3i Group plc
Interim report 2006

3i is a world leader in private equity and venture capital. We focus on buyouts, growth capital and venture capital and invest across Europe, the US and Asia.

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.

If you would prefer to receive shareholder communications electronically in future, including our Annual and Interim reports, please go to **www.3igroup.com/e-comms** to register your details.

Financial highlights

9.3%
Return on opening shareholders' funds

£849m
Realisation proceeds

£374m
Total return

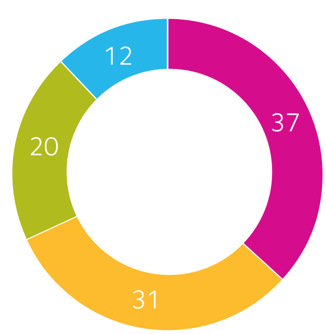
5.8p
Interim dividend per share

	6 months to 30 September 2006	6 months to 30 September 2005
Total return	**£374m**	£447m
Total return on opening shareholders' funds	**9.3%**	12.1%
Adjusted total return on opening shareholders' funds*	**11.0%**	–
Diluted net asset value per ordinary share	**792p**	677p
Interim dividend per ordinary share	**5.8p**	5.5p
Realised profits over opening valuation on disposal of investments	**£216m**	£189m
New investment	**£589m**	£706m
– including co-investment funds	**£700m**	£835m
Realisation proceeds	**£849m**	£1,041m
– including co-investment funds	**£1,193m**	£1,363m

*Adjusted for the £700 million return of capital approved in July 2006.

Gross portfolio return (%)	**6 months to 30 September 2006**	6 months to 30 September 2005
Buyouts	**19.8**	13.1
Growth Capital	**14.2**	13.0
Venture Capital	**(8.4)**	8.2
Smaller Minority Investments ("SMI")	**13.7**	12.3

Portfolio value (%)
as at 30 September 2006



Buyouts	£1,534m
Growth Capital	£1,310m
Venture Capital	£826m
SMI	£504m
Total	£4,174m

Chairman's statement

"Another good performance"

3i delivered a total return of £374 million for the six months to 30 September 2006. This represents a return of 9.3% on opening shareholders' funds, which compares with a FTSE All-Share total return of 1.7% for the same period. The Directors have approved an interim dividend of 5.8p per ordinary share, up from 5.5p last year.

In line with our commitment to balance sheet efficiency, a £700 million return of capital by way of a bonus issue of listed B shares was proposed to shareholders, approved in July and executed shortly thereafter. The total return on opening shareholders' funds, adjusted for this return of capital, would have been 11.0%.

The performance of our mid-market Buyouts business in the first half was of particular note. A gross portfolio return of 19.8% on opening portfolio value was an exceptionally good result, demonstrating the continuing strength of our business model in this competitive area.

3i's Growth Capital business also enjoyed a good first six months, delivering returns above our across-the-cycle expectations. Our Venture Capital business, however, incurred a negative return, largely due to the fall in the share prices of some of its quoted holdings.

A high level of investment and realisation activity was matched by strategic development at a Group and business line level. We recently announced the first closing of our new €5 billion European buyout fund, Eurofund V.

We have also continued to extend 3i's international reach, with teams now established in Beijing and New York. Our business in Asia continues to build momentum: our investment in the region in the first six months of this year was close to the total for the whole of the previous year.

As the only private equity business in the FTSE 100, and indeed one of only a few companies of any size offering quoted access to private equity returns, we have watched the listing of other private equity vehicles with interest. These moves, we believe, will help to raise awareness of the benefits of investing in private equity.

In September we were delighted to welcome Robert Swannell to the Board as a non-executive Director, joining our Nominations and Valuations Committees. Robert is Vice Chairman of Citigroup Europe and a member of Citigroup's Global Investment Banking Operating Committee. He has extensive experience in international financial services and a wide experience of business.

As a Board, we place considerable emphasis on corporate responsibility and on shareholder communications. It is therefore encouraging that 3i is not only a member of the Dow Jones Sustainability Index for 2006/7 but has been ranked first in the financial services sector globally.

These results, and the progress we have made at a strategic level, would not have been possible without the commitment and ability of our leadership team and staff across the world. I would like to thank them and also the many management teams and advisers who have helped 3i to achieve success.

To conclude, 3i has delivered another good performance in the first half and is well placed strategically. Our balance sheet strength, combined with the spread of the portfolio internationally, by sector and by type of investment activity, should also enable us to take full advantage of growing markets while maintaining a diversified risk profile.

Baroness Hogg
Chairman

8 November 2006

Chief Executive's statement

"3i is well placed against the current market opportunity"

Our purpose:
to provide quoted access to private equity returns.

Our vision:
to be the private equity firm of choice:

– operating on a world-wide scale;
– producing consistent market-beating returns;
– acknowledged for our partnership style; and
– winning through our unparalleled resources.

Our strategy:

– to invest in high-return assets;
– to grow our assets and those we manage on behalf of third parties;
– to extend our international reach, directly and through investing in funds;
– to use our balance sheet and resources to develop existing and new business lines; and
– to continue to build our strong culture of operating as one company across business lines, geographies and sectors.

These results for the first six months of the financial year confirm continuing progress on both our near-term and long-term agendas.

Gross portfolio return, at 11.6%, was in line with the equivalent figure for last year (12.1%), although the mix between our business lines changed somewhat, with an exceptional figure of 19.8% for Buyouts compensating for a significant fall in our Venture Capital return (negative 8.4% compared to positive 8.2% for the equivalent period last year). The returns for both our Growth Capital and SMI businesses remained strong. The Interim review which follows gives an explanation of the underlying factors affecting the Group's performance in the period.

Although the levels of both realisations and investments were below last year's equivalents, these figures were still strong in the context of our current business model, where concentrating on fewer larger investments means that our investment and divestment cash flows are more variable across accounting periods.

Total return, at £374 million, was below the £447 million for the equivalent period last year. Realised profits grew by 14% to £216 million (2005: £189 million). Our net asset value per share grew by 53p in the period, from 739p to 792p, another good result, despite dilution of around 15p as a result of the B share issue and related share capital consolidation in July.

The most visible indicators of the long-term reshaping of our business passed new thresholds in the period. The number of portfolio investments, at 942, is now below 1,000, compared to a little over 2,000 investments three years ago. Our international portfolio now represents 61% of our total portfolio value, compared to 42% three years ago.

The strategic development of the Group continues apace and we believe that there are opportunities to expand our Infrastructure and private equity business yet further, particularly in the long-hold segment. Consistent with our philosophy of building capabilities ahead of building assets, we intend to build our Infrastructure team internationally and to strengthen our Growth Capital business.

At the appropriate stage, we also believe it would be in shareholders' interests for our infrastructure assets to be held in a separate vehicle managed or advised by 3i, and therefore giving rise to annual and performance fees to supplement the pure investment return from such assets.

To support these objectives, Michael Queen, who currently leads our Growth Capital and Infrastructure businesses, will increasingly concentrate on accelerating the broadening of our infrastructure activities. In order to facilitate this transition and maintain the considerable momentum of our Growth Capital business in Europe, we have announced that Guy Zarzavatdjian, who currently heads our French business, will take over responsibility for Growth Capital in Europe on 1 January 2007, reporting to Michael. It is our intention that he will succeed Michael as Managing Partner, Growth Capital on 1 April 2008, allowing Michael at that time to become full-time Managing Partner of Infrastructure.

In view of the growing importance of our Asian opportunity, Chris Rowlands, Managing Partner, Group Markets, who has led our drive in this region, will shortly relocate to Singapore in order to build our capabilities as other country and asset markets are developed.

In signing off my Chief Executive's statement in May, I said that we expected our level of realisations for the financial year to be below last year's exceptional levels and that we expected to increase the amount invested. We currently see little change in outlook and expect to report further progress over the coming six months. Looking further out, after a period in which divestments have been attractive in what are exceptional markets, we expect the overall level of realisations to moderate as value is built in more recent investments and as our SMI portfolio reduces to a core of less liquid holdings.

At this stage, the Group is on track to deliver growth in new investment over the whole year. We believe that 3i is well placed against the current market opportunity.

