months to 30 September 2011

	£m
UK	63
Continental Europe	452
Asia	8
The Americas	9
Rest of World	-
Total	532

Table 17: **Realisations by type** (£m) for the six months to 30 September 2011

	£m
Trade sales	91
Secondaries	338
IPO	74
Loan repayments	16
Other	13
Total	532

Proceeds from realisations in the six months to 30 September 2011 at £532 million (2010: £293 million) were higher than last year, although at a lower uplift to opening value of 6% (2010: 11%). This is as a result of these portfolio investments being realised early in the period and hence proceeds were therefore in line with the "imminent sales basis" valuation at 31 March 2011.

As can be seen from Table 15, Private Equity generated the largest level of realisations at £523 million, with strong proceeds of £180 million from the sale of the Buyout investment Hyva, £139 million for Growth Capital investment Alo Intressenter and £74 million for the partial disposal of the Buyout investment Norma at IPO.

Non-core realisations of £8 million arose from the continuing disposal of non-core assets, with seven businesses exited in the period, bringing the total non-core portfolio number down to 39.

Table 16 shows the geographic split of realisations. The majority of realisations of £452 million were in continental Europe, primarily reflecting the exit of Hyva, Alo Intressenter and partial disposal of Norma.

As can be seen from Table 17, the Group was able to take advantage of attractive pricing in the secondary market in the period, which represented sales of £338 million (2010: £15 million), some 64% (2010: 5%) of total realisation proceeds.

Portfolio

The value of the portfolio at 30 September 2011 was £3,412 million (31 March 2011: £3,993 million).The Private Equity portfolio represents 82% of the total portfolio, with Infrastructure accounting for 14%, Debt Management less than 1% and non-core activities 3%.

Private Equity

As can be seen from Table 18, earnings growth weighted by value in the Private Equity portfolio was strong at 8%. This compares to the aggregate earnings growth across the Private Equity portfolio of 1%. The earnings used to value the portfolio reduced by 1% and includes forecast earnings where this is expected to be lower than the latest management accounts.

Table 18: **Private equity portfolio earnings growth by value** (£m)

	Number of companies	Carrying value at 30 September 2011 £m
<-30%	9	3
<-30-20%	3	5
<-20-10%	4	86
<-10-0%	9	280
>0-10%	16	657
>10-20%	14	788
>20-30%	6	179
>30%	13	529

Last 12 months earnings growth (June 2011)

Note: value weighted average earnings increase of 8%

For the 61 companies valued on an EBITDA basis, which account for 74% of the Private Equity portfolio by value, the average multiple used at 30 September 2011 was 8.2x (March 2011: 8.8x).

Within the Private Equity portfolio, health remained at broadly the same level as at 31 March 2011, with 70% of the assets by cost classified as healthy at 30 September 2011 (31 March 2011: 68%). Private Equity portfolio health by value was 97% (31 March 2011: 95%). Leverage in the Private Equity portfolio remained similar to that at 31 March 2011 at 3.4x net debt to EBITDA weighted by value (March 2011: 3.3x). Leverage levels in the Buyouts element of the Private Equity portfolio also remained broadly flat at 4.4x (March 2011: 4.3x).

Table 19:

Ratio of net debt to EBITDA – Private Equity portfolio[1]

Weighted by Group carrying value (£m) as at 30 September 2011

	Carrying value at 30 September 2011 £m
<1x	577
1-2x	270
2-3x	828
3-4x	176
4-5x	669
5-6x	92
>6x	102

1 This represents 97% of the Private Equity portfolio

Last 12 months earnings growth (June 2011)

Note: weighted average net debt / EBITDA 3.4x

Table 20:
Debt repayment profile – Private Equity portfolio
Repayment index weighted by 3i carrying values
as at 30 September 2011

2011	3%
2012	4%
2013	6%
2014	12%
2015	23%
2016	9%
2017 or later	43%

As at 30 September 2011, 76% (March 2011: 69%) of the outstanding debt in the Private Equity portfolio was repayable in 2015 or later. During the period debt has been refinanced and maturity extended in a number of our portfolio companies.

Infrastructure

3i's Infrastructure investment principally comprises its 35.0% holding in 3i Infrastructure plc and its US$250 million commitment to the 3i India Infrastructure Fund.

At 30 September 2011, 3i Infrastructure plc, which is advised by 3i, had investments in 15 assets spanning the social infrastructure, utilities and transportation sectors. 3i Infrastructure plc reported a total return of £15.9 million for the six months to 30 September, representing a return of 1.6% on shareholders' equity, underpinned by strong income generation from underlying assets and stable operational performance. During the period, 3i increased its investment in 3i Infrastructure plc through the exercise of warrants received at the IPO of the company in 2007, increasing its equity holding to 35.0%.

3i has a US$250 million commitment to the US$1.2 billion 3i India Infrastructure Fund and, at 30 September 2011, US$182.7 million had been drawn down (31 March 2011: US$180.5 million). The Fund's mandate is to invest in ports, airports, roads and power assets. The six assets in the Fund performed well operationally in the period. However, the share price of the quoted asset, Adani Power, which is also the Fund's largest asset, reduced by 24%, resulting in an overall value decrease for the Fund of £22 million for the Group, including foreign exchange losses of £13 million. The value of the other assets in the Fund increased modestly.

Debt Management

The Debt Management portfolio consists of the Group's investment in the underlying CLOs managed by the Group, as well as investment in the Credit Opportunities Fund, which launched in the period. There are seven investments within the Debt Management portfolio, which were valued at £18 million at 30 September 2011, representing a value decrease of £3 million in the period. Despite the value decrease, the performance of the CLOs to 30 September 2011 was good, with four of the CLO funds now paying subordinate fees compared with one at the time of acquisition.

