15 November 2012

3i Group plc announces Half-yearly results to 30 September 2012

Key highlights

- Strong and measurable progress in implementing the restructuring announced in June
- On track to meet the announced cost and debt reduction targets
- Steady overall returns, driven by improved performance in Private Equity and steady contributions from Infrastructure and Debt Management, partly offset by restructuring costs
- Realisations and investment activity has been low in subdued M&A markets
- NAV per share has been resilient at 273p at 30 September 2012 compared to 279p at 31 March 2012
- Interim dividend of 2.7 pence per share, same level as last year.

Simon Borrows, 3i's Chief Executive, commented:
"Since the announcement of 3i's future strategy in June, we have wasted no time in implementing the significant organisational and cultural changes that are needed.

"As a result, we have made strong and measurable progress against the immediate priorities and targets that we set out in June, and the Group has delivered steady overall performance in the first half in what remain challenging economic conditions and subdued markets.

"There is much more to do and we will continue to work hard to drive improved performance across our business.

"Our strategic goal is to be a leading international investor in mid-market private equity, infrastructure and debt management, and to deliver top quartile cash investment returns over the longer-term."

Financial data

	6 months to/as at 30 September 2012	6 months to/as at 30 September 2011
Returns		
Gross portfolio return	**£180m**	£(331)m
Gross portfolio return on opening portfolio value	**5.6%**	(8.3)%
Net portfolio return	**£109m**	£(385)m
Net portfolio return on opening portfolio value	**3.4%**	(9.6)%
Total return	**£(5)m**	£(523)m
Total return on opening shareholders' funds	**(0.2)%**	(15.6)%
Dividend per ordinary share	**2.7p**	2.7p
Operating expenses as a percentage of assets under management[1]	**1.5%**	1.6%
Assets under management ("AUM")		
3i	**£4,059m**	£5,262m
External funds	**£7,288m**	£7,019m
Total assets under management	**£11,347m**	£12,281m
Balance sheet		
3i portfolio value	**£3,115m**	£3,412m
Gross debt	**£1,249m**	£1,722m
Net debt	**£493m**	£531m
Gearing	**19%**	19%
Liquidity	**£1,251m**	£1,680m
Net asset value	**£2,575m**	£2,804m
Diluted net asset value per ordinary share	**£2.73**	£2.94
Investment activity		
Investment	**£138m**	£448m
Realisations	**£268m**	£532m

1 Annualised operating expenses, excluding implementation costs of £25 million in the six months to 30 September 2012, as a percentage of weighted average assets under management.

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For further information regarding the announcement of 3i's Half-yearly results to 30 September 2012, 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 mid-market private equity, infrastructure and debt management, across Europe, Asia and the Americas.

A pdf of the Half-yearly report 2012 will be available at www.3igroup.com from 7.30am 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 2012 will be determined in accordance with English law. The Half-yearly results for 2012 and 2011 are unaudited.

Chairman's statement

"I am pleased with the strong progress we have made in the first half."

On 17 May, we announced the appointment of Simon Borrows as 3i's new Chief Executive with the strategic mandate to pursue a clear and concrete set of measures to maximise shareholder value over the longer-term. The key areas of immediate focus for Simon's strategic review of the business were to be as follows:

- determining the best shape and investment strategy for the business going forward;
- improving the consistency and discipline of the Group's asset management approach and ensuring that the Group's investment capabilities were of a high quality; and
- ensuring that the operating cost base and liquidity costs were consistent with the Group's investment and asset management strategy and with the prudent maintenance of the balance sheet.

On 29 June, Simon announced his future strategy for 3i, the first step of which involved the launch of a significant cost reduction programme.

Since that time, we have made strong progress against this strategic agenda and are on track to deliver on the targets that we set ourselves for the financial year to 31 March 2013. These are described in more detail in Simon's first Chief Executive's statement.

While our immediate focus has been on reducing the Group's operating costs to be more in line with our cash income and on re-shaping the Private Equity business, we also continue to pursue initiatives to grow and develop our Infrastructure and Debt Management businesses.

An excellent example of this is the growth achieved in Debt Management in both Europe and in the US during the first half. In May, 3i Debt Management announced the acquisition of European CLO management contracts from Invesco, adding €1.3 billion of assets under management. In August, we announced a strategic transaction with Fraser Sullivan, a leading specialist US debt manager, to establish 3i's US debt management platform. As at 30 September 2012, Debt Management's total assets under management were £4.4 billion compared to £3.4 billion at 31 March 2012. Furthermore, in October, our newly established US debt management platform launched its first CLO raising US$450 million. This demonstrates the strength of our platform and concrete progress against our objective to grow income from third-party assets under management over time.

We were all deeply saddened to hear of the tragic passing of our colleague Tighe Sullivan in October. Tighe had recently joined 3i as Co-Head of 3i Debt Management US and was a founder of the Fraser Sullivan business in New York. I know how excited Tighe was to be part of 3i and we will continue to build on the foundations that he laid.

Despite the very challenging macro-economic environment, the Group's overall performance in the first half of the financial year has been steady. Total return for the Group for the six months to 30 September 2012 was a loss of £5 million compared to a loss of £523 million a year ago. The Group's gross portfolio return for the six months to 30 September 2012 was £180 million (September 2011: £(331) million) and comprised realised gains of £65 million, portfolio income of £49 million and unrealised value growth of £66 million. The gross and net portfolio returns of each of the three business lines in the first half improved compared to the same period a year ago. NAV per share has been resilient at 273p at 30 September 2012 compared to 275p at 30 June 2012 and 279p at 31 March 2012.

Consistent with the dividend policy that we announced in May, the Board has declared an interim dividend of 2.7p (2011: 2.7p) and currently expects to propose a total dividend for the year of 8.1p, subject to shareholder approval.

The last six months have represented a period of considerable change for 3i. I would like to thank our shareholders for their support throughout and, at a challenging time with the departure of many long-standing colleagues, I'd like to say a special thank you to our people for their resilience and commitment and for making possible the progress we have achieved.

Sir Adrian Montague
Chairman
14 November 2012

Chief Executive's statement

"Since the announcement of 3i's future strategy in June, we have wasted no time in implementing the significant organisational and cultural changes that are needed.

"As a result, we have made strong and measurable progress against the immediate priorities and targets that we set out in June, and the Group has delivered steady overall performance in the first half in what remain challenging economic conditions in subdued markets.

"There is much more to do and we will continue to work hard to drive improved performance across our business."

Introduction

On 29 June, following a strategic review of the business, I announced the future strategy for 3i and a major cost reduction programme. Since that announcement, we have wasted no time in implementing the significant organisational and cultural changes that are needed to achieve our strategic goal. 3i's strategic goal is to be a leading international investor in mid-market private equity, infrastructure and debt management, and to deliver top quartile cash investment returns over the longer-term.