Philip Yea
Chief Executive

8 November 2006

Our business lines

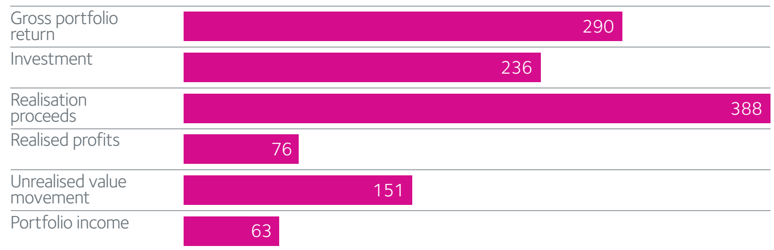
Buyouts

Targeting around 15 European mid-market transactions per year, each typically with a value of up to €1bn.

19.8%
Gross portfolio return

£1,534m
Portfolio value

Financial highlights (£m)
6 months to 30 September 2006



Growth Capital

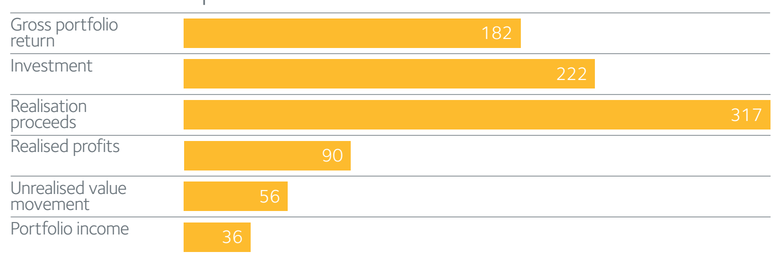
Making minority investments of typically €10m to €150m in established and profitable businesses across Europe, Asia and the US.

This business line also manages 3i's infrastructure investment activity.

14.2%
Gross portfolio return

£1,310m
Portfolio value

Financial highlights (£m)
6 months to 30 September 2006



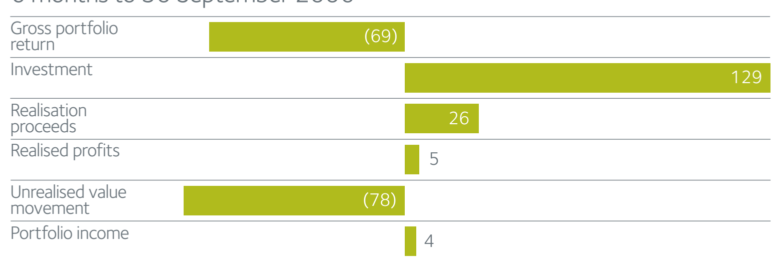
Venture Capital

Investing in early and late-stage technology companies in Europe and the US, with a focus on the €2m to €50m segment and the "cleantech", medical devices and information and communications technology areas.

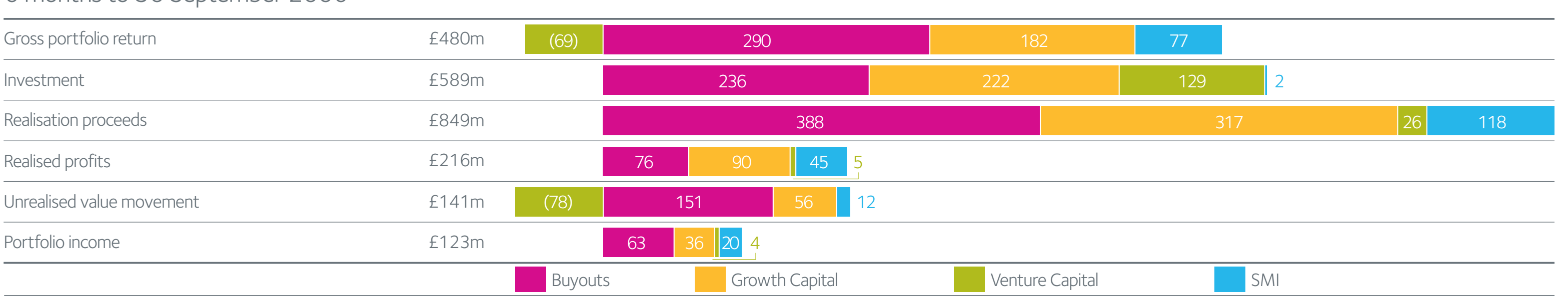
(8.4)%
Gross portfolio return

£826m
Portfolio value

Financial highlights (£m)
6 months to 30 September 2006



Financial performance by business line (£m)
6 months to 30 September 2006



Interim review

Our key financial performance measures:

Group measures
– Total return
– Gross portfolio return
– Gearing
– Net asset value growth

Business line measures
– Gross portfolio return
– Portfolio health
– Long-term IRRs by vintage

Group overview
The Group achieved a total return of £374 million (2005: £447 million) for the period, as shown in table 1. This represents a return of 9.3% on opening shareholders' funds (2005: 12.1%), or 11.0% on an adjusted basis (calculated on the assumption that the £700 million return of capital was effected at the end of the previous financial year).

Gross portfolio return on the opening portfolio value, as shown in table 2, was 11.6% (2005: 12.1%). Strong levels of realised profits, combined with a number of unrealised uplifts relating to valuations on an imminent sales basis at the period end, were key to achieving this.

Table 1: **Total return**

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m
Realised profits on disposal of investments	**216**	189
Unrealised profits on revaluation of investments	**141**	223
Portfolio income	**123**	109
Gross portfolio return	**480**	521
Fund management fees	**15**	15
Carried interest receivable	**35**	57
Carried interest payable	**(48)**	(26)
Operating expenses	**(115)**	(96)
Net portfolio return	**367**	471
Net interest payable	**(2)**	(11)
Movements in the fair value of derivatives	**11**	(33)
Exchange movements	**(11)**	35
Other	**(2)**	–
Profit after tax	**363**	462
Reserve movements (pension, property and currency translation)	**11**	(15)
Total recognised income and expense ("Total return")	**374**	447

Return profiles for each individual business line are covered in detail below. In summary, Buyouts and Growth Capital returns were ahead of expectations for the six months, whereas those for Venture Capital were below.

Table 2: **Return by business line (£m)**
6 months to 30 September

	Buyouts		Growth Capital		Venture Capital		SMI		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Gross portfolio return	**290**	199	**182**	168	**(69)**	61	**77**	93	**480**	521
Return as % of opening portfolio	**19.8**	13.1	**14.2**	13.0	**(8.4)**	8.2	**13.7**	12.3	**11.6**	12.1
Net portfolio return									**367**	471
Return as % of opening portfolio									**8.9**	10.9
Total return									**374**	447
Total return as % of opening shareholders' funds									**9.3**	12.1

In addition to the performance data for the six months and a comparative analysis, tables 6 to 8 contain long-term vintage IRR performance data for each of 3i's business lines.

The Group's net portfolio return was 8.9% on the opening portfolio value (2005: 10.9%). The difference of 2.7% between gross portfolio return and net portfolio return is consistent with our expectations of 5% to 6% dilution for a full 12 months.

New investment in the period totalled £589 million (2005: £706 million). As can be seen from table 3, Buyouts represents 40%, Growth Capital 38% and Venture Capital 22% of this investment. Consistent with our growth strategy in the region, investment in Asia was up markedly compared with the same period last year.

There were 33 new investments in the period and, in addition to £589 million invested from the Group's balance sheet, a further £111 million was invested on behalf of co-investment funds (2005: £129 million).

Table 3: **Investment by business line and geography (£m)**
6 months to 30 September

	Buyouts		Growth Capital		Venture Capital		SMI		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Asia	**–**	–	**85**	36	**–**	–	**–**	–	**85**	36
Continental Europe	**128**	204	**116**	141	**10**	12	**1**	2	**255**	359
UK	**106**	154	**21**	109	**34**	18	**1**	2	**162**	283
US	**–**	–	**–**	–	**76**	28	**–**	–	**76**	28
Rest of the world	**2**	–	**–**	–	**9**	–	**–**	–	**11**	–
Total	**236**	358	**222**	286	**129**	58	**2**	4	**589**	706

Realisation proceeds, as can be seen from table 4, totalled £849 million (2005: £1,041 million), and continued to be ahead of our expectations. Realised profits of £216 million (2005: £189 million) represent an uplift of 34% over opening value (2005: 22%). Realised profits are stated net of write-offs of £1 million (2005: £40 million).