Portfolio composition

Table 21: **Portfolio value movement by business line**

	Opening portfolio value 1 April 2011 £m	Investment £m	Opening value Realised £m	Value movement £m	Other £m	**Closing portfolio value 30 September 2011 £m**
Core business lines						
Private Equity	3,394	409	(498)	(414)	(93)	**2,798**
Infrastructure	464	33	(1)	(11)	6	**491**
Debt Management	14	6	-	(3)	1	**18**
	3,872	448	(499)	(428)	(86)	**3,307**
Non-core activities	121	-	(2)	(13)	(1)	**105**
Total	3,993	448	(501)	(441)	(87)	**3,412**

The value of assets directly owned by the Group decreased from £3,993 million at 31 March 2011 to £3,412 million at 30 September 2011. Investments, realisations and value movements are discussed elsewhere in this report. The other movements relate primarily to foreign exchange and movements in capitalised interest.

As can be seen from Tables 22 and 23, 3i continues to have a well diversified portfolio by geographic region and sector.

The main geographic movement was observed in the continental European portfolio. Both sales of investments and value decreases in the current portfolio reduced the size of the portfolio in the period. This was only partially offset by the new investments in Action (£134 million), Hilite (£95 million), Loxam (£17 million) and World Freight (£13 million).

Table 22: **3i direct portfolio value by geography**

	As at 30 September 2011 £m	As at 30 September 2010 £m	As at 31 March 2011 £m
Continental Europe	**1,640**	1,625	2,060
UK	**997**	1,286	1,071
Asia	**501**	508	579
The Americas	**268**	253	277
Rest of World	**6**	7	6
Total	**3,412**	3,679	3,993

The portfolio remains diversely spread by sector. The largest movement in sector exposure in the period was a reduction in Industrials and Energy, as a consequence of the sales of Hyva, Alo Intressenter and the partial exit on IPO of Norma, as well as value decreases. New investment partially offset this reduction

Table 23: **3i direct portfolio value by sector**

	As at 30 September 2011 £m	As at 30 September 2010 £m	As at 31 March 2011 £m
Business Services	**576**	681	618
Consumer	**534**	322	449
Financial Services	**241**	329	259
Healthcare	**407**	414	483
Industrials and Energy	**946**	1,286	1,491
Technology, Media, Telecoms	**218**	223	229
Infrastructure	**490**	424	464
Total	**3,412**	3,679	3,993

Balance sheet

Table 24: **Group balance sheet**

	As at 30 September 2011	As at 30 September 2010	As at 31 March 2011
Shareholders' funds	**£2,804m**	£3,161m	£3,357m
Gross debt	**£1,722m**	£2,156m	£2,043m
Net debt	**£531m**	£352m	£522m
Liquidity	**£1,680m**	£2,129m	£1,846m
Gearing	**19%**	11%	16%
Diluted net asset value per share	**£2.94**	£3.30	£3.51

Borrowings and gearing

Gross debt reduced in the period from £2,043 million to £1,722 million, as a result of the Group's continuing focus on conservative balance sheet management. The reduction in debt included the maturity of the remaining £139 million of the £430 million convertible bond raised in 2008, a $50 million private placement and the repurchase of £81 million of the €500 million floating rate note, together with the repayment of £67 million of a bank facility.

Net debt increased marginally from £522 million to £531 million as the cash inflow from net divestment and portfolio income was offset by operating expenses in the period, including the additional funding contribution to the pension plan of £60 million paid in September 2011. The Group continues to manage net debt to a limit of £1 billion, consistent with our conservative balance sheet management approach.

Although net debt was largely flat, gearing also increased from 16% to 19%, due to the reduction in shareholders' funds in the period.

Liquidity and cash

Liquidity reduced in the six months from £1,846 million to £1,680 million. This reduction reflected the repurchase and repayment of gross debt, partially offset by net divestment and portfolio income and the net £100 million increase in committed bank facilities. Liquidity at 30 September 2011 comprised cash and deposits of £1,191 million and undrawn facilities of £489 million. The Group has also refinanced the £300 million multi-currency facility to £450 million, extending the maturity from October 2012 to June 2016, and the £100 million bilateral facility, reducing the principal to £50 million and extending the maturity from October 2012 to April 2016.

Diluted NAV

The diluted NAV per ordinary share at 30 September 2011 was £2.94 (31 March 2011: £3.51). This primarily reflected the negative total return in the period of £523 million (55p) as well as the impact of the payment of the year end dividend of £23 million (2p).

Long-term performance

Table 25: **Long-term performance – Private Equity: Buyouts**

New investments made in financial years to 31 March Vintage year	Total investment[1] £m	Return flow £m	Value remaining £m	**IRR to 30 September 2011**	IRR to 31 March 2011	IRR to 30 September 2010
2012	229	-	227	**n/a**[2]	n/a	n/a
2011	258	-	281	**12%**	n/a	n/a
2010	-	-	-	**-**	-	-
2009	410	2	248	**(9)%**	1%	4%
2008	841	154	419	**(7)%**	(6)%	(11)%
2007	743	387	305	**9%**	17%	22%
2006	516	1,176	12	**48%**	49%	49%
2005	387	1,044	52	**63%**	61%	61%
2004	332	705	3	**35%**	35%	35%
2003	278	671	36	**49%**	49%	49%

1 Total investment includes capitalised interest.

2 2012 vintage IRR is not meaningful, as the assets in the vintage are less than 12 months old.