Specifically, in June I set out the immediate priorities for the business and since that time we have been very busy implementing these and restructuring the business. Our progress against each of these priorities is described below in more detail. In summary, within Private Equity we have been implementing the asset management improvement initiatives and focusing on managing the existing investment portfolio and preparing for realisations. In Infrastructure, we have been selectively investing where we see good value in a highly competitive market and focusing on managing our existing investments to ensure that our strong track record is maintained. In Debt Management, we have expanded our business with the acquisition of a number of European CLO management contracts from Invesco as well as the strategic transaction with Fraser Sullivan to establish 3i's US debt management platform.

We are now well into the first phase of restructuring at 3i and we are on track to meet the cost and debt reduction targets for this financial year-end. Our focus is now moving to the next phase of delivering the benefits in financial years 2014 and 2015, and generating value and sustainable performance for our key stakeholders.

It has been a very demanding last 6 months for the people at 3i. As a result of the cost reduction programme, a large number of our people have had to leave the business. In the face of the significant change that is taking place, our people have shown some real commitment and I would like to express my sincere gratitude for their professionalism.

Immediate priorities

CREATE A LEANER ORGANISATION WITH A COST BASE MORE CLOSELY ALIGNED WITH ITS INCOME

My first priority has been to create a fitter and more efficient 3i. In June, we set out key targets for the reduction of operating costs, including reducing staff and consolidating our international office network. I am pleased to say that over the first three months of this cost reduction programme, we have made significant progress in delivering against these targets.

Key targets announced on 29 June 2012		Progress
Reduce staff	Reduction of over 160 employees by 31 March 2013, representing over a third of the Group's total headcount of 435 employees at 31 March 2012. More than half of this reduction to have taken place by 30 September 2012.	Group headcount of 331 employees at 1 October 2012, representing a net reduction of 104 staff. This represents a net reduction of 24% of the Group's total staff at 31 March 2012.
Consolidate office network	Closure of offices in Barcelona, Birmingham, Copenhagen, Hong Kong, Milan and Shanghai, reducing the total number of offices from 19 to 13, and a significant reduction of staff in a further six offices.	Closure of offices in Barcelona, Copenhagen, Hong Kong, Milan and Shanghai achieved. Closure and sale of Birmingham office due to complete in early January 2013. Significant reduction of staff in Beijing, London, Madrid, Mumbai, New York and Singapore.
Annualised run-rate operating cost savings	Targeted annualised run-rate operating cost savings of £40 million to be achieved by 31 March 2013, increasing to £45 million by 31 March 2014. These cost savings are against a baseline of estimated annualised run-rate operating costs of £185 million at 31 March 2012.	Strong progress made to date and on track to meet these run-rate operating cost savings targets. Provided for £25 million of implementation costs, including the costs associated with redundancies.

The headcount and operating cost figures shown above exclude the impact of 3i Debt Management's acquisition of the European CLO management contracts from Invesco and the establishment of a US debt management platform with Fraser Sullivan.

GREATER CONTROL AND BUSINESS FOCUS

In addition to reducing costs, we have removed organisational complexity and bureaucracy at 3i in order to enable greater control, consistency and business focus. An example of this is the combination of the Developed and Developing Private Equity businesses into a single business line focused on investing in Northern Europe and Brazil in the future. We have also rationalised the various committee structures across the Group to enable faster and more efficient decision-making. Removing hierarchy is helping change the culture of the Group, allowing our teams to be more dynamic and more focused on taking ownership and on delivering results.

IMPROVE CONSISTENCY AND DISCIPLINE OF INVESTMENT PROCESSES AND ASSET MANAGEMENT APPROACH

In June, we set out six key asset management improvement initiatives covering all aspects of 3i's investment and asset management processes. These included strengthening our investment processes to ensure a consistent and disciplined approach to new investment as well as earlier identification of potential issues with existing portfolio companies. This programme of improvement initiatives has now been substantially implemented. For example, in Private Equity we have overhauled our monthly portfolio reporting processes and introduced new performance dashboards across our portfolio companies. These include key financial, operational and strategic metrics and commentary. The Group Investment Committee and Private Equity Partners now meet monthly to review these dashboards and to decide on actions and the appropriate allocation of resources.

In addition, we have implemented a new vintage control policy for the Group's own balance sheet investments. This is designed to prevent some of the mistakes of the past where 3i materially over-invested at the top of the private equity cycle. In addition to monitoring investment limits, as part of this policy each new investment will be considered in the context of the most appropriate capital allocation across the Group and its business lines.

I believe that the benefits of these improvement initiatives will be seen in the performance of our portfolio over time.

RE-FOCUS THE PRIVATE EQUITY BUSINESS

As well as consolidating the international office network, we have re-focused our Private Equity business on mid-market investing in sectors where we have real expertise and in our core Northern European markets and Brazil. We have suspended new private equity investment in Spain and Asia. Our current priority is to intensively manage the existing Private Equity portfolio of investments to preserve, enhance and realise value. While the continuing uncertainty in the economic environment has made exits more challenging, we continue to seek realisations where we can maximise proceeds for 3i, our shareholders and our fund investors. Over the last six months, we have made a number of important realisations, including Esmalglass, EUSA Pharma, HILITE and NORMA which, in aggregate, generated strong value uplifts and cash profits.

MATERIALLY REDUCE GROSS DEBT AND FUNDING COSTS

Since 31 March 2012, gross debt has been reduced to £1,249 million as at 30 September 2012 from £1,623 million. This meets our previously stated target of reducing gross debt to less than £1.3 billion by September 2012, although as expected, the consequent reduction in interest costs will not be seen until the next financial year since interest costs have been accelerated into this year. We remain on track to reduce gross debt to below £1 billion by June 2013.

Strategic priorities and delivery

We are approaching the organisational change and strategic delivery at 3i in terms of three key phases:

1. The immediate priorities outlined above will be substantially implemented during the current financial year **2013** – the year of **"restructuring"**.

2. This will lay the foundations for the Group's future growth and success, and we expect to see the benefits coming through in financial years **2014 and 2015** – the years of **"transition and delivery"**.

3. Our clear **"strategic goal"** is to be a leading international manager of third-party and proprietary capital with three strong investment platforms delivering top quartile cash investment returns:

    - focused mid-market Private Equity business
    - class-leading Infrastructure investor
    - growing Debt Management business.

The clear objective of all of these steps is to improve the business' performance and maximise value for the Group, our shareholders and our fund investors. We have made good progress against all of our immediate priorities and we will report back in detail at our full year results.

The key building blocks of our next phase of "transition and delivery" are as follows:

CASH INCOME COVERING OPERATING COSTS

A key objective is to cover the Group's operating costs with cash income from management fees and portfolio income. The cost reduction programme is a key part of achieving this objective, in combination with growing third-party funds under management over time.