Table 4: **Realisation proceeds by business line and geography (£m)**
6 months to 30 September

	Buyouts		Growth Capital		Venture Capital		SMI		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Asia	**–**	–	**37**	35	**–**	–	**–**	–	**37**	35
Continental Europe	**171**	201	**165**	169	**6**	49	**26**	26	**368**	445
UK	**217**	178	**115**	135	**5**	56	**92**	135	**429**	504
US	**–**	–	**–**	42	**15**	15	**–**	–	**15**	57
Total	**388**	379	**317**	381	**26**	120	**118**	161	**849**	1,041

Note There were no Rest of the world proceeds in either period.

Overall, some 15.3% (2005: 19.7%) of the opening portfolio by value was realised during the period, continuing the high churn seen in the previous 18 months.

Although sales of quoted investments were low in the period, four portfolio companies achieved an IPO. At 30 September 2006 quoted investments represented 7% of 3i's total portfolio value (2005: 6%).

The unrealised value movement for the period of £141 million (2005: £223 million) was driven by several factors, as shown in table 5.
A continuing strong market for exits is demonstrated by a contribution of £160 million from uplift to imminent sale. The fall in the value of quoted investments contributed a negative £59 million (2005: positive £58 million).

Table 5: **Unrealised profits/(losses) on revaluation of investments**

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m
Earnings multiples[1]	**22**	66
Earnings[2]	**16**	27
First-time uplifts[3]	**64**	23
Provisions[4]	**(28)**	(37)
Net up/(down) rounds	**8**	(3)
Uplift to imminent sale	**160**	128
Other movements on unquoted investments	**(42)**	(39)
Quoted portfolio	**(59)**	58
Total	**141**	223

1 The weighted average earnings multiple applied to investments valued on an earnings basis at both the start and end of the period increased from 12.2 to 12.3 over the period.

2 The aggregate attributable earnings of investments valued on an earnings basis at both the start and end of the period increased by 3%.

3 The net valuation impact arising on investments being valued on a basis other than cost for the first time.

4 Provisions against the carrying value of investments in businesses which may fail.

Buyouts

At 19.8% (2005: 13.1%) 3i's Buyout business delivered an exceptional gross portfolio return for the period. This performance was driven by realised profits of £76 million (2005: £62 million), on proceeds of £388 million (2005: £379 million), and an unrealised value movement of £151 million (2005: £79 million).

Two key investments, Swiss-based aviation engineering business SR Technics and French transportation company Keolis, were valued on an imminent sale basis, producing a combined uplift in value of £132 million. First-time uplifts from cost on investments totalled £27 million.

The vintage year returns for 2002 to 2006, shown in table 6, provide further evidence of the quality of 3i's Buyout business model. IRRs of 61% and 50% for the 2002 and 2003 vintages, which at 30 September 2006 had realised 237% and 168% of the amounts invested respectively, are strong results. The performance of the 2005 vintage to date has also been good, with realisations of 62% of the amount invested at the period end and an IRR of 50%.

Table 6: **Buyouts – Long-term IRRs (£m)**
as at 30 September 2006

Vintage year*	Total investment	Return flow	Value remaining	**IRR to 30 Sept 2006**	IRR to 31 March 2006
2006	419	29	436	**12%**	3%
2005	330	206	419	**50%**	38%
2004	292	368	111	**29%**	32%
2003	257	432	234	**50%**	49%
2002	186	441	8	**61%**	61%

*Vintage year is the financial year ended 31 March.

Total investment during the period was £236 million (2005: £358 million), with seven new investments in five different countries.

In August the Buyout business announced the first closing of its latest fund, Eurofund V. At €4.3 billion, this was ahead of its initial target of €3.5 billion. The fund's final close, which is capped at €5 billion, is expected in November 2006.

The health of the Buyout portfolio remained good, with the loss rate from Eurofunds III and IV at just 5% of investment cost at 30 September 2006 (31 March 2006: 3%).

Growth Capital

Gross portfolio return from 3i's Growth Capital business line also exceeded expectations at 14.2% for the period (2005: 13.0%). Realised profits of £90 million (2005: £60 million) on proceeds of £317 million (2005: £381 million) were a key driver of this return.

Unrealised value growth from investments made in recent years was also significant. First-time uplifts on several assets were a key driver of this.

Income from this business line was also significant at £36 million (2005: £22 million).

As can be seen from table 7, returns from the 2003 to 2005 vintages have been consistently good. An IRR of 36% to date from the 2005 vintage, which has already realised 80% of the amount invested, is particularly noteworthy.

Table 7: **Growth Capital – Long-term IRRs (£m)**
as at 30 September 2006

Vintage year*	Total investment	Return flow	Value remaining	**IRR to 30 Sept 2006**	IRR to 31 March 2006
2006	455	44	434	**6%**	1%
2005	172	137	155	**36%**	32%
2004	320	312	151	**21%**	21%
2003	222	332	63	**24%**	22%
2002	422	415	98	**8%**	8%

*Vintage year is the financial year ended 31 March.

Asia was the highest growth area for new investment with five of the 13 new investments in the period being made in that region.

3i's rapidly-developing business in infrastructure is also managed through the Growth Capital business line. A highly-experienced team is now in place, a number of significant investments have been made and there is a good level of work in progress.

Portfolio health improved over the period, with 89% of the portfolio by cost being classified as healthy at the period end (31 March 2006: 84%), against a three-year rolling average of 78%.

Venture Capital

The six month gross portfolio return from 3i's Venture Capital business was £(69) million (2005: £61 million), or (8.4)% (2005: 8.2%) of opening portfolio value.

This business line has a relatively high proportion of its portfolio value in quoted assets compared to the Group as a whole (Venture Capital 23%, Group 7% as at 30 September 2006). Consequently, the fall in quoted technology prices in general, and more significant reductions in a small number of higher-value quoted assets in particular, contributed £(68) million to the gross portfolio return.

3i's two largest quoted venture assets, US-based broadband telephony business Vonage Holdings Corp ("Vonage") and the UK-based electronics company CSR plc ("CSR") contributed a combined £38.5 million of the value reduction in the period. Both remain successful investments, with IRRs of 39% (Vonage) and 59% (CSR) at 30 September 2006 valuations.

A weak IPO market for technology companies also influenced the mergers and acquisitions market and weakened prices. As a consequence, 3i deferred a number of exits, which resulted in the low level of Venture realisations for the period of £26 million (2005: £120 million).

A weaker market for exits, however, meant a better market for investing, especially in late-stage opportunities in the US and the UK. Investment for the period of £129 million (2005: £58 million) includes £72 million of late-stage investment (2005: £16 million).

Consistent with this late-stage focus, the average size of investment also increased, from £3 million for the year to 31 March 2006 to £7 million for the six months to 30 September 2006.

Portfolio health improved, with 72% of the portfolio by cost classified as healthy at 30 September 2006 (31 March 2006: 67%), against a three-year rolling average of 68%.

A vintage return analysis is shown in table 8. The 2004 vintage, which includes Vonage, has been most affected by the fall in quoted stocks.

Table 8: **Venture Capital – Long-term IRRs (£m)**
as at 30 September 2006

Vintage year*	Total investment	Return flow	Value remaining	**IRR to 30 Sept 2006**	IRR to 31 March 2006
2006	72	–	71	**(3)%**	–
2005	76	–	70	**(6)%**	–
2004	133	40	150	**20%**	36%
2003	113	13	57	**(16)%**	(19)%
2002	323	88	121	**(12)%**	(12)%

*Vintage year is the financial year ended 31 March.

SMI

Smaller Minority Investments delivered another good gross portfolio return at 13.7 % (2005: 12.3%). This performance was driven by a small number of realisations at prices significantly above carrying values. SMI also made good progress in reducing the total number of assets under management, from 526 investments at the start of the period to 426 at the end.

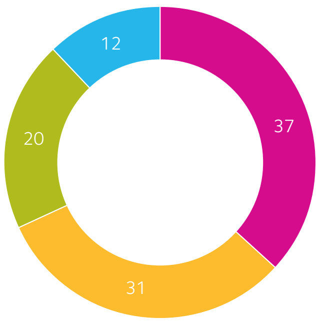
The portfolio

Charts A, B and C show 3i's portfolio analysed respectively by business line, geography and age of investment. By value, 61% of the portfolio is now outside the UK (2005: 50%), with Asia accounting for 5% (2005: 2%). The number of investments in the portfolio fell from 1,087 (561 excluding SMI) at 31 March 2006 to 942 (516 excluding SMI) at 30 September 2006. As shown in table 9, the closing value of the portfolio, at £4,174 million, was almost identical to the opening value of £4,139 million.