Table 26: **Long-term performance – Private Equity: Growth Capital**

New investments made in financial years to 31 March Vintage year	Total investment[1] £m	Return flow £m	Value Remaining £m	**IRR to 30 September 2011**	IRR to 31 March 2011	IRR to 30 September 2010
2012	66	-	63	**n/a**[2]	n/a	n/a
2011	21	-	22	**12%**	n/a	n/a
2010	46	-	28	**(43)%**	8%	n/a
2009	208	45	122	**(8)%**	(5)%	(3)%
2008	1,075	458	531	**(1)%**	1%	(3)%
2007	554	236	308	**(1)%**	1%	0%
2006	482	628	58	**23%**	23%	22%
2005	179	301	8	**25%**	26%	25%
2004	297	516	11	**26%**	26%	26%
2003	233	551	-	**27%**	27%	26%

1 Total investment includes capitalised interest.

2 2012 vintage IRR is not meaningful, as the assets in the vintage are less than 12 months old.

Tables 25 and 26 show the long-term performance of the Private Equity Buyout and Growth Capital portfolios. As a result of a combination of significant reductions in valuation multiples and subsequent weaker performance, the 2007 to 2009 vintages, which were invested prior to the credit crisis, continue to show poor returns compared to prior vintages.

The 2010 vintage contains one Growth Capital investment which has experienced a downturn in profits due to commodity pricing and subsequent margin pressures during the year, although long-term expectations remain positive.

The early performance of the 2011 vintage is good and expectations remain positive for this vintage.

Risks and uncertainties

The main elements of 3i's risk management framework, together with a detailed description of the principal risks and uncertainties faced by the Group and its approach to risk mitigation, are set out in the Risk section of the 3i Group Annual report and accounts 2011. The following provides a description of the main inherent risk factors. These 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 decisions 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.

Financial statements

Consolidated statement of comprehensive income
for the six months to 30 September 2011

	Notes	**Six months to 30 September 2011 (unaudited) £m**	Six months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Realised profits over value on the disposal of investments	2	**31**	30	124
Unrealised (losses)/profits on the revaluation of investments	3	**(441)**	196	325
		(410)	226	449
Portfolio income				
Dividends		**20**	23	41
Income from loans and receivables		**51**	57	110
Fees receivable		**8**	1	1
Gross portfolio return	1	**(331)**	307	601
Fees receivable from external funds	1	**43**	30	67
Carried interest				
Carried interest receivable from external funds		**(11)**	19	25
Carried interest and performance fees payable		**12**	(31)	(63)
Operating expenses		**(98)**	(89)	(181)
Net portfolio return		**(385)**	236	449
Interest receivable		**6**	7	12
Interest payable		**(58)**	(79)	(139)
Movement in the fair value of derivatives	4	**(16)**	(8)	(1)
Exchange movements		**(45)**	(101)	(135)
Other income		**1**	(1)	3
(Loss)/profit before tax		**(497)**	54	189
Income taxes		**(3)**	(2)	(3)
(Loss)/profit for the period		**(500)**	52	186
Other comprehensive income				
Exchange differences on translation of foreign operations		**26**	72	118
Actuarial (loss)/gain		**(49)**	(7)	20
Other comprehensive income for the period		**(23)**	65	138
Total comprehensive income for the period (“Total return”)		**(523)**	117	324
Analysed in reserves as:				
Revenue		**(21)**	31	72
Capital		**(528)**	14	134
Translation reserve		**26**	72	118
		(523)	117	324
Earnings per share				
Basic (pence)	8	**(52.7)**	5.5	19.6
Diluted (pence)	8	**(52.7)**	5.4	19.5

Consolidated statement of changes in equity
for the six months to 30 September 2011

	Notes	**Six months to 30 September 2011 (unaudited) £m**	Six months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Total equity at the start of the period	7	**3,357**	3,068	3,068
(Loss)/profit for the period	7	**(500)**	52	186
Exchange differences on translation of foreign operations	7	**26**	72	118
Actuarial (loss)/gain	7	**(49)**	(7)	20
Total comprehensive income for the period		**(523)**	117	324
Share-based payments	7	**3**	(1)	-
Issue of ordinary shares	7	**1**	-	-
Purchase of own shares	7	**(11)**	-	-
Release on exercise/forfeiture of share options	7	**-**	(4)	(5)
Ordinary dividends	9	**(23)**	(19)	(30)
Total equity at the end of the period		**2,804**	3,161	3,357