COMPENSATION REVIEW

Shortly after the announcement of our future strategy in June, we launched a group-wide review of 3i's compensation arrangements. Annual compensation costs account for approximately 60% of the Group's total annual operating costs. The broad objective of the review is to ensure an appropriate share of returns between 3i's key stakeholders, including between employees and shareholders. In my view, compensation is not just a cost, but should be used as a key tool to help deliver our strategic objectives and drive business performance. Following today's announcement, we will be engaging with shareholders to seek their views on the key compensation principles as we design the new arrangements for our staff. It is anticipated that we will formally consult with shareholders early next year and seek any necessary shareholder approvals at our AGM in July 2013.

CAPITAL ALLOCATION STRATEGY

Our Private Equity portfolio is maturing well and we expect a building level of cash realisations going into the next financial year. In the first instance, the realisation proceeds will be used to reduce gross debt and therefore our funding costs. As previously announced, we have strengthened the Group's distribution policy in order to give shareholders a direct share in the success of the Group's realisation activities provided that gearing is less than 20% and gross debt is less than £1 billion.

We will fundamentally change our capital allocation approach so that over time we use less capital to pay operating costs, funding costs and debt repayments, and instead focus on shareholder distributions and re-investment in our core investment businesses.

GROW THIRD-PARTY INCOME

Over time, 3i aims to generate more third-party income through the raising of further third-party funds. Our Infrastructure and Debt Management businesses continue to perform well and we are seeing opportunities to grow these businesses. 3i Infrastructure plc announced a good set of results last week and continues to deliver consistent returns to its shareholders. We hope to build on this strong track record. We have already made significant progress in growing our Debt Management business, as evidenced by our announcement in August of a strategic transaction with Fraser Sullivan, a leading specialist US debt manager, to establish 3i's US debt management platform. This transaction closed in September, and in October, we launched a new CLO in the US. Together with the acquisition of a number of Invesco's European CLO management contracts announced earlier in the year, total AUM of 3i's Debt Management business is now £4.4 billion compared to £3.4 billion at 31 March 2012.

Tracking our progress

We have already announced a number of specific targets for the reduction of operating costs and gross debt. In addition, we have set out above our strategic priorities over time through the three phases of delivery. We will be using our corporate calendar going forward to report our progress against these targets and strategic priorities. Specifically, to help you measure our progress, we will also be providing the following additional financial information and KPIs:

- greater emphasis on cash income compared to reported income in terms of management fees and portfolio income;
- annualised run-rate operating costs from 31 March 2013;
- breaking out the impact of the restructuring costs from reported operating costs and NAV; and
- further disclosure on realisations, including cash profit and cash-on-cash multiples for each realisation.

Performance and results

Against a backdrop of uncertain and challenging economic conditions, as well as significant organisational change within the business, 3i's overall performance has been steady. At 30 September 2012, NAV per share was 273p, which includes the negative impact of restructuring costs of 4.8p and the distribution to shareholders of a final dividend of 5.4p. This compares to reported NAV per share of 275p at 30 June 2012 and 279p at 31 March 2012.

Total AUM at 30 September 2012 was £11.3 billion compared to £10.5 billion at 31 March 2012. This increase has principally been driven by the growth in Debt Management through the acquisition of Invesco's European CLO management contracts and the transaction with Fraser Sullivan, off-setting a step-down in Private Equity AUM as Eurofund V's investment period ended.

We have achieved a number of strong realisations with total realised profits over the last valuation of £65 million in the period, representing an uplift of 32% on the opening portfolio value of those investments realised. Despite tough economic conditions, there is always demand for quality assets and we remain on track to realise a number of our key investments over the next 12 months.

Investment in the period was £138 million, down from £448 million a year ago, reflecting both materially lower levels of market activity within private equity and a more selective approach to new investment, particularly given the continued uncertainty in the wider economic environment and across the Eurozone.

Gross portfolio return in the six months to 30 September 2012 was £180 million compared to a loss of £331 million a year ago. The largest contributor was Private Equity, which generated a return of £129 million (September 2011: £(321) million), representing a 5.1% return on opening portfolio value (September 2011: (9.5)% return), and was also underpinned by the steady performance of the Infrastructure and Debt Management business lines.

Gross debt reduced in the period from £1.6 billion to £1.2 billion as a result of our continuing focus on debt reduction and on creating a more efficient balance sheet. Net debt was £493 million at 30 September 2012, with gearing of 19%.

Total return for the Group for the six months to 30 September 2012 was a loss of £5 million compared to a loss of £523 million a year ago.

Outlook

While we have made strong progress towards the delivery of our strategy and continue to work hard to drive improved performance across our business, we are cautious on the macroeconomic outlook. The private equity market is facing a number of headwinds and activity levels remain well below historical levels. More broadly, concerns over the sovereign debt of a number of Eurozone countries and over the banking sector in Europe will likely create ongoing uncertainty.

With a clear strategy, strong management focus on execution, a solid balance sheet and access to permanent capital to invest, we are confident that we can drive improved performance and re-build and deliver shareholder value over the coming years.

Simon Borrows
Chief Executive
14 November 2012

Business review

The key Group financial performance measures are:

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Total return	**(0.2)%**	(15.6)%	(19.5)%
Gross portfolio return	**5.6%**	(8.3)%	(8.2)%
Net portfolio return	**3.4%**	(9.6)%	(10.6)%
Operating expenses per AUM[1]	**1.5%**	1.6%	1.5%
Gross debt	**£1,249m**	£1,722m	£1,623m
Net debt	**£493m**	£531m	£464m
Net asset value per share	**£2.73**	£2.94	£2.79

1 Annualised operating expenses, excluding £25 million of implementation costs in the six months to September 2012, as a percentage of weighted average AUM.

Group overview

3i is an international investor focused on mid-market private equity, infrastructure and debt management, across Europe, Asia and the Americas. All three business lines invest using a combination of capital from the Group's own balance sheet and third-party funds. Total assets under management, including 3i's commitments to funds, were £11.3 billion at 30 September 2012 (31 March 2012: £10.5 billion). This business review provides detail on our performance for the six months to 30 September 2012 ("the period") as well as our financial position as at that date, together with commentary on our markets and principal risk factors.

The Group's performance for the period resulted in a total return loss of £5 million, or a loss of 0.2% on opening shareholders' funds (September 2011: £(523) million or (15.6)%). A good portfolio performance produced a gross portfolio return of £180 million (September 2011: £(331) million). This was almost entirely offset by operating expenses of £105 million (September 2011: £98 million), net interest payable of £56 million (September 2011: £52 million) and accounting charges of £52 million relating to foreign exchange, movement in derivatives and an actuarial pension loss in the period (September 2011: £(84) million) . The operating expenses and net interest payable include £45 million of charges and effects (£25 million organisational restructuring and £20 million gross debt restructuring) linked to the implementation of the strategic priorities announced in June 2012, which we discuss further below.