Table 9: **Summary of changes to investment portfolio**

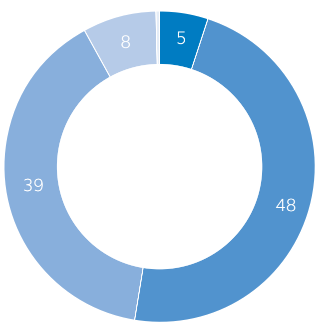
	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m
Opening portfolio	**4,139**	4,317
Investment	**589**	706
Realisation proceeds	**(849)**	(1,041)
Realised profits on disposal of investments	**216**	189
Unrealised profits on revaluation of investments	**141**	223
Other movements	**(62)**	(5)
Closing portfolio	**4,174**	4,389

Chart A: **Portfolio value by business line (%)**
as at 30 September 2006



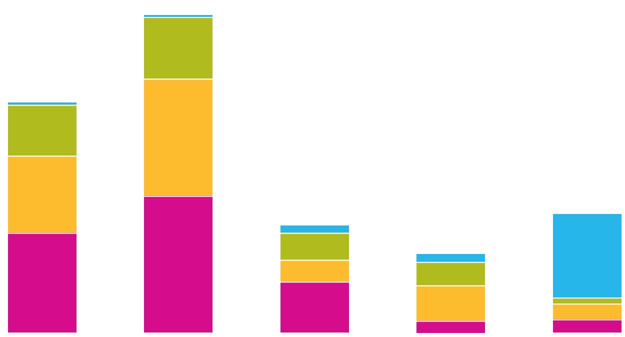
Buyouts	£1,534m
Growth Capital	£1,310m
Venture Capital	£826m
SMI	£504m
Total	£4,174m

Chart B: **Portfolio value by geography (%)**
as at 30 September 2006



Asia	£210m
Continental Europe	£1,984m
UK	£1,645m
US	£319m
Rest of the world	£16m
Total	£4,174m

Chart C: **Portfolio value by age (£m)**
as at 30 September 2006



£1,127m	£1,556m	£524m	£386m	£581m	£4,174m
27%	37%	13%	9%	14%	100%
Up to 1 yr	1-3 yrs	3-5 yrs	5-7 yrs	Over 7 yrs	Total

Buyouts | Growth Capital | Venture Capital | SMI

Cash flows and capital structure

The cash inflow from operations was £235 million (2005: £265 million). Net borrowings increased over the period to £475 million, from £56 million at 31 March 2006, with the cash inflow from operations being offset by the £700 million return of capital in July. The level of gearing rose from 1% at 31 March 2006 to 13% at the period end.

Net carried interest payable

The charge in respect of amounts payable to executives under carried interest schemes was £48 million (2005: £26 million). This reflected the strong performance of recent Buyout and Growth Capital vintages. Carried interest receivable of £35 million (2005: £57 million) from 3i's managed funds relates primarily to realised and unrealised profits generated on the Eurofund III and Eurofund IV buyout funds.

Operating expenses

Operating expenses for the period of £115 million (2005: £96 million) were maintained at the same level as for the six months to 31 March 2006. Employee numbers were up from 737 at 31 March 2006 to 757 at the period end.

Pensions

The deficit on the Group's defined benefit plan, calculated under International Accounting Standard 19 "Employee Benefits", reduced over the period, from £17 million at 31 March to £3 million at 30 September, mainly as a result of an increase in bond yields. The plan was closed to new members from 1 April 2006 and the next full actuarial valuation is due to take place in summer 2007.

Growth in net asset value per share

The good operational performance in the period, combined with the return of capital, resulted in growth in diluted net asset value per share of 53p (2005: 63p), from 739p to 792p.

Consolidated income statement

for the six months to 30 September 2006

	Notes	**6 months to 30 September 2006 (unaudited) £m**	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Realised profits over value on the disposal of investments	2	**216**	189	576
Unrealised profits on the revaluation of investments	3	**141**	223	245
		357	412	821
Portfolio income				
Dividends		**35**	39	75
Income from loans and receivables		**81**	52	133
Fees receivable		**7**	18	24
Gross portfolio return	1	**480**	521	1,053
Fund management fees		**15**	15	24
Carried interest				
Carried interest receivable from managed funds	4	**35**	57	79
Carried interest payable to executives	4	**(48)**	(26)	(64)
Operating expenses		**(115)**	(96)	(211)
Net portfolio return		**367**	471	881
Treasury interest receivable	5	**45**	25	55
Interest payable	5	**(47)**	(36)	(72)
Movements in the fair value of derivatives	6	**11**	(33)	(78)
Exchange movements	7	**(11)**	35	47
Other income		**–**	1	22
Profit before tax		**365**	463	855
Income taxes		**(2)**	(1)	(3)
Profit after tax and profit for the period		**363**	462	852
Earnings per share				
Basic (pence)	11	**70.3**	79.6	152.0
Diluted (pence)	11	**67.8**	77.0	147.3

The rates and amounts of dividends paid and proposed are shown in note 12.

Consolidated statement of recognised income and expense

for the six months to 30 September 2006

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Profit for the period	**363**	462	852
Gain on valuation of property	**–**	1	–
Exchange differences on translation of foreign operations	**(3)**	(9)	(5)
Actuarial gains/(losses)	**14**	(7)	(16)
Total recognised income and expense for the period	**374**	447	831
Analysed in reserves as			
Revenue	**69**	52	117
Capital	**308**	404	719
Translation reserve	**(3)**	(9)	(5)
	374	447	831

Consolidated reconciliation of movements in equity

for the six months to 30 September 2006

	Notes	**6 months to 30 September 2006 (unaudited) £m**	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Opening total equity		**4,006**	3,699	3,699
Total recognised income and expense for the period		**374**	447	831
Share-based payments		**5**	4	8
Ordinary dividends	12	**(52)**	(56)	(86)
Special dividends	12	**–**	(245)	(245)
Issue of B shares	8	**(700)**	–	–
Issues of shares		**10**	5	13
Share buy-backs		**–**	(151)	(222)
Own shares		**5**	8	8
Closing total equity		**3,648**	3,711	4,006

Consolidated balance sheet

as at 30 September 2006

	Notes	30 September 2006 (unaudited) £m	30 September 2005 (unaudited) £m	31 March 2006 (audited) £m
Assets				
Non-current assets				
Investments				
Quoted equity investments		**279**	260	259
Unquoted equity investments		**2,507**	2,625	2,514
Loans and receivables		**1,388**	1,504	1,366
Investment portfolio	1	**4,174**	4,389	4,139
Carried interest receivable		**108**	65	77
Interests in joint ventures		**–**	39	–
Property, plant and equipment		**31**	35	31
Investment property		**–**	7	–
Total non-current assets		**4,313**	4,535	4,247
Current assets				
Other current assets		**99**	199	149
Derivative financial instruments		**25**	29	19
Deposits		**763**	501	1,108
Cash and cash equivalents		**711**	373	847
Total current assets		**1,598**	1,102	2,123
Total assets		**5,911**	5,637	6,370
Liabilities				
Non-current liabilities				
Carried interest payable		**(106)**	(68)	(83)
Loans and borrowings		**(1,038)**	(1,145)	(1,243)
Convertible Bonds		**(359)**	(353)	(365)
B shares	8	**(11)**	–	–
Subordinated liabilities		**(21)**	(49)	(24)
Retirement benefit obligation		**(3)**	(30)	(17)
Deferred income tax		**(1)**	–	(1)
Provisions		**(4)**	(6)	(5)
Total non-current liabilities		**(1,543)**	(1,651)	(1,738)
Current liabilities				
Trade and other payables		**(138)**	(130)	(160)
Carried interest payable		**(31)**	(28)	(60)
Loans and borrowings		**(400)**	–	(231)
Derivative financial instruments		**(145)**	(108)	(168)
Current income tax		**(3)**	(2)	(2)
Provisions		**(3)**	(7)	(5)
Total current liabilities		**(720)**	(275)	(626)
Total liabilities		**(2,263)**	(1,926)	(2,364)
Net assets		**3,648**	3,711	4,006
Equity				
Issued capital	9	**294**	296	292
Share premium	10	**379**	368	376
Capital redemption reserve	10	**22**	13	17
Share-based payment reserve	10	**22**	13	17
Translation reserve	10	**(3)**	(4)	–
Capital reserve	10	**2,718**	2,866	3,110
Revenue reserve	10	**280**	228	263
Own shares	10	**(64)**	(69)	(69)
Total equity		**3,648**	3,711	4,006