Consolidated balance sheet
as at 30 September 2011

	Notes	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Assets				
Non-current assets				
Investments				
Quoted equity investments		**502**	385	405
Unquoted equity investments		**1,489**	1,898	2,134
Loans and receivables		**1,421**	1,396	1,454
Investment portfolio	1	**3,412**	3,679	3,993
Carried interest receivable		**42**	78	82
Derivative financial instruments	4	**1**	-	1
Intangible assets		**19**	-	21
Retirement benefit surplus		**68**	-	44
Property, plant and equipment		**14**	16	15
Total non-current assets		**3,556**	3,773	4,156
Current assets				
Other current assets		**71**	67	80
Derivative financial instruments	4	**1**	-	2
Deposits		**525**	713	560
Cash and cash equivalents		**666**	1,091	961
Total current assets		**1,263**	1,871	1,603
Total assets		**4,819**	5,644	5,759
Liabilities				
Non-current liabilities				
Carried interest and performance fees payable		**(45)**	(87)	(81)
Loans and borrowings	5	**(1,381)**	(1,840)	(1,837)
B shares		**(6)**	(6)	(6)
Derivative financial instruments	4	**(39)**	(56)	(25)
Retirement benefit deficit		**(3)**	(9)	(4)
Deferred income taxes		**(6)**	(2)	(6)
Provisions		**(4)**	(6)	(4)
Total non-current liabilities		**(1,484)**	(2,006)	(1,963)
Current liabilities				
Trade and other payables		**(172)**	(190)	(198)
Carried interest and performance fees payable		**(56)**	(24)	(58)
Loans and borrowings	5	**(293)**	(63)	(31)
Convertible bonds	6	**-**	(187)	(138)
Derivative financial instruments	4	**(5)**	(4)	(9)
Current income taxes		**(2)**	(4)	(1)
Provisions		**(3)**	(5)	(4)
Total current liabilities		**(531)**	(477)	(439)
Total liabilities		**(2,015)**	(2,483)	(2,402)
Net assets		**2,804**	3,161	3,357
Equity				
Issued capital	7	**717**	717	717
Share premium	7	**780**	779	779
Capital redemption reserve	7	**43**	43	43
Share-based payment reserve	7	**18**	16	17
Translation reserve	7	**289**	217	263
Capital reserve	7	**564**	973	1,093
Revenue reserve	7	**484**	497	526
Other reserves	7	**-**	5	5
Own shares	7	**(91)**	(86)	(86)
Total equity		**2,804**	3,161	3,357

Consolidated cash flow statement
for the six months to 30 September 2011

	Six months to 30 September 2011 (unaudited) £m	Six months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Cash flow from operating activities			
Purchase of investments	**(353)**	(211)	(561)
Proceeds from investments	**532**	293	609
Portfolio interest received	**6**	7	15
Portfolio dividends received	**20**	22	41
Portfolio fees received	**4**	-	1
Fees received from external funds	**38**	34	62
Carried interest received	**28**	15	17
Carried interest and performance fees paid	**(26)**	(49)	(54)
Operating expenses	**(177)**	(135)	(218)
Interest received	**6**	7	12
Interest paid	**(46)**	(54)	(124)
Income taxes paid	**(2)**	(1)	(2)
Net cash flow from operating activities	**30**	(72)	(202)
Cash flow from financing activities			
Dividend paid	**(23)**	(19)	(30)
Purchase of own shares	**(11)**	-	-
Repayment of long-term borrowings and convertible bonds	**(171)**	(26)	(56)
Repurchase of long-term borrowings	**(147)**	(28)	(48)
Repurchase of convertible bonds	**-**	(195)	(249)
Net cash flow from short-term borrowings	**-**	(89)	(88)
Net cash flow from derivatives	**(3)**	-	(34)
Net cash flow from financing activities	**(355)**	(357)	(505)
Cash flow from investing activities			
Acquisition of subsidiary	-	-	(18)
Net cash acquired with the subsidiary	-	-	18
Purchase of property, plant and equipment	-	-	(5)
Proceeds on sale of property, plant and equipment	-	-	2
Net cash flow from deposits	**35**	15	168
Net cash flow from investing activities	**35**	15	165
Change in cash and cash equivalents	**(290)**	(414)	(542)
Cash and cash equivalents at the beginning of the period	961	1,524	1,524
Effect of exchange rate fluctuations	**(5)**	(19)	(21)
Cash and cash equivalents at the end of the period	**666**	1,091	961

Notes to the accounts

1 Segmental analysis

6 months to 30 September 2011 (unaudited)	Private Equity £m	Infrastructure £m	Debt Management £m	Non-core Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	25	-	-	6	31
Unrealised losses on the revaluation of investments	(414)	(11)	(3)	(13)	(441)
Portfolio income					
Dividends	9	9	1	1	20
Income from loans and receivables	51	-	-	-	51
Fees receivable	8	-	-	-	8
	(321)	(2)	(2)	(6)	(331)
Net portfolio return					
Fees receivable from external funds	15	11	17	-	43
Carried interest receivable from external funds	(11)	(11)	11	-	(11)
Carried interest and performance fees payable	20	7	(15)	-	12
Operating expenses[1]	(74)	(11)	(10)	(3)	(98)
	(371)	(6)	1	(9)	(385)
Net (investment)/divestment					
Realisations	523	1	-	8	532
Investment	(409)	(33)	(6)	-	(448)
	114	(32)	(6)	8	84
Balance sheet					
Value of investment portfolio at the end of the period	2,798	491	18	105	3,412

6 months to 30 September 2010 (unaudited)	Private Equity[2] £m	Infrastructure £m	Debt Management[2] £m	Non-core Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	4	-	4	22	30
Unrealised profits/(losses) on the revaluation of investments	172	22	(2)	4	196
Portfolio income					
Dividends	11	9	-	3	23
Income from loans and receivables	54	-	3	-	57
Fees receivable	1	-	-	-	1
	242	31	5	29	307
Net portfolio return					
Fees receivable from external funds	21	9	-	-	30
Carried interest receivable from external funds	8	11	-	-	19
Carried interest and performance fees payable	(24)	(7)	-	-	(31)
Operating expenses[1]	(73)	(11)	(2)	(3)	(89)
	174	33	3	26	236
Net (investment)/divestment					
Realisations	221	1	16	55	293
Investment	(306)	-	(21)	-	(327)
	(85)	1	(5)	55	(34)
Balance sheet					
Value of investment portfolio at the end of the period	3,040	424	82	133	3,679

1 Operating expenses by business line include direct costs and an allocation of indirect costs.
2 The Debt Warehouse, which was previously included within the Private Equity business line, was transferred to the Debt Management business line created during the second half of the year to 31 March 2011. Consequently, the 30 September 2010 Debt Warehouse numbers have been reclassified to the Debt Management business line.