Following the announcement of the cost reduction programme in June, the Group has made strong progress against its target to reduce employee numbers by more than 160 by 31 March 2013 and to have implemented over half of this reduction by 30 September 2012. As at 1 October 2012, a net 104 employees had left the business.

A £25 million expense was recognised in the period, increasing operating expenses from an underlying £80 million to £105 million (September 2011: £98 million), which reflects substantially all of the costs of organisational changes expected in the current financial year. We remain on track to achieve annual run-rate savings of £40 million by 31 March 2013, prior to additional costs for new business developments in Debt Management. The operating expenses per AUM (on an annualised basis and excluding implementation costs) reduced to 1.5% (September 2011: 1.6%).

We have continued to address our funding requirements and reduced gross debt to £1.2 billion at 30 September 2012 (31 March 2012: £1.6 billion). This was achieved through the repayment of debt maturing in the period and by taking the opportunity to repay debt prior to maturity. We continue to target gross debt of less than £1.0 billion by June 2013. As a result of the steps taken to reduce gross debt, an additional £20 million of interest was accelerated in the period on early settlement of bonds maturing in later periods. These items offset the interest cost benefit and therefore the material reduction in interest costs will not take effect until the next financial year.

Realisations and investment activity has been low in subdued M&A markets, with investment of £138 million (September 2011: £448 million), primarily in our Private Equity business and realisations of £268 million (September 2011: £532 million).

Net debt increased marginally to £493 million at 30 September 2012 (31 March 2012: £464 million), with a consequent increase in gearing to 19% (31 March 2012: 18%).

This performance has resulted in an NAV per share of £2.73 after taking into account a 4.8p reduction from implementation costs in the period and the payment of the 5.4p final dividend. This compares with £2.75 at 30 June 2012 and £2.79 at 31 March 2012.

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 2012 £m	2011 £m	Infrastructure 2012 £m	2011 £m	Debt Management 2012 £m	2011 £m	Non-core 2012 £m	2011 £m	Total 2012 £m	2011 £m
Gross portfolio return	**129**	(321)	**7**	(2)	**5**	(2)	**39**	(6)	**180**	(331)
Fees	**10**	15	**10**	11	**16**	17	**-**	-	**36**	43
Net carried interest	**(1)**	9	**-**	(4)	**(1)**	(4)	**-**	-	**(2)**	1
Operating expenses[1]	**(73)**	(74)	**(13)**	(11)	**(16)**	(10)	**(3)**	(3)	**(105)**	(98)
Net portfolio return	**65**	(371)	**4**	(6)	**4**	1	**36**	(9)	**109**	(385)
Net portfolio return %[2]	**2.6%**	(10.9)%	**0.8%**	(1.3)%	**9.5%**	7.1%	**35.0%**	(7.4)%	**3.4%**	(9.6)%

1 Operating expenses by business line include direct costs, an allocation of all other operating expenses and implementation costs of £25 million.
2 Net portfolio return as a percentage of opening portfolio.

All 3i's business lines invest using a combination of the Group's own proprietary and third-party capital. The profile and composition of gross and net portfolio returns for each business line reflect the mix of own and third-party capital deployed.

PRIVATE EQUITY

Given the blend of own and external capital deployed in this business line, with 3i providing the majority (September 2012 own: 66%, third-party: 34%), gross portfolio return is the key driver of net portfolio return. An increase of 1% in earnings used to value the Private Equity portfolio, good realisations at 15% over opening value (September 2011: 5%) and portfolio income contributed to a gross portfolio return of £129 million in the period (September 2011: £(321) million) or 5.1% over opening portfolio value. The business generated total proceeds from the sale of investments of £165 million in the six months to 30 September 2012 and the money multiple generated on these assets was 1.9x original cost (including any residual value following partial disposals in the period).

Fees earned from external funds totalled £10 million in the six months to 30 September 2012 (September 2011: £15 million). This was down on the prior period, predominantly due to lower fees earned from Eurofund V which has now passed the end of its investment period. Net carried interest was a £1 million expense in the period (September 2011: £9 million income), reflecting the increase in the valuation of the portfolio. Operating expenses remained broadly in line with the prior period, after taking into account the additional implementation costs of £22 million incurred as part of the cost reduction programme. Operating expenses as a percentage of AUM on an annualised basis, excluding implementation costs, were 2.0% (September 2011: 2.0%).

The investment track record can be seen in the Long-term performance section.

INFRASTRUCTURE

At 30 September 2012, 30% of the assets under management of the Infrastructure business line were from the Group's own balance sheet, with the remainder provided by third-party investors. Consequently, returns from this business line are driven by a blend of capital returns and income from third-party funds. The Infrastructure business line's performance was underpinned by the increase in 3i Infrastructure plc's ("3iN") share price, which resulted in a gain of £6 million for the Group, in addition to the receipt of dividends of £9 million from 3iN in the period. However, this was offset by an unrealised value loss for the 3i India Infrastructure Fund of £8 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 Indian rupee against sterling.

Fees earned by the Infrastructure business line in the period were £10 million, down on the prior period (September 2011: £11 million). This was due to the 3i India Infrastructure Fund moving from a committed capital to a residual cost fee basis in the period, a change agreed when its investment period was extended to 30 November 2012. Operating expenses in the period were £13 million, again reflecting the additional amount (£2 million) recognised in the current period as part of the cost reduction programme. Operating expenses on an annualised basis as a percentage of AUM, excluding implementation costs, were 1.3% (September 2011: 1.3%).

DEBT MANAGEMENT

At 30 September 2012, 1% of the assets under management in this business line were from the Group's own balance sheet. Consequently, 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. The Debt Management business has continued to grow with the acquisition of five European management contracts from Invesco in August 2012 and the completion of the strategic transaction with Fraser Sullivan in September 2012. The impact of this on net portfolio return, with an increase in both fee income and operating expenses, is expected in the second half of the year.

The performance of the underlying funds remained strong during the period and resulted in fees of £16 million in the six months to 30 September 2012 (September 2011: £17 million). This is marginally behind the prior period, due to the catch up of accrued subordinated fees recognised in the six months to 30 September 2011. In the first half of the year, all six European CLOs paid their subordinate management fees (September 2011: four). Operating expenses at £16 million are greater than the prior period (September 2011: £10 million), reflecting the accounting amortisation of the management contracts purchased and the profit related pay accrued for the team on an improved performance. Excluding the accounting adjustments for amortisation and acquisitions of £3 million in the period, the underlying profitability of the business was £7 million (September 2011: £3 million) and the business continues to perform above expectations. Operating expenses on an annualised basis as a percentage of AUM, excluding implementation costs, were 0.8% (September 2011: 0.6%).