Consolidated cash flow statement

for the six months to 30 September 2006

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Cash flow from operating activities			
Purchase of investments	**(559)**	(724)	(1,068)
Proceeds from investments	**858**	1,025	2,213
Interest received	**53**	28	67
Dividends received	**35**	39	76
Fees received from investment and fund management activities	**11**	30	46
Carried interest received	**5**	2	9
Carried interest paid	**(49)**	(29)	(30)
Operating expenses	**(118)**	(105)	(216)
Income tax paid	**(1)**	(1)	(8)
Net cash flow from operations	**235**	265	1,089
Cash flow from financing activities			
Proceeds from issues of share capital	**10**	5	13
Repurchase of own ordinary shares	**–**	(151)	(222)
Repurchase of B shares	**(689)**	–	–
Dividend paid	**(52)**	(301)	(331)
Interest received	**44**	26	50
Interest paid	**(40)**	(36)	(60)
Proceeds from long-term borrowings	**1**	1	69
Repayment of long-term borrowings	**(2)**	(47)	(54)
Net cash flow from short-term borrowings	**18**	(86)	188
Net cash flow from deposits	**345**	384	(223)
Net cash flow from financing activities	**(365)**	(205)	(570)
Cash flow from investing activities			
Purchases of property, plant and equipment	**(3)**	(2)	(15)
Sales of property, plant and equipment	**1**	–	24
Divestment from joint ventures	**–**	2	2
Net cash flow from investing activities	**(2)**	–	11
Change in cash and cash equivalents	**(132)**	60	530
Cash and cash equivalents at 1 April	**847**	314	314
Effect of exchange rate fluctuations	**(4)**	(1)	3
Cash and cash equivalents at the end of the period	**711**	373	847

Notes to the accounts

1 Segmental analysis

6 months to 30 September 2006 (unaudited)	**Buyouts £m**	**Growth Capital £m**	**Venture Capital £m**	**Smaller Minority Investments £m**	**Total £m**
Gross portfolio return					
Realised profits over value on the disposal of investments	**76**	**90**	**5**	**45**	**216**
Unrealised profits on the revaluation of investments	**151**	**56**	**(78)**	**12**	**141**
Portfolio income	**63**	**36**	**4**	**20**	**123**
	290	**182**	**(69)**	**77**	**480**
Net (investment)/divestment					
Realisation proceeds	**388**	**317**	**26**	**118**	**849**
New investment	**(236)**	**(222)**	**(129)**	**(2)**	**(589)**
	152	**95**	**(103)**	**116**	**260**
Balance sheet					
Value of investment portfolio	**1,534**	**1,310**	**826**	**504**	**4,174**

6 months to 30 September 2005 (unaudited)	Buyouts £m	Growth Capital £m	Venture Capital £m	Smaller Minority Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	62	60	36	31	189
Unrealised profits on the revaluation of investments	79	86	23	35	223
Portfolio income	58	22	2	27	109
	199	168	61	93	521
Net (investment)/divestment					
Realisation proceeds	379	381	120	161	1,041
New investment	(358)	(286)	(58)	(4)	(706)
	21	95	62	157	335
Balance sheet					
Value of investment portfolio	1,665	1,321	740	663	4,389

12 months to 31 March 2006 (audited)	Buyouts £m	Growth Capital £m	Venture Capital £m	Smaller Minority Investments £m	Total £m
Gross portfolio return					
Realised profits over value on the disposal of investments	208	232	72	64	576
Unrealised profits on the revaluation of investments	124	60	51	10	245
Portfolio income	115	49	5	63	232
	447	341	128	137	1,053
Net (investment)/divestment					
Realisation proceeds	877	855	207	268	2,207
New investment	(451)	(497)	(156)	(6)	(1,110)
	426	358	51	262	1,097
Balance sheet					
Value of investment portfolio	1,465	1,284	826	564	4,139

2 Realised profit over value on the disposal of investments

	6 months to 30 September 2006 (unaudited)			6 months to 30 September 2005 (unaudited)			12 months to 31 March 2006 (audited)		
	Equity £m	**Loans and receivables £m**	**Total £m**	Equity £m	Loans and receivables £m	Total £m	Equity £m	Loans and receivables £m	Total £m
Net proceeds	**599**	**250**	**849**	800	241	1,041	1,643	564	2,207
Valuation of disposed investments	**(384)**	**(248)**	**(632)**	(586)	(226)	(812)	(981)	(584)	(1,565)
Investments written off	**–**	**(1)**	**(1)**	(11)	(29)	(40)	(20)	(46)	(66)
	215	**1**	**216**	203	(14)	189	642	(66)	576

3 Unrealised profits on the revaluation of investments

	6 months to 30 September 2006 (unaudited)			6 months to 30 September 2005 (unaudited)			12 months to 31 March 2006 (audited)		
	Equity £m	**Loans and receivables £m**	**Total £m**	Equity £m	Loans and receivables £m	Total £m	Equity £m	Loans and receivables £m	Total £m
Movement in the fair value of equity	**200**	**–**	**200**	313	–	313	381	–	381
Impairment of loans and receivables	**–**	**(31)**	**(31)**	–	(53)	(53)	–	(74)	(74)
Provisions	**(30)**	**2**	**(28)**	(24)	(13)	(37)	(40)	(22)	(62)
	170	**(29)**	**141**	289	(66)	223	341	(96)	245

Provisions have been recognised on investments where it is considered there is a significant risk of failure.

4 Carried interest

	6 months to 30 September 2006 (unaudited)			6 months to 30 September 2005 (unaudited)			12 months to 31 March 2006 (audited)		
	Realised £m	**Unrealised £m**	**Total £m**	Realised £m	Unrealised £m	Total £m	Realised £m	Unrealised £m	Total £m
Carried interest receivable from managed funds	**20**	**15**	**35**	39	18	57	48	31	79
Carried interest payable to executives	**(14)**	**(34)**	**(48)**	(1)	(25)	(26)	(40)	(24)	(64)
	6	**(19)**	**(13)**	38	(7)	31	8	7	15

Carried interest receivable represents the Group's share of profits from managed funds. Each managed fund is reviewed at the balance sheet date and income is accrued based on fund profits in excess of the performance conditions within the fund, taking into account cash already returned to fund investors and the fair value of assets remaining in the fund.

Carried interest payable represents the amount payable to executives from the Group's carried interest schemes. As with carried interest receivable, each scheme is separately reviewed at the balance sheet date, and an accrual made equal to the executives' share of profits in excess of the performance conditions in place in the scheme.

The above table shows carried interest on realised and unrealised assets.

5 Net interest payable

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Treasury interest receivable			
Interest on bank deposits	**45**	25	55
Interest payable			
Interest on loans and borrowings	**(41)**	(29)	(58)
Interest on Convertible Bonds	**(3)**	(3)	(5)
Amortisation of Convertible Bonds	**(4)**	(4)	(8)
Interest on subordinated borrowings	**(1)**	(1)	(3)
Finance income on pension plan	**2**	1	2
	(47)	(36)	(72)
Net interest payable	**(2)**	(11)	(17)

6 Movements in the fair value of derivatives

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Forward foreign exchange contracts	**1**	(4)	(3)
Currency swaps	**–**	5	6
Interest rate swaps	**6**	(19)	(6)
Derivative element of Convertible Bonds	**4**	(15)	(75)
	11	(33)	(78)

7 Exchange movements

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Exchange movements on items recorded in currencies different from the functional currency of the entity	**(11)**	35	47
Total exchange movements in the income statement	**(11)**	35	47
Exchange differences on translation of foreign operations	**(3)**	(9)	(5)
Net exchange movement	**(14)**	26	42

8 B shares

	30 September 2006 (unaudited) Number	**30 September 2006 (unaudited) £m**	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	31 March 2006 (audited) Number	31 March 2006 (audited) £m
Opening balance	**–**	**–**	–	–	–	–
Issued in period	**551,160,259**	**700**	–	–	–	–
Shares repurchased and cancelled	**(542,530,279)**	**(689)**	–	–	–	–
Closing balance	**8,629,980**	**11**	–	–	–	–

On 17 July 2006, the Company issued B shares, cumulative preference shares of 1p each, on the basis of one B share for each 53⅛p ordinary share existing on 14 July 2006. The B shares carry the right to a cumulative preferential dividend at a rate per annum of 3.75% based on a notional value of 127p per B share and an entitlement to a priority payment equal to 127p per B share, plus any accrued but unpaid dividend, from the assets of the Company on a winding up, but will not ordinarily carry voting rights at general meetings of the Company.