1 Segmental analysis continued

12 months to 31 March 2011 (audited)	Private Equity £m	Infrastructure £m	Debt Management £m	Non-core Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	62	-	24	38	124
Unrealised profits on the revaluation of investments	277	29	8	11	325
Portfolio income					
Dividends	20	17	-	4	41
Income from loans and receivables	102	(1)	7	2	110
Fees receivable	1	-	-	-	1
	462	45	39	55	601
Net portfolio return					
Fees receivable from external funds	40	25	2	-	67
Carried interest receivable from external funds	19	6	-	-	25
Carried interest and performance fees payable	(54)	(8)	(1)	-	(63)
Operating expenses[1]	(147)	(23)	(5)	(6)	(181)
	320	45	35	49	449
Net (investment)/divestment					
Realisations	372	1	145	91	609
Investment	(634)	(36)	(49)	-	(719)
	(262)	(35)	96	91	(110)
Balance sheet					
Value of investment portfolio at the end of the period	3,394	464	14	121	3,993

2 Realised profits over value on the disposal of investments

	6 months to 30 September 2011 Unquoted equity (unaudited) £m	**6 months to 30 September 2011 Quoted equity (unaudited) £m**	**6 months to 30 September 2011 Loans and receivables[1] (unaudited) £m**	**6 months to 30 September 2011 Total (unaudited) £m**
Realisations	386	1	145	532
Valuation of disposed investments	(364)	(3)	(134)	(501)
Investments written off	-	-	-	-
	22	(2)	11	31

	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[1] (unaudited) £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

	12 months to 31 March 2011 Unquoted equity (audited) £m	12 months to 31 March 2011 Quoted equity (audited) £m	12 months to 31 March 2011 Loans and receivables[1] (audited) £m	12 months to 31 March 2011 Total (audited) £m
Realisations	263	16	330	609
Valuation of disposed investments	(160)	(14)	(310)	(484)
Investments written off	(1)	-	-	(1)
	102	2	20	124

1 Loans and receivables include net proceeds of £nil (September 2010: £16 million, March 2011: £145 million) and realised profits of £nil (September 2010: £5 million, March 2011: £24 million) from the variable funding notes relating to the Debt Warehouse.

3 Unrealised (losses)/profits on the revaluation of investments

	6 months to 30 September 2011 Unquoted equity (unaudited) £m	**6 months to 30 September 2011 Quoted equity (unaudited) £m**	**6 months to 30 September 2011 Loans and receivables (unaudited) £m**	**6 months to 30 September 2011 Total (unaudited) £m**
Movement in the fair value of equity	(273)	(58)	-	(331)
Provisions, loan impairments and other movements[1]	-	-	(110)	(110)
	(273)	(58)	(110)	(441)

	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[2]	279	16	-	295
Provisions, loan impairments and other movements[1]	(20)	-	(79)	(99)
	259	16	(79)	196

	12 months to 31 March 2011 Unquoted equity (audited) £m	12 months to 31 March 2011 Quoted equity (audited) £m	12 months to 31 March 2011 Loans and receivables (audited) £m	12 months to 31 March 2011 Total (audited) £m
Movement in the fair value of equity	572	23	-	595
Provisions, loan impairments and other movements[1]	(20)	-	(250)	(270)
	552	23	(250)	325

1 Included within loan impairments is a £1 million value decrease relating to the Credit Opportunities Fund, which launched in August 2011. Loan impairments in prior periods also include the variable funding notes relating to the Debt Warehouse (September 2010: £2 million value decrease, March 2011: £1 million value increase).

2 Investments made through the 3i India Infrastructure Fund have been reclassified as individual investments, rather than a fund which is classified as unquoted equity. The prior periods have been restated.

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 2011 (unaudited) £m	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Interest rate swaps	**(15)**	(8)	-
Call options	**(1)**	-	(1)
	(16)	(8)	(1)

Exchange movements in relation to forward foreign exchange contracts are included within exchange movements in the statement of comprehensive income. During the period, a £2 million gain was recognised in exchange movements in relation to forward foreign exchange contracts (September 2010: £nil, March 2011: £12 million loss).

Derivative assets and liabilities have been reclassified for prior periods between current and non-current positions to reflect the maturity of long-dated interest rate swaps.

5 Loans and borrowings

	30 September 2011 (unaudited) £m	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Loans and borrowings are repayable as follows:			
Within one year	**293**	63	31
In the second year	**259**	395	638
In the third year	**-**	517	265
In the fourth year	**50**	50	50
In the fifth year	**161**	-	-
After five years	**911**	878	884
	1,674	1,903	1,868

Principal borrowings include:

	Rate	Maturity	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Issued under the £2,000 million note issuance programme					
Fixed rate					
€350 million notes (public issue)	5.625%	2017	**302**	303	309
£200 million notes (public issue)	6.875%	2023	**200**	200	200
£400 million notes (public issue)	5.750%	2032	**375**	375	375
Other			**34**	95	62
Variable rate					
€500 million notes (public issue)	EURIBOR+0.20%	2012	**293**	395	382
Other			**259**	260	265
			1,463	1,628	1,593
Committed multi-currency facilities					
£100 million	LIBOR+2.75% to +3.00%	2012	**-**	66	69
£300 million	LIBOR+2.75%	2012	**-**	159	156
£200 million	LIBOR+3.75%	2014	**50**	50	50
£50 million	LIBOR+1.50%	2016	**-**	-	-
£450 million	LIBOR+1.00%	2016	**161**	-	-
			211	275	275
Total loans and borrowings			**1,674**	1,903	1,868

The £100 million multi-currency facility was refinanced to £50 million with maturity extended from October 2012 to April 2016.