Since the period end, the newly established US Debt Management business successfully raised a $450 million CLO vehicle, Jamestown I.

Assets under management

Table 2: **Assets under management**

	Close date	Original fund size	Original 3i commitment	Outstanding 3i commitment at September 2012	% invested at September 2012	Gross money multiple[1] at September 2012	AUM
Private Equity							
3i Eurofund III	July 1999	€1,990m	€995m	€90m	91%	2.0x	€11m
3i Eurofund IV	June 2004	€3,067m	€1,941m	€78m	96%	2.3x	€505m
3i Eurofund V	Nov 2006	€5,000m	€2,780m	€405m	85%	0.8x	€3,582m
3i Growth Capital Fund	March 2010	€1,192m	€800m	€376m	53%	1.0x	€1,192m
Other	various	various	various	n/a	n/a	n/a	£837m
Total Private Equity AUM							£5,291m
Infrastructure							
3i India Infrastructure Fund	March 2008	$1,195m	$250m	$68m	73%	1.0x	$689m
3i Infrastructure plc	March 2007	£1,045m[2]	£356m[3]		n/a	n/a	£1,045m
Other	various	various	various		n/a	n/a	£103m
Total Infrastructure AUM							£1,552m
Debt Management						**Average paying yield[4]**	
Harvest I	April 2004	€514m	€15m		100%	8.3%	€223m
Petrusse CLO S.A	Jun 2004	€296m	€27m		100%	5.2%[5]	€103m
Alzette CLO S.A	Dec 2004	€362m	€28m		100%	7.4%[5]	€174m
Harvest II	April 2005	€552m	€5m		100%	12.4%	€519m
Harvest III	April 2006	€660m	€5m		100%	9.3%	€624m
Harvest IV	June 2006	€752m	€6m		100%	10.8%	€727m
Harvest V	April 2007	€650m	€10m		100%	3.8%	€601m
Garda B.V	Jan 2007	€358m	€28m		100%	15.4%[5]	€340m
Coniston B.V	Feb 2007	€409m	€33m		100%	12.6%[5]	€374m
Axius CLO S.A	Oct 2007	€350m	€34m		100%	3.4%[5]	€330m
Windmill I	Oct 2007	€600m	€5m		100%	6.2%	€487m
Friday Street	Aug 2006	€300m	nil		100%	2.1%	€118m
Palace Street I	Aug 2011	€50m	€50m	€7m	86%	10.3%	€50m
Vintage I	March 2007	€500m	nil		100%	4.7x[1]	€391m
Vintage II	Nov 2011	$400m	nil		100%	1.3x[1]	$286m
US Senior Loan Fund	Dec 2009	$50m	nil		100%	10.2%	$50m
COA Fund	Nov 2007	$300m	nil		100%	(5.8)%	$309m
Total Debt Management AUM							£4,439m
Non-core							£65m
Total AUM[6]							**£11,347m[6]**

1 Gross money multiple is cash returned to the Fund plus value, as at 30 September 2012, as a multiple of cash invested.
2 Based on latest published NAV (ex-dividend).
3 3i Group's proportion of latest published NAV.
4 The average paying yield of the CLO and debt funds is the average annual return for equity note holders since the funds' inception.
5 Reflects performance since inception, primarily prior to acquisition by 3i.
6 Total AUM excludes six CLOs where 3i is seeking investor consent for a transfer of management contracts from WCAS Fraser Sullivan, which would account for £1.5 billion additional AUM.

The Group defines its assets under management 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 £11,347 million at 30 September 2012 (31 March 2012: £10,493 million) reflected the addition of £1,054 million AUM following the Invesco transaction, offset by net divestment activity from both the Group's balance sheet and invested funds, a reduction of £187 million relating to the switch from a commitment to a residual cost basis for the 3i India Infrastructure Fund and a £222 million reduction due mainly to the strengthening of sterling against the euro denominated active managed and advised funds.

Since the period end, the newly established US Debt Management business successfully raised a $450 million CLO vehicle, Jamestown I.

The market

The macroeconomic recovery in Europe remained challenged in the period as the ability of certain Eurozone countries to implement austerity measures continued to be uncertain. Financial markets and mergers and acquisitions ("M&A") activity, both in Europe and globally, reflected this. Dealogic's Global M&A Review reported global M&A activity down 22% year-on-year and recorded the lowest half year activity since the first half of 2009. A 26% decline in M&A activity in Europe in the six months to 30 June 2012, compared with the first half of 2011, was the key driver in the overall reduction in volumes.

European private equity activity has also followed this pattern. According to unquote's Private Equity Barometer, rising deal volumes noted in the first half of 2011 have been countered by a continual decline in activity each quarter to Q2 2012. With 421 deals completed in the six months to June 2012, at a value of €25 billion, activity is more than a third down on the first half of 2011 and 2010. Macroeconomic conditions continue to be challenging and, as a consequence, are restricting 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 debt capital available for investment.

Table 3: **Funds raised and invested – Europe 2000 to 30 June 2012** (€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	22	43
2011	40	46
H1 2012	26	25

Source: Thomson Reuters/EVCA (2000-2006) & EVCA/PREP Analytics (2007-2011) & Preqin and unquote" (H1 2012)

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. It can be seen that fund raising levels are realigning themselves with investment levels, as 2011 and the six months to June 2012 have demonstrated.

There have been attractive **infrastructure** assets changing hands in Europe over the last six months, but relative price points for many transactions have been high. This reflects strong competition from investors keen to build exposure to infrastructure. Most transactions originated from the disposal of non-core activities by large corporates seeking to deleverage and refocus their business, or secondary sales by other infrastructure investors. The promised drive by governments to use infrastructure investment as an engine for growth has not yet resulted in many opportunities for the private sector, but we continue to believe it could in the future.

Deal activity in India has declined over the past two years, as a result of a number of factors such as lower growth rates, a growing fiscal deficit, currency volatility, persistently high inflation and high interest rates. While the fundamental case for infrastructure development (and for private involvement in this) remains unaltered, there are challenges in this market at present. The 3i India Infrastructure Fund is nearing the end of its investment period, and we do not expect significant levels of activity in India for the remainder of the year.

The **debt management** market demonstrates very different levels of activity between the US and Europe. New CLO issuance in the US has been strong and the quarter ending 30 September 2012 has seen further growth in the number of CLOs launched. $15 billion was raised in 34 vehicles, taking the total amount of supply in the US market to $34 billion in 77 CLOs. This compares to a volume of $11.7 billion for the 2011 calendar year.