The Company repurchased in aggregate 542,530,279 B shares on 24 July 2006 and 4 September 2006 at a price of 127p per share and these shares were subsequently cancelled in the period. The Company expects further offers to purchase B shares to be made in July 2007 and July 2008 at 127p per B share and has the right to effect the compulsory sale of any outstanding B shares on or after 14 July 2009.

9 Issued capital

Authorised	30 September 2006 (unaudited) Number	30 September 2006 (unaudited) £m	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	31 March 2006 (audited) Number	31 March 2006 (audited) £m
Ordinary shares of 53⅛p	–	–	771,764,704	410	771,764,704	410
Ordinary shares of 62 69/88p	653,031,456	410	–	–	–	–
B shares of 1p	610,000,000	6	–	–	–	–
Unclassified shares of 10p	1,000,000	–	1,000,000	–	1,000,000	–

Issued and fully paid	30 September 2006 (unaudited) Number	30 September 2006 (unaudited) £m	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	31 March 2006 (audited) Number	31 March 2006 (audited) £m
Ordinary shares of 53⅛p						
Opening balance	550,556,502	292	–	–	–	–
Issued on exercise of share options and under the 3i Group Share Incentive Plan	603,757	–	523,503	1	2,222,966	1
Share consolidation	(551,160,259)	(292)	578,520,432	307	578,520,432	307
Shares cancelled	–	–	(21,256,896)	(12)	(30,186,896)	(16)
	–	–	557,787,039	296	550,556,502	292

During the period 1 April 2006 to 16 July 2006, the Company issued shares for cash on the exercise of share options at various prices from 450p to 728p per share (the market prices of shares on grant, apart from options under the 3i Group Sharesave Scheme that were issued at 467p per share).

On 17 July 2006, the Company consolidated its issued share capital on the basis of 11 ordinary shares of 62 69/88p each for every 13 ordinary shares of 53⅛p each held. This occurred immediately following the issue of the B shares.

Issued and fully paid	30 September 2006 (unaudited) Number	30 September 2006 (unaudited) £m	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	31 March 2006 (audited) Number	31 March 2006 (audited) £m
Ordinary shares of 62 69/88p						
Opening balance	–	–	–	–	–	–
Share consolidation	466,366,373	292	–	–	–	–
Issued on exercise of share options and under the 3i Group Share Incentive Plan	978,178	2	–	–	–	–
	467,344,551	294	–	–	–	–

During the period 17 July 2006 to 30 September 2006, the Company issued shares for cash on the exercise of share options at various prices from 470p to 805p per share (the market prices of shares on grant, apart from options under the 3i Group Sharesave Scheme that were issued at 467p per share).

10 Equity

6 months to 30 September 2006 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Opening balance	**292**	**376**	**17**	**17**	**–**	**3,110**	**263**	**(69)**	**4,006**
Total recognised income and expense					**(3)**	**308**	**69**		**374**
Share-based payments				**5**					**5**
Issue of shares	**2**	**8**							**10**
Dividends paid							**(52)**		**(52)**
Issue of B shares		**(5)**	**5**			**(700)**			**(700)**
Own shares								**5**	**5**
Closing balance	**294**	**379**	**22**	**22**	**(3)**	**2,718**	**280**	**(64)**	**3,648**

6 months to 30 September 2005 (unaudited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Opening balance	307	364	1	9	5	2,613	477	(77)	3,699
Total recognised income and expense					(9)	404	52		447
Share-based payments				4					4
Issues of shares	1	4							5
Dividends paid							(301)		(301)
Share buy-backs	(12)		12			(151)			(151)
Own shares								8	8
Closing balance	296	368	13	13	(4)	2,866	228	(69)	3,711

12 months to 31 March 2006 (audited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total equity £m
Opening balance	307	364	1	9	5	2,613	477	(77)	3,699
Total recognised income and expense					(5)	719	117		831
Share-based payments				8					8
Issues of shares	1	12							13
Dividends paid							(331)		(331)
Share buy-backs	(16)		16			(222)			(222)
Own shares								8	8
Closing balance	292	376	17	17	–	3,110	263	(69)	4,006

11 Per share information

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

	6 months to 30 September 2006 (unaudited)	6 months to 30 September 2005 (unaudited)	12 months to 31 March 2006 (audited)
Earnings per share (pence)			
Basic	**70.3**	79.6	152.0
Diluted	**67.8**	77.0	147.3
Earnings (£m)			
Profit for the period attributable to equity holders of the Company	**363**	462	852
Effect of dilutive potential ordinary shares	**7**	5	14
	370	467	866

	6 months to 30 September 2006 (unaudited) Number	6 months to 30 September 2005 (unaudited) Number	12 months to 31 March 2006 (audited) Number
Number of shares			
Weighted average number of shares in issue	**516,335,648**	580,583,146	560,684,598
Effect of dilutive potential ordinary shares			
Share options	**4,917,861**	1,697,906	2,744,369
Convertible Bonds	**24,750,000**	24,750,000	24,750,000
Diluted shares	**546,003,509**	607,031,052	588,178,967

	30 September 2006 (unaudited)	30 September 2005 (unaudited)	31 March 2006 (audited)
Net assets per share (pence)			
Basic	**798**	679	743
Diluted	**792**	677	739
Net assets (£m)			
Net assets attributable to equity holders of the Company	**3,648**	3,711	4,006

	30 September 2006 (unaudited) Number	30 September 2005 (unaudited) Number	31 March 2006 (audited) Number
Ordinary shares	**467,344,551**	557,787,039	550,556,502
Own shares	**(10,035,981)**	(11,423,094)	(11,080,758)
Number of shares in issue	**457,308,570**	546,363,945	539,475,744
Effect of dilutive potential ordinary shares			
Share options	**3,320,915**	1,952,013	2,916,552
Diluted shares	**460,629,485**	548,315,958	542,392,296

12 Dividends

	6 months to 30 September 2006 (unaudited) pence per share	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) pence per share	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) pence per share	12 months to 31 March 2006 (audited) £m
Declared and paid during the period						
Ordinary shares						
Final dividend	**9.7**	**52**	9.3	56	9.3	56
Special dividend	**–**	**–**	40.7	245	40.7	245
Interim dividend	**–**	**–**	–	–	5.5	30
	9.7	**52**	50.0	301	55.5	331
Proposed dividend	**5.8**	**27**	5.5	30	9.7	52

13 Contingent liabilities

	30 September 2006 (unaudited) £m	30 September 2005 (unaudited) £m	31 March 2006 (audited) £m
Contingent liabilities relating to guarantees available to third parties in respect of investee companies	**15**	7	13

At 30 September 2006, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

14 Related parties

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

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

Income statement	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Carried interest receivable	**35**	57	79
Fund management fees	**15**	15	24

Balance sheet	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Carried interest receivable	**108**	65	77
Amount due from limited partnerships	**10**	–	3

14 Related parties (continued)

Investments The Group makes minority investments in the equity of unquoted companies. This normally allows the Group to participate in the financial and operating policies of that company. 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:

Income statement	**6 months to 30 September 2006 (unaudited) £m**	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Realised profit over value on the disposal of investments	**130**	122	374
Unrealised profits on the revaluation of investments	**188**	65	78
Portfolio income	**122**	100	203

Balance sheet	**30 September 2006 (unaudited) £m**	30 September 2005 (unaudited) £m	31 March 2006 (audited) £m
Quoted equity investments	**64**	91	66
Unquoted equity investments	**1,916**	1,741	1,721
Loans and receivables	**1,321**	1,388	1,317

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

Key management personnel The Group's key management personnel comprises the members of Management Committee and the Board's non-executive Directors. The remuneration of key management personnel was:

	6 months to 30 September 2006 (unaudited) £m	6 months to 30 September 2005 (unaudited) £m	12 months to 31 March 2006 (audited) £m
Salaries, bonus, fees and long-term incentives	**3**	3	12
Carried interest payable within one year	**2**	2	4
Carried interest payable after one year	**8**	4	5

Accounting policies

Basis of preparation These financial statements are the unaudited interim consolidated financial statements (the "Interim 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 2006 (the "interim period"). The Interim 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 2006 ("Report and Accounts 2006"), as they provide an update of previously reported information.