The £300 million multi-currency facility was refinanced to £450 million with maturity extended from October 2012 to June 2016.

The Group is subject to a financial covenant relating to its Asset Cover Ratio; defined as total assets (including cash) divided by gross debt. The Asset Cover Ratio limit is 1.45 at 30 September 2011 (September 2010: 1.35, March 2011: 1.40), the Asset Cover Ratio at 30 September 2011 is 2.81 (September 2010: 2.62, March 2011: 2.82).

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 £1,643 million (September 2010: £1,878 million, March 2011: £1,875 million), determined where applicable with reference to their published market price.

6 Convertible bonds

	30 September 2011 (unaudited) £m	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Opening balance	138	363	363
Amortisation	1	19	24
Repurchase during the period	-	(195)	(249)
Repayment at maturity	(139)	-	-
Closing balance	-	187	138

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 convertible bond matured on 31 May 2011 and was repaid in full.

7 Equity

6 months to 30 September 2011	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
Total equity at the start of the period	717	779	43	17	263	1,093	526	5	(86)	3,357
Loss for the period						(479)	(21)			(500)
Exchange differences on translation of foreign operations					26					26
Actuarial loss						(49)				(49)
Total comprehensive income for the period	-	-	-	-	26	(528)	(21)	-	-	(523)
Share-based payments				3						3
Release on lapse of equity settled call options						5		(5)		-
Purchase of own shares									(11)	(11)
Settlement of share awards						(6)			6	-
Issue of ordinary shares		1								1
Release on exercise/forfeiture of share options				(2)			2			-
Ordinary dividends							(23)			(23)
Total equity at the end of the period	717	780	43	18	289	564	484	-	(91)	2,804

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
Total equity at the start of the period	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)
Total equity at the end of the period	717	779	43	16	217	973	497	5	(86)	3,161

7 Equity continued

Year to 31 March 2011	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
Total equity at the start of the period	717	779	43	24	145	959	482	5	(86)	3,068
Profit for the year						114	72			186
Exchange differences on translation of foreign operations					118					118
Actuarial gain						20				20
Total comprehensive income for the year	-	-	-	-	118	134	72	-	-	324
Share-based payments										-
Release on exercise/forfeiture of share options				(7)			2			(5)
Ordinary dividends							(30)			(30)
Total equity at the end of the period	717	779	43	17	263	1,093	526	5	(86)	3,357

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 2011 (unaudited)	6 months to 30 September 2010 (unaudited)	12 months to 31 March 2011 (audited)
Earnings per share (pence)			
Basic	**(52.7)**	5.5	19.6
Diluted[1]	**(52.7)**	5.4	19.5
Earnings (£m)			
(Loss)/profit for the period attributable to equity holders of the Company	**(500)**	52	186

	6 months to 30 September 2011 (unaudited) Number	6 months to 30 September 2010 (unaudited) Number	12 months to 31 March 2011 (audited) Number
Weighted average number of shares in issue			
Ordinary shares	**970,725,309**	970,444,952	970,513,394
Own shares	**(21,652,035)**	(19,689,835)	(19,660,791)
	949,073,274	950,755,117	950,852,603
Effect of dilutive potential ordinary shares			
Share options[1]	**-**	6,251,029	3,486,081
Diluted shares	**949,073,274**	957,006,146	954,338,684

1 The potential effect of share options is excluded from the September 2011 dilution calculation, as the impact is anti-dilutive.

	30 September 2011 (unaudited)	30 September 2010 (unaudited)	31 March 2011 (audited)
Net assets per share (£)			
Basic	**2.96**	3.32	3.53
Diluted	**2.94**	3.30	3.51
Net assets (£m)			
Net assets attributable to equity holders of the Company	**2,804**	3,161	3,357

	30 September 2011 (unaudited) Number	30 September 2010 (unaudited) Number	31 March 2011 (audited) Number
Number of shares in issue			
Ordinary shares	**970,843,005**	970,538,698	970,650,620
Own shares	**(22,165,246)**	(19,631,587)	(19,631,587)
	948,677,759	950,907,111	951,019,033
Effect of dilutive potential ordinary shares			
Share options	**3,817,309**	7,964,960	4,600,795
Diluted shares	**952,495,068**	958,872,071	955,619,828

9 Dividends

	6 months to 30 September 2011 (unaudited) pence per share	**6 months to 30 September 2011 (unaudited) £m**	6 months to 30 September 2010 (unaudited) pence per share	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) pence per share	12 months to 31 March 2011 (audited) £m
Declared and paid during the period						
Ordinary shares						
Final dividend	**2.4**	**23**	2.0	19	2.0	19
Interim dividend	**-**	**-**	-	-	1.2	11
	2.4	**23**	2.0	19	3.2	30
Proposed dividend	**2.7**	**26**	1.2	11	2.4	23

10 Contingent liabilities

	30 September 2011 (unaudited) £m	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	**4**	7	5

The Company has guaranteed the payment of principal and interest on amounts drawn down by 3i Holdings plc under the committed multi-currency facilities. At 30 September 2011, 3i Holdings plc had drawn down £221 million (September 2010: £225 million, March 2011: £225 million) under these facilities.