Europe, however, is still struggling with on-going macroeconomic uncertainties on the demand side and a lack of primary issuance on the supply side. The limited lending activity in the region has meant the CLO market in Europe has effectively remained closed since 2008.

There does, however, remain strong activity in parts of the debt management market, with larger players seeking to secure increasing market share through the acquisition of management contracts and teams and some progress in fundraising for smaller, more flexible, debt funds focused on secondary trading, high yield bonds and secondary senior debt markets.

Returns

Table 4: **Total return**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m	For the year to 31 March 2012 £m
Realised profits over value on disposal of investments	**65**	31	23
Unrealised profits/(losses) on revaluation of investments	**66**	(441)	(498)
Portfolio income			
Dividends	**14**	20	47
Income from loans and receivables	**30**	51	95
Fees receivable	**5**	8	4
Gross portfolio return	**180**	(331)	(329)
Fees receivable from external funds	**36**	43	89
Carried interest receivable from external funds	**1**	(11)	(15)
Carried interest and performance fees payable	**(3)**	12	10
Operating expenses	**(105)**	(98)	(180)
Net portfolio return	**109**	(385)	(425)
Net interest payable	**(56)**	(52)	(91)
Movement in the fair value of derivatives	**(8)**	(16)	(19)
Net foreign exchange movements	**(36)**	(19)	(49)
Pension actuarial loss	**(8)**	(49)	(67)
Other (including taxes)	**(6)**	(2)	(5)
Total comprehensive income (“Total return”)	**(5)**	(523)	(656)

Total return for the Group for the six months to 30 September 2012 was a £5 million loss (September 2011: £(523)), which represented a 0.2% loss over opening shareholders’ funds (September 2011: (15.6)%). Implementation costs of reorganisation (£25 million) and gross debt reduction (£20 million), in addition to non-cash accounting adjustments for foreign exchange, actuarial and derivative movements (£52 million negative), offset a better underlying business performance of £92 million profit in the period (September 2011: £(439) million).

Gross portfolio return

The Group’s gross portfolio return for the six months to 30 September 2012 was £180 million (September 2011: £(331) million), or a 5.6% return on the opening portfolio value (September 2011: (8.3)%). This comprised realised gains of £65 million (September 2011: £31 million), portfolio income of £49 million (September 2011: £79 million) and unrealised value growth of £66 million (September 2011: £(441) million).

As can be seen from Table 5, and consistent with the relative proportion of Group capital deployed, the Private Equity gross portfolio return of £129 million (September 2011: £(321) million) was the most significant contributor to the Group’s gross portfolio return for the six months to 30 September 2012.

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

	Gross portfolio return		Return as % of opening portfolio value	
	2012	2011	**2012**	2011
for the six months to 30 September	**£m**	£m	**%**	%
Private Equity	**129**	(321)	**5.1**	(9.5)
Infrastructure	**7**	(2)	**1.3**	(0.4)
Debt Management	**5**	(2)	**11.9**	(14.3)
Non-core activities	**39**	(6)	**37.9**	(5.0)
Gross portfolio return	**180**	(331)	**5.6**	(8.3)

The Private Equity gross portfolio return was substantially driven by unrealised value growth of £69 million (September 2011: £(414) million). Asset valuations increased as a result of a 1% increase in aggregate valuation earnings, a reduction in the net debt/EBITDA ratio from 3.4x to 3.3x and market multiples increasing by 1% in the period. Earnings growth on a value weighted basis was 9% in the period.

Realised profits and portfolio income from the Private Equity portfolio were £22 million (September 2011: £25 million) and £38 million (September 2011: £68 million) respectively.

The Infrastructure business line generated a gross portfolio return for the period of £7 million (September 2011: £(2) million). The return benefited from the increase in 3i Infrastructure plc's share price (£6 million), and dividends (£9 million), offset by unrealised value losses in the 3i India Infrastructure Fund (£(8) million) which includes the negative impact of exchange losses on Indian Rupees/US dollar on the assets within the fund (£(4) million).

Debt Management's gross portfolio return reflects the value movement and associated income resulting from the equity holdings owned by the Group. This business line generated £1 million from distributions (13.4% over opening portfolio value) and a £1 million value movement from its equity investment in the CLOs managed by the Debt Management team. It also includes the results of Palace Street I (Credit Opportunities Fund) which, during the six months to 30 September 2012, generated a return of £3.4 million (8.4% over the €50 million commitment). Since its inception in August 2011, Palace Street I has generated a 14.8% return on capital commitment and paid £1.3 million in distributions to the Group. The value of these holdings and the investments in Palace Street I were broadly flat in the period (September 2011: £(3) million).

Non-core activities represented a total of £69 million of value in 30 portfolio companies at 30 September 2012 (September 2011: £105 million in 39 companies). A gross portfolio return of £39 million (September 2011: £(6) million) was generated in the six months to 30 September 2012, following the successful divestment of EUSA Pharma.

REALISED PROFITS

Realised profits of £65 million (September 2011: £31 million) represented an uplift of 32% on the opening portfolio value realised (September 2011: 6%). This increase reflects the successful exit of a number of investments, particularly from non-core activities.

Table 6 details substantially all realisations in the period. This table sets out not only the accounting uplift reflected in annual total return, but also the longer term cash-to-cash results.