The Interim Financial Statements were authorised for issue by the Directors on 8 November 2006.

The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the Report and Accounts 2006 as the new and revised International Financial Reporting Standards and interpretations effective 1 April 2006 have had no impact on the accounting policies of the Group. The presentation of the Interim Financial Statements is consistent with the Report and Accounts 2006. Where necessary, comparative information has been reclassified or expanded from the previously reported Interim Financial Statements to take into account any presentational changes made in the Report and Accounts 2006.

The Interim Financial Statements do not constitute statutory accounts. The statutory accounts for the year to 31 March 2006, prepared under IFRS, have been filed with the Registrar of Companies on which the auditors issued a report, which was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

The preparation of the Interim 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 our "valuation methodology" for investments in the Report and Accounts 2006.

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

Independent review report to 3i Group plc

Introduction We have been instructed by 3i Group plc to review the financial information for the six months to 30 September 2006 which comprises the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated reconciliation of movements in equity, Consolidated statement of recognised income and expense and the related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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

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

Review conclusion On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months to 30 September 2006.

Ernst & Young LLP
London,
8 November 2006

New investment analysis

The Group's equity, fixed income and loan investment totals £589 million for the six months to 30 September 2006 (excluding managed co-investment funds). Details of investment including co-investment funds are shown on page 28.

Investment by business line (£m)	**6 months to 30 September 2006**	6 months to 30 September 2005	12 months to 31 March 2006
Buyouts	**236**	358	451
Growth Capital	**222**	286	497
Venture Capital	**129**	58	156
SMI	**2**	4	6
Total	**589**	706	1,110

Investment by geography (£m)			
Asia	**85**	36	91
Continental Europe	**255**	359	538
UK	**162**	283	405
US	**76**	28	70
Rest of the world	**11**	–	6
Total	**589**	706	1,110

Continental European investment (£m)			
Benelux	**38**	61	62
France	**7**	3	88
Germany/Austria/Switzerland	**30**	44	76
Italy	**–**	83	65
Nordic	**59**	111	126
Spain	**114**	42	94
Other European*	**7**	15	27
Total	**255**	359	538

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

Investment by FTSE industrial classification (£m)[1]			
Resources	**5**	16	17
Industrials	**156**	125	208
Consumer goods	**118**	174	235
Services and utilities	**203**	327	481
Financials	**33**	22	84
Information technology	**74**	42	85
Total	**589**	706	1,110

First and subsequent investment (£m)			
First investment in new investee companies	**434**	512	755
Drawdown on existing arrangements for first investments	**14**	8	12
Investment by 3i in external funds	**29**	62	111
Newly arranged further investment in existing portfolio companies	**75**	91	162
Other including capitalised interest	**37**	33	70
Total	**589**	706	1,110

Note

1 In January 2006 there was a reclassification of industry sectors by FTSE. Comparative data to 30 September 2005 has not been restated.

Portfolio analysis

The Group's equity, fixed income and loan investments total £4,174 million at 30 September 2006 (excluding managed co-investment funds).

Portfolio value by business line (£m)	**At 30 September 2006**	At 30 September 2005	At 31 March 2006
Buyouts	**1,534**	1,665	1,465
Growth Capital	**1,310**	1,321	1,284
Venture Capital	**826**	740	826
SMI	**504**	663	564
Total	**4,174**	4,389	4,139

Portfolio value by geography (£m)			
Asia	**210**	106	167
Continental Europe	**1,984**	1,843	1,923
UK	**1,645**	2,178	1,736
US	**319**	262	307
Rest of the world	**16**	–	6
Total	**4,174**	4,389	4,139

Continental European portfolio value (£m)			
Benelux	**132**	157	124
France	**374**	254	344
Germany/Austria/Switzerland	**509**	540	489
Italy	**108**	149	142
Nordic	**459**	394	394
Spain	**380**	282	342
Other European*	**22**	67	88
Total	**1,984**	1,843	1,923

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

Portfolio value by FTSE industrial classification (£m)[1]			
Resources	**138**	152	145
Industrials	**1,118**	1,230	1,040
Consumer goods	**822**	991	841
Services and utilities	**1,296**	1,266	1,173
Financials	**311**	228	379
Information technology	**489**	522	561
Total	**4,174**	4,389	4,139

Portfolio value by valuation method (£m)			
Imminent sale or IPO	**400**	281	290
Listed	**237**	216	197
Secondary market	**42**	44	62
Earnings	**957**	1,155	1,021
Cost	**709**	605	621
Further advance	**160**	162	116
Net assets	**60**	96	95
Other (including other Venture Capital assets valued below cost)	**221**	326	371
Loan investments and fixed income shares	**1,388**	1,504	1,366
Total	**4,174**	4,389	4,139

Note

1 In January 2006 there was a reclassification of industry sectors by FTSE. Comparative data at 30 September 2005 has not been restated.

Buyout portfolio value by valuation method (£m)	**At 30 September 2006**	At 30 September 2005	At 31 March 2006
Imminent sale or IPO	**271**	96	92
Listed	**25**	56	25
Secondary market	**1**	1	1
Earnings	**312**	358	410
Cost	**111**	131	105
Net assets	**–**	4	–
Other	**14**	78	38
Loan investments and fixed income shares	**800**	941	794
Total	**1,534**	1,665	1,465

Growth Capital portfolio value by valuation method (£m)			
Imminent sale or IPO	**56**	136	112
Listed	**47**	31	31
Secondary market	**7**	24	27
Earnings	**358**	395	294
Cost	**304**	220	257
Further advance	**5**	8	8
Net assets	**16**	28	29
Other	**53**	79	89
Loan investments and fixed income shares	**464**	400	437
Total	**1,310**	1,321	1,284

Venture Capital portfolio value by valuation method (£m)			
Imminent sale or IPO	**31**	17	33
Listed	**153**	121	128
Secondary market	**33**	15	31
Earnings	**8**	5	10
Cost	**288**	248	248
Further advance	**144**	151	104
Net assets	**6**	1	6
Other Venture Capital assets valued below cost	**74**	76	71
Other	**21**	45	132
Loan investments and fixed income shares	**68**	61	63
Total	**826**	740	826
– of which early-stage Venture Capital	**592**	622	629

SMI portfolio value by valuation method (£m)			
Imminent sale or IPO	**42**	32	53
Listed	**12**	8	13
Secondary market	**1**	4	3
Earnings	**279**	397	307
Cost	**6**	6	11
Further advance	**11**	3	4
Net assets	**38**	63	60
Other	**59**	48	41
Loan investments and fixed income shares	**56**	102	72
Total	**504**	663	564

Venture Capital portfolio value by sector (£m)			
Healthcare	**269**	238	290
Communications	**144**	162	178
Electronics, semiconductors and advanced technologies	**146**	130	147
Software	**267**	210	211
Total	**826**	740	826

Realisations analysis

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

Realisation proceeds by business line (£m)	**6 months to 30 September 2006**	6 months to 30 September 2005	12 months to 31 March 2006
Buyouts	**388**	379	877
Growth Capital	**317**	381	855
Venture Capital	**26**	120	207
SMI	**118**	161	268
Total	**849**	1,041	2,207

Realisation proceeds by geography (£m)			
Asia	**37**	35	67
Continental Europe	**368**	445	891
UK	**429**	504	1,173
US	**15**	57	76
Total	**849**	1,041	2,207

Realisation proceeds (£m)			
IPO	**47**	45	229
Sale of quoted investments	**47**	117	143
Trade and other sales	**505**	638	1,271
Loan and fixed income share repayments	**250**	241	564
Total	**849**	1,041	2,207

Realisation proceeds by FTSE industrial classification (£m)[1]			
Resources	**47**	84	132
Industrials	**195**	88	418
Consumer goods	**155**	255	529
Services and utilities	**209**	349	739
Financials	**74**	173	225
Information technology	**169**	92	164
Total	**849**	1,041	2,207

Note

1 In January 2006 there was a reclassification of industry sectors by FTSE. Comparative data to 30 September 2005 has not been restated.