The Company has provided a guarantee to the Trustees of the 3i Group Pension Plan in respect of liabilities of 3i plc to the Plan. 3i plc is the sponsor of the 3i Group Pension Plan. The Company has agreed to transfer eligible assets (£150 million of ordinary shares in 3i Infrastructure plc) to a wholly owned subsidiary of the Group. The Company will retain all income and capital rights in relation to the 3i Infrastructure plc shares, as eligible assets, unless the Company becomes insolvent or fails to comply with material obligations in relation to the agreement with the Trustees, all of which are under its control.

At 30 September 2011, 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. In addition the Company has related parties in respect of its subsidiaries.

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 the management of these limited partnerships:

Statement of comprehensive income	**6 months to 30 September 2011 (unaudited) £m**	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Carried interest receivable	**(11)**	19	25
Fees receivable from external funds	**38**	25	55

Balance sheet	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Carried interest receivable	**42**	78	82

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 2011 (unaudited) £m**	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Realised profits over value on the disposal of investments	**17**	18	9
Unrealised (losses)/profits on the revaluation of investments	**(336)**	195	313
Portfolio income	**50**	75	136

Balance sheet	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Quoted equity investments	**435**	311	321
Unquoted equity investments	**950**	1,481	1,633
Loans and receivables	**1,322**	1,236	1,294

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 and the following amounts have been included in respect of this advisory relationship:

Statement of comprehensive income	**6 months to 30 September 2011 (unaudited) £m**	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Unrealised profits on the revaluation of investments	**11**	11	21
Fees receivable from external funds	**6**	5	17
Dividends	**9**	9	16

Balance sheet	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Quoted equity investments	**363**	310	320

Key management personnel

The Group's key management personnel comprises the members of the Leadership Team, which replaced the Management Committee in September 2010, 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 2011 (unaudited) £m**	6 months to 30 September 2010 (unaudited) £m	12 months to 31 March 2011 (audited) £m
Salaries, fees, supplements and benefits in kind	**3**	3	6
Bonuses and deferred share bonuses	**4**	2	6
Carried interest and performance fees payable	**7**	11	15
Share-based payments	**2**	-	1

Balance sheet	**30 September 2011 (unaudited) £m**	30 September 2010 (unaudited) £m	31 March 2011 (audited) £m
Bonuses and deferred share bonuses	**4**	3	8
Carried interest and performance fees payable within one year	**6**	2	8
Carried interest and performance fees payable after one year	**12**	14	11
Deferred consideration included within trade and other payables[1]	**9**	-	9

1 Deferred consideration relates to the acquisition of Mizuho Investment Management Limited on 15 February 2011.

Carried interest paid in the year to key management personnel was £3 million (September 2010: £11 million, March 2011: £16 million).

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 2011.

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 2011 ("Report and Accounts 2011"), as they provide an update of previously reported information.

The Half-yearly Financial Statements were authorised for issue by the Directors on 10 November 2011.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and Accounts 2011. 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 2011, 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 2011.

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
9 November 2011

Board of Directors
Sir Adrian Montague, Chairman
Michael Queen, Chief Executive and executive Director
Julia Wilson, Finance Director and executive Director
Simon Borrows, Chief Investment Officer and executive Director
Jonathan Asquith, Non-executive Director
Alistair Cox, Non-executive Director
Richard Meddings, Non-executive Director and Senior Independent Director
Willem Mesdag, Non-executive Director

Ten largest investments

The list below provides information on the ten largest investments in respect of the Group's holding, excluding any managed or advised external funds.

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	35.0	302	363
MWM GmbH mwm.net Provider of decentralised power generation systems	Private Equity (BO) Germany 2007 Imminent sale	41.3	71	193
ACR Capital Holdings Pte Limited asiacapitalre.com Reinsurance in large risk segments	Private Equity (GC) Singapore 2006 Industry metric	31.1	105	147
Peer Holdings BV (Action) action.nl Non-food discount retailer	Private Equity (BO) Netherlands 2011 Earnings	45.0	134	131
Foster + Partners[1] fosterandpartners.com Architectural services	Private Equity (GC) UK 2007 Earnings	40.0		122
Mémora Servicios Funerarias memora.es Funeral service provider	Private Equity (BO) Spain 2008 Earnings	34.7	114	118
Mold Masters Luxembourg Holdings S.A.R.L. moldmasters.com Plastic processing technology provider	Private Equity (GC) Canada 2007 Earnings	49.3	75	98
Quintiles Transnational Corporation quintiles.com Clinical research outsourcing solutions	Private Equity (GC) US 2008 Earnings	4.9	74	96
Eco US Holdings Inc (HILITE) hilite.com Fluid control component supplier	Private Equity (BO) Germany 2011 Earnings	25.4	97	96
Mayborn Group Limited mayborngroup.com Manufacturer and distributor of baby products	Private Equity (BO) UK 2006 Earnings	37.9	95	93

1 The residual cost of this investment cannot be disclosed per a confidentiality agreement in place at the time of investment.