Table 6: **Realisations**

Asset Name	Country	Calendar year invested	Proceeds in the period	31 March 2012 opening value (3i only)	Value uplift % on opening portfolio value[1]	Profit/(loss) in the period	Total cash invested	Total cash returned	Total cash profit/(loss) over cash invested	Money multiple[2]	IRR 3i only (GBP)
Private Equity											
NORMA	Germany	2006	£56m	£103m	n/a - partial disposal with remaining holding	£2m	£34m	£147m	n/a - remaining holding	5.8x	38%
HILITE	Germany	2011	£42m	£115m	n/a partial loan repayment following sale of division	£nil	£94m	£45m	n/a - remaining holding	1.5x	30%
Esmalglass	Spain	2002	£23m	£21m	10%	£4m	£25m	£34m	£9m	1.4x	4%
Monitise (incl Morse)	UK	1995	£11m	£12m	(8)%	£(1)m	£30m	£147m	£117m	4.9x	84%
MWM[3]	Germany	2007	£7m	£nil	100%	£7m	£68m	£204m	£136m	3.0x	30%
Halti	Finland	2005	£5m	£6m	(17)%	£(1)m	£5m	£7m	£2m	1.4x	4%
Ministry of Sound	UK	2001	£4m	£nil	100%	£4m	£24m	£17m	£(7)m	0.7x	(4)%
VNU	Benelux	2007	£4m	£4m	0%	£nil	£47m	£4m	£(43)m	0.1x	(38)%
MDY Healthcare	UK	2006	£3m	£3m	0%	£1m	£5m	£3m	£(2)m	0.6x	(9)%
The Japan Fund	Singapore	2005	£2m	£nil	100%	£2m	£11m	£7m	£(3)m	0.7x	(8)%
ABX[3]	Benelux	2006	£2m	£nil	100%	£2m	£33m	£195m	£162m	5.9x	139%
Nova Rodman[3]	Spain	2004	£2m	£nil	100%	£2m	£19m	£14m	£(5)m	0.7x	(6)%
Continuum	UK	2006	£2m	£3m	(33)%	£nil	£21m	£3m	£(18)m	0.1x	(19)%
Instone	UK	2003	£1m	£nil	100%	£nil	£5m	£14m	£9m	3.0x	39%
Novotema	Italy	2004	£1m	£1m	0%	£nil	£5m	£7m	£2m	1.4x	26%
Other	Europe	2006	£nil	£nil	0%	£nil	£40m	£17m	£(23)m	0.4x	(59)%
Infrastructure											
LNI	Finland	2012	£29m	£29m	0%	£1m	£28m	£29m	£1m	1.0x	5%
Other	n/a	n/a	£1m	n/a	n/a	£(1)m	n/a	n/a	n/a	n/a	n/a
Debt Management											
Palace Street I	Europe	2011	£nil	£35m	n/a	£3m	n/a	n/a	n/a	n/a	n/a
Non-core											
EUSA Pharma	UK	2007	£72m	£28m	157%	£42m	£32m	£72m	£40m	2.3x	18%
Sulake	Finland	2003	nil	£4m	(100)%	£(4)m	£5m	£0m	£(5)m	0.0x	(100)%
Other	n/a	n/a	£1m	n/a	n/a	£2m	n/a	n/a	n/a	n/a	n/a
Total			**£268m**	**n/a[4]**	**32%**	**£65m**	**n/a[4]**	**n/a[4]**	**n/a[4]**	**2.1x**	**n/a[4]**

1 Cash proceeds in the period over opening value.
2 Cash proceeds (including income) plus residual value over cash invested. For partial divestments the 30 September 2012 valuations are: HILITE £99 million; and NORMA £51 million.
3 Receipt of deferred consideration in the period.
4 Totals not applicable due to partial divestments.

UNREALISED VALUE MOVEMENTS

The unrealised value growth for the six months to 30 September 2012 was £66 million (September 2011: £(441) million). This was primarily driven by portfolio performance, with earnings used to value the portfolio increasing by 1% since 31 March 2012. Stock markets ended the six months to 30 September 2012 broadly in line with their opening position. Multiples used to value the portfolio were up 1% and the quoted portfolio increased marginally in value by £6 million in the period.

Table 7 shows an analysis of portfolio value by valuation basis at 30 September 2012.

Table 7: **Proportion of portfolio value by valuation basis** as at 30 September 2012

as at 30 September	2012 %	2011 %
Earnings	**70**	64
Imminent sale	**-**	5
Discounted Cash Flow	**8**	7
Quoted	**15**	15
Industry metric	**4**	5
Other	**3**	4

Table 8: **Unrealised profits/(losses) on revaluation of investments**

six months to 30 September	2012 £m	2011 £m
Private Equity, Infrastructure and Non-core		
Earnings based valuations		
Performance	**60**	(49)
Multiple movements	**4**	(237)
Other bases		
Provisions	**4**	(43)
Uplift to imminent sale	**(1)**	6
Discounted Cash Flow	**1**	(2)
Other movements on unquoted investments	**(9)**	(55)
Quoted portfolio	**6**	(58)
Debt Management		
Broker quotes	**1**	(3)
Total	**66**	(441)

Note: The table above no longer allocates value movements between loan and equity instruments as we believe it gives a clearer view of performance to combine the two under the "Earnings based valuations" heading. The split of value movement between loans and equity instruments is still shown in Note 3 to the accounts. Value movements in loan instruments were previously labelled as impairments.

Performance

The performance category measures the impact of earnings and net debt movements for those portfolio companies valued on an earnings basis. In general, when valuing a portfolio investment on an earnings basis, the earnings used in the 30 September 2012 valuations are the last 12 months' management accounts data to June 2012, unless the current year forecast indicates a lower maintainable earnings level. The uncertainty of the current European macroeconomic environment has had an impact on the earnings expectations of the portfolio, hence we used forecast earnings for valuation at 30 September 2012 for 27% (number: 16) of portfolio companies (March 2012: 8%, number: five). Management accounts were used for maintainable earnings for the remaining 73% of portfolio companies (March 2012: 90%). We did not use audited accounts for valuation purposes at 30 September 2012 (March 2012: 2%).

Improved performance in the portfolio led to a value increase of £60 million. Aggregate earnings used to value the portfolio in the period increased by 1% (September 2011: (1)%). On a value weighted basis, earnings grew by 9%, highlighting that the larger assets in the portfolio continue to perform well in challenging market conditions. Net debt movements were also positive, with the net debt/EBITDA ratio for portfolio companies valued on an earnings basis reducing from 3.4x to 3.3x in the period.

Earnings multiple movements

The multiples used in the valuations process increased by 1% in the period. The average EBITDA multiple used to value the Private Equity portfolio on an earnings basis was 8.3x before marketability discount (31 March 2012: 8.2x) and 7.4x after marketability discount (March 2012: 7.5x). This translated into a small positive movement in the period of £4 million (September 2011: £(237) million). These multiple movements are in line with the movements noted in relevant sector and geographic public markets.

Provisions

A provision is recognised where we anticipate that there is a 50% or greater chance that an investment may fail within the next 12 months. The £4 million net reversal of provisions in the period is attributable to the improvement in outlook for one company which had previously been provided for, resulting in a modest increase in value, offset by the impact of two companies which have been written down to nil. Each movement is less than £10 million.

Imminent sale

Imminent sale includes those assets in a negotiated sale process. Two small investments are included in this category.

Discounted cash flow (“DCF”)

The DCF basis is typically used to value infrastructure investments with predictable cash flows and identifiable discount rates. There were no significant changes to the models used to derive the DCF valuations in the period or in the discount rates applied to those models.

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).

Quoted portfolio

The quoted portfolio represents 15% of the Group’s total portfolio. The quoted portfolio generated an unrealised profit of £6 million for the six months to 30 September 2012 (2011: £(58) million). This reflected an increase of £6 million relating to 3i Infrastructure plc, £6 million for NORMA (Private Equity) and £2 million elsewhere in the portfolio. This was offset by a number of value decreases, the most notable being the Infrastructure investment in Adani Power (£(7) million). The total value of the quoted portfolio declined in the period following the partial sale of the NORMA holding and the full sale of Monitise (Private Equity).