Portfolio and investment analysis including co-investment funds

Investment by business line (£m)	**6 months to 30 September 2006**	6 months to 30 September 2005	12 months to 31 March 2006
Buyouts	**340**	483	655
Growth Capital	**229**	290	503
Venture Capital	**129**	58	156
SMI	**2**	4	8
Total	**700**	835	1,322

Investment by geography (£m)			
Asia	**89**	39	96
Continental Europe	**318**	423	652
UK	**206**	345	498
US	**76**	28	70
Rest of the world	**11**	–	6
Total	**700**	835	1,322

Portfolio value by business line (£m)	**At 30 September 2006**	At 30 September 2005	At 31 March 2006
Buyouts	**2,355**	2,600	2,330
Growth Capital	**1,395**	1,501	1,422
Venture Capital	**834**	749	834
SMI	**538**	721	616
Total	**5,122**	5,571	5,202

Portfolio value by geography (£m)			
Asia	**222**	128	188
Continental Europe	**2,605**	2,531	2,581
UK	**1,960**	2,650	2,120
US	**319**	262	307
Rest of the world	**16**	–	6
Total	**5,122**	5,571	5,202

Funds under management

(£m)	**At 30 September 2006**	At 30 September 2005	At 31 March 2006
Third party unquoted co-investment funds	**2,859**	1,817	1,573

Ten largest investments

Investment	Business line	Geography	First invested in	Residual cost[1] £m	Directors' valuation[1] £m
SR Technics Holding Technical solutions provider for commercial aircraft fleets	Buyouts	Switzerland	2002		
Equity shares				7	117
Loans				31	30
				38	**147**
Financière Keos SA (Keolis) Transport operator	Buyouts	France	2004		
Equity shares				9	111
				9	**111**
Parking International Holdings Limited (NCP) Transport management and parking services	Buyouts	UK	2005		
Equity shares				1	1
Loans				107	107
				108	**108**
Sistemas Técnicos de Encofrados S.A. (STEN) Sale and rental of formwork and scaffolding equipment	Growth	Spain	2006		
Equity shares				81	81
				81	**81**
Infrastructure Investors[2] Secondary PFI and Infrastructure investment fund	Growth	UK	2005		
Equity shares				–	8
Loans				58	58
				58	**66**
H-Careholding AB Elderly, primary and specialist care	Buyouts	Sweden	2005		
Equity shares				11	11
Loans				56	55
				67	**66**
Giochi Preziosi Spa Retailer and wholesaler of toys	Buyouts	Italy	2005		
Equity shares				63	62
				63	**62**
Boxer TV-Access AB Digital TV distributor	Growth	Sweden	2005		
Equity shares				56	57
				56	**57**
FM-Holding AB (Coor Service Management) Facilities management services	Buyouts	Sweden	2004		
Equity shares				1	30
Loans				28	26
				29	**56**
Senoble Holding SAS Manufacturer of dairy products and chilled desserts	Growth	France	2004		
Equity shares				9	36
Loans				18	19
				27	**55**

Notes

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

2 The investment by 3i is into three Infrastructure Investors' entities. 3i is a limited partner in the fund and is invested in the general partner of the fund and the management company. As well as the loan shown, the investment has a cost of £3,177 for partnership capital.

Forty other large investments

In addition to the ten largest investments shown on page 29, detailed below are forty other large investments which are substantially all of the Group's remaining investments valued over £18 million. This does not include six investments that have been excluded for commercial reasons.

Investment	Description of Business	Business line	Geography	First invested	Residual Cost[1] £m	Directors' Valuation[1] £m
Tato Holdings Ltd	Manufacture and sale of specialist chemicals	SMI	UK	1989	2	54
Vetco International Ltd[3]	Oilfield equipment manufacturer	Buyouts	UK	2004	–	49
Vonage Holdings Corp[2]	Voice over internet service provider	Venture	US	2004	25	47
Jake Holdings Ltd (Mayborn)	Manufacturer and distributor of baby and household products	Buyouts	UK	2006	46	46
SeLoger.com (Vextia)	Online real estate listing and services	Growth	France	2005	43	43
Clínica Baviera	Eye laser surgery clinics	Growth	Spain	2005	27	40
Selbatoneil S.L. (La Sirena)	Specialist frozen food retailers	Buyouts	Spain	2006	39	39
Extec Holdings Ltd	Manufacturer of screening and crushing machinery	Buyouts	UK	2002	6	38
Hayley Conference Centres Ltd	Conference centres	Growth	UK	2005	36	36
Planet Acquisitions Holdings Ltd (Chorion)	Owner of intellectual property	Buyouts	UK	2006	36	36
Laholm Intressenter AB	Polymer-based sandwich technology laminates	Growth	Sweden	2002	44	34
Aviapartner Group SA	Airport ground handling	Buyouts	Netherlands	2005	33	33
ABX Logistics Group	Industrial transportation	Buyouts	Netherlands	2006	33	33
De Facto 1339 Ltd (Marken)	International courier services	Buyouts	UK	2006	33	33
Sorfitandus S.L. (GES-Global Energy Services)	Wind power service provider	Buyouts	Spain	2006	32	31
Care Principles TopCo Ltd	Specialist healthcare	Buyouts	UK	1997	20	30
Telecity Group plc	Services for internet service providers	Buyouts	UK	1998	17	28
Nova Rodman, SL	Boat manufacturer	Growth	Spain	2004	19	28
CSR plc[2]	Semiconductors/wireless single chip solutions	Venture	UK	1999	1	28
Kudos International	Investment holding company	Growth	India	2006	27	27
Venture Production plc[2,3]	Oil and gas production	Growth	UK	2002	–	27
Goromar XXI, SL	Manufacturer of frites and glazes for ceramic tiles	Buyouts	Spain	2002	18	25
Morse plc[2]	Technology integrator	Buyouts	UK	1995	8	25
CID Car Interior Design Holding GmbH	Manufacturer of vehicle interior trim	Growth	Germany	2004	19	24
Nimbus Communications Ltd	Media and entertainment services	Growth	India	2005	26	24
Rasmussen Holding GmbH	Provider of plastic and metal connecting technology	Buyouts	Germany	2006	24	23
Polyconcept Investments BV	Supplier of promotional products	Growth	UK	2005	23	23
HSS Hire Service Holdings Ltd	Tool hire	Buyouts	UK	2004	17	23
Sparrowhawk Holdings Limited	UK and international TV channel and business library	Buyouts	UK	2005	22	23
Wendt Holding GmbH	Manufacturer of precision grinding tools	Buyouts	Germany	2005	9	23
Sulake Corporation Oy	Online communities and multiplayer games	Venture	Finland	2003	5	22
Home Décor Products Inc.	Online retailer of home improvement products	Venture	US	2006	21	21
Demand Media Inc.	Internet/media domain name registry services	Venture	US	2006	21	21
Alma Mater Fund[4]	Investment in university student accommodation	Growth	UK	2003	28	21
Target Express Holdings Ltd	Freight transport by road	Buyouts	UK	2000	41	21
Hyva Investments BV	Branded hydraulics to commercial vehicles	Buyouts	Netherlands	2004	15	20
Interhyp AG[2]	Online mortgage broker	Venture	Germany	2000	2	20
International Tractors Ltd	Manufacturer of agricultural tractors	Growth	India	2006	20	20
Nordic Capital IV LP	Nordic private equity fund	Growth	UK	2000	6	19
CDH China Fund II	China growth capital fund	Growth	China	2005	18	18

Notes

1 The investment information is in respect of the Group's holding and excludes any co-investment by 3i managed funds.
2 Quoted company.
3 The residual cost is less than £0.5 million.
4 3i is a limited partner and a general partner of the fund.

Information for shareholders

Financial calendar

Ex-dividend date for interim dividend	29 November 2006
Record date for interim dividend	1 December 2006
Interim dividend expected to be paid	3 January 2007

Shareholder profile Location of investors at 30 September 2006

UK (including retail shareholders)	77.3%
US	11.6%
Continental Europe	9.1%
Other international	2.0%

At 30 September 2006, the number of ordinary shares in issue was 467,344,551 and the number of B shares in issue was 8,629,980.

Registrars

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

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The Causeway
Worthing
West Sussex BN99 6DA
Telephone +44 (0)870 600 3970

Investor relations and general enquiries

For all investor relations and general enquiries about 3i Group plc, including requests for further copies of the Annual and Interim reports, please contact:

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or visit our investor relations website www.3igroup.com for full up-to-date investor relations information including the latest share price, recent Annual and Interim reports, results presentations and financial news.

If you would prefer to receive shareholder communications electronically in future, including our Annual and Interim reports, please go to **www.3igroup.com/e-comms** to register your details.

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