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 £15 million. This does not include six 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
Scandferries Holding GmbH (Scandlines) scandlines.de Ferry operator in the Baltic Sea	Private Equity (BO) Germany 2007 DCF	27.3	38	92
OneMed Group onemed.com Distributor of consumable medical products, devices and technology	Private Equity (BO) Sweden 2011 Earnings	30.5	91	83
Azelis Holding S.A. azelis.com Distributor of specialty chemicals, polymers and related services	Private Equity (BO) Luxembourg 2007 Earnings	36.5	50	74
NORMA Group Holding GmbH normagroup.com Provider of engineered joining technology	Private Equity (BO) Germany 2005 Quoted	21.1	0	71
Eltel Networks Oy eltelnetworks.com Network services	Private Equity (BO) Finland 2007 Earnings	42.6	85	71
Stork Materials Technology storksmt.com Testing and Inspection	Private Equity (BO) Netherlands 2010 Earnings	42.2	60	68
Tato Holdings Limited thor.com Manufacture and sale of speciality chemicals	SMI UK 1990 Earnings	26.1	2	65
Cornwall Topco Limited (Civica) civica.co.uk Public sector IT and services	Private Equity (BO) UK 2008 Earnings	40.2	91	65
Navayuga Engineering Company Limited necltd.com Engineering and construction	Private Equity (GC) India 2006 Other	10.0	23	61
Labco SAS labco.eu Clinical laboratories	Private Equity (GC) France 2008 Earnings	12.3	64	52
Hobbs hobbs.co.uk Retailer of women's clothing and footwear	Private Equity (BO) UK 2004 Earnings	47.0	72	50
Amor GmbH amor.de Jewellery supplier focusing on procurement, logistics and servicing	Private Equity (BO) Germany 2010 Earnings	42.1	49	44
AES Engineering Limited aesseal.co.uk Manufacturer of mechanical seals and support systems	Private Equity (GC) UK 1996 Earnings	40.6	30	43
Sortifandus, S.L. (GES – Global Energy Services) services-ges.com Wind power service provider	Private Equity (BO) Spain 2006 Earnings	42.8	47	42

Forty other large investments continued

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
Adani Power adanipower.com Power generation	Infrastructure India 2007 Quoted	1.6	25	38
Phibro Animal Health Corporation pahc.com Animal healthcare	Private Equity (GC) US 2009 Earnings	29.9	90	38
Otnortopco AS (Xellia/Alpharma) xellia.com Developer and supplier of specialist active pharmaceutical ingredients	Private Equity (BO) Norway 2007 Earnings	30.4	79	37
Trescal trescal.com Calibration services	Private Equity (BO) France 2010 Earnings	23.5	31	37
Krishnapatnam Port krishnapatnam.com Port	Infrastructure India 2009 DCF	3.0	24	30
Environmental Scientifics Group (ESG) esg.co.uk Global testing and inspection	Private Equity (BO) UK 2007 Earnings	38.0	32	30
Polyconcept Investments BV polyconcept.com Supplier of promotional products	Private Equity (GC) Netherlands 2005 Earnings	13.0	43	29
Joyon Southside joyon.cn Real estate	Private Equity (GC) China 2007 DCF	49.9	15	28
LHI Technology Private Limited lhitechnology.com Medical cable assemblies	Private Equity (BO) Hong Kong 2008 Earnings	37.5	16	28
Refresco Group B.V. refresco.com Manufacturer of private label juices and soft drinks	Private Equity (GC) Netherlands 2010 Earnings	10.7	46	28
Hyperion Insurance Group Limited hyperiongrp.com Specialist insurance intermediary	Private Equity (GC) UK 2008 Industry metric	19.1	21	28
Lekolar AB lekolar.se Distributor of pedagogical products and educational materials	Private Equity (BO) Sweden 2007 Earnings	33.3	29	27
Soya Concept A/S soyaconcept.com Fashion design company	Private Equity (GC) Denmark 2007 Earnings	45.0	13	24
BVG India Ltd bvgindia.com Business services	Private Equity (GC) India 2011 Earnings	19.6	21	22
Goromar XXI, S.L. (Esmalglass) esmalglass.com Manufacture of frites, glazes and colours for tiles	Private Equity (BO) Spain 2002 Earnings	21.6	21	22
Consultim Finance SAS cerenicimo.fr Wholesaler of rental real estate	Private Equity (GC) France 2007 Earnings	20.0	24	21

Forty other large investments continued

Investment Website Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost £m	Valuation £m
TouchTunes Interactive Networks touchtunes.com Out of home interactive media and entertainment network	Private Equity (GC) US 2011 Earnings	9.4	18	19
Pearl (AP) Group Limited (Agent Provocateur) agentprovocateur.com Women's lingerie and assorted products	Private Equity (BO) UK 2007 DCF	34.5	48	19
John Hardy Limited johnhardy.com Designer jewellery business	Private Equity (GC) China 2007 Earnings	23.5	15	17
MKM Building Supplies (Holdings) Limited mkmbs.co.uk Building material supplier	Private Equity (GC) UK 1998 Earnings	30.3	15	17
Gain Capital gaincapital.com Retail online forex trading	Private Equity (GC) US 2008 Quoted	10.1	24	17
SOMA Enterprise soma.co.in Infrastructure development	Infrastructure India 2007 Other	2.9	11	16
UFO Moviez ufomoviez.com Provider of digital cinema services	Private Equity (GC) India 2007 Earnings	27.6	11	16
Loxam Holdings loxam.fr Professional equipment rental	Private Equity (GC) France 2011 Earnings	3.8	17	16
GO Outdoors Topco Limited gooutdoors.co.uk Retailer of outdoor equipment, tents, clothing and footwear	Private Equity (GC) UK 2011 Earnings	13.3	17	15
KMC Roads	Infrastructure	6.7	15	15
kmcgroup.co.in	India			
Engineering, procurement and construction services	2011			
	DCF			

Note A

The online Half-yearly report 2011 will be available at www.reportingcentre.3igroup.com/2011/halfyearlyreport from 3.00pm today.

Note B

The interim dividend is expected to be paid on 11 January 2012 to holders of ordinary shares on the register on 9 December 2011. The ex-dividend date will be 7 December 2011.