Broker quotes

The Debt Management business is required in some cases to invest in the equity notes in the funds it manages. For these holdings, we value the equity note based on broker quotes available for those instruments. There was a marginal £1 million improvement in the value of these notes in the period (September 2011: £(3) million).

PORTFOLIO INCOME

Portfolio income of £49 million (September 2011: £79 million) comprised interest receivable on loans of £30 million (September 2011: £51 million), dividends of £14 million (September 2011: £20 million) and fees receivable of £5 million (September 2011: £8 million). The reduction in interest receivable in the period was driven by net realisations and by provisions taken against a small number of loan instruments.

As a proportion of interest receivable continues to be capitalised, total income received as cash in the period was £27 million (September 2011: £30 million), resulting in a cash yield of 0.8% (September 2011: 0.8%).

Net portfolio return

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

Table 9: **Net portfolio return**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m	For the year to 31 March 2012 £m
Gross portfolio return	**180**	(331)	(329)
Fees receivable from external funds	**36**	43	89
Net carried interest and performance fees payable	**(2)**	1	(5)
Operating expenses	**(105)**	(98)	(180)
Net portfolio return	**109**	(385)	(425)

FEES RECEIVABLE FROM EXTERNAL FUNDS

Fees receivable from external funds decreased to £36 million for the six months to 30 September 2012 (September 2011: £43 million). Fees in the period comprised £10 million (September 2011: £15 million) of fees from our managed Private Equity funds, £10 million (September 2011: £11 million) receivable from advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund, and £16 million (September 2011: £17 million) from the management of debt funds. The reduction in fee income from Private Equity funds is primarily due to Eurofund V moving out of its investment period in November 2011.

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 2012 was £2 million payable (September 2011: £1 million receivable).

OPERATING EXPENSES

Table 10: **Operating expenses/AUM**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m
Operating expenses (excluding implementation costs)	**80**	98
Fees receivable from external funds	**(36)**	(43)
Net operating expenses	**44**	55
Operating expenses/AUM [1] (excluding implementation costs)	**1.5%**	1.6%

1 Annualised operating expenses as a percentage of weighted average AUM.

Net operating expenses decreased in the period to £44 million, excluding implementation costs (September 2011: £55 million). Operating expenses were £105 million (September 2011: £98 million) and included implementation costs of £25 million in respect of changes to the business announced in

June 2012. The underlying reduction in costs resulted in annualised operating expenses per AUM decreasing to 1.5% (September 2011: 1.6%).

Head count reduced by a net 104 since 31 March 2012 to 331 at 1 October 2012 (31 March 2012: 435) prior to the Invesco or Fraser Sullivan transactions. This is in line with the target to reduce head count by more than 160 by 31 March 2013 and ahead of the target to implement more than half of the reductions by 30 September 2012.

Total return

NET INTEREST PAYABLE

Net interest payable for the six months to 30 September 2012 was £56 million (September 2011: £52 million). Interest payable increased to £60 million (September 2011: £58 million) and includes an additional £20 million of interest which was accelerated into the period on early settlement of bonds maturing in later periods. As a result of these costs, a material reduction in interest costs from lower gross debt will not take effect until the next financial year. Interest receivable reduced marginally to £4 million in the period (September 2011: £6 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. The hedging ratio of the European and Nordic, euro and krona denominated portfolios at 30 September 2012 reduced to 55% (September 2011: 66%) as a result of the reduction in euro denominated debt, whilst that for the North American and Asian US dollar portfolios was stable at 51% (September 2011: 52%). The net foreign exchange charge of £36 million in the period (September 2011: £19 million) was driven by the strengthening of sterling against the unhedged element of the euro and Indian rupee balance sheet. The hedging policy is under review to take account of the consequences of reducing gross debt, specifically currency debt.

PENSIONS

The Group’s UK defined benefit pension scheme has been negatively impacted by a reduction in the discount rate, driven by a reduction in AA corporate bond yields, resulting in an increase in value of the scheme’s liabilities. This has, in part, been offset by a reduction in inflation rates resulting in an actuarial charge for the period of £8 million (September 2011: £49 million). £36 million was paid to the fund in April, being the final payment in relation to the last triennial funding review, which was finalised in September 2011. The accounting effect of this payment on total return was included in the year to 31 March 2012.

Investment activity

Table 11: **Realisations and investments**

	For the Six months to 30 September 2012 £m	For the Six months to 30 September 2011 £m	For the Year to 31 March 2012 £m
Realisations	**268**	532	771
Investments	**(138)**	(448)	(646)
Net realisations	**130**	84	125

The Group realised £268 million in the first six months of the year (September 2011: £532 million) and further details on specific transactions are shown in Table 6. Investment decreased to £138 million in the period (2011: £448 million), reflecting the Group's continued selective approach to investment against the backdrop of continuing market uncertainty and depressed M&A conditions.

Investment

Total investment in the six months to 30 September 2012 was £138 million (September 2011: £448 million). Table 12 illustrates the split of total investment in the six months by nature of investment.

Table 12: **Investment by type**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m
New first investment	89	302
Acquisition finance	1	9
Other portfolio investment	13	11
Other[1]	(3)	31
	100	353
Capitalised interest[2]	38	95
Total	138	448

1 Includes net investment in Palace Street I and syndicated investments in Private Equity.
2 Includes PIK notes received in the period.

Table 13 shows investment by business line, the significant majority of which was in Private Equity (£131 million of the £138 million). This included the two new Private Equity investments listed in Table 14, which together accounted for £86 million of the £89 million new investment in the six months to 30 September 2012 (September 2011: £302 million). Infrastructure investment of £5 million represented further investment in the 3i India Infrastructure Fund. Debt Management had net investment of £2 million in the period. This was driven by investment in the equity notes of the five CLOs where the management contract was acquired from Invesco and a net divestment in the Palace Street I Fund, resulting from gross investment of £73 million and realisations of £75 million through this Fund in the period.

Table 13: **Investment by business line and geography**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m
Private Equity		
UK	20	80
Continental Europe	76	299
Asia	6	12
The Americas	29	18
	131	409
Infrastructure		
UK	-	33
Continental Europe	-	-
Asia	5	-
The Americas	-	-
	5	33
Debt Management		
UK	-	-
Continental Europe	2	6
Asia	-	-
The Americas	-	-
	2	6
Non-core activities	-	-
Total	**138**	**448**

Table 14: **New Private Equity Investment** for the six months to 30 September 2012

Investment	**Private Equity Fund**	**Country**	**Sector**	**3i investment £m**
Geka	Eurofund V	Germany	Industrials	57
Blue Interactive	Non fund	Brazil	Technology, Media, Telecoms	29
Total				86

In addition to 3i's own balance sheet investment, a further £87 million was invested on behalf of managed and advised funds, of which £69 million was for Buyouts funds and £18 million was for Infrastructure funds.

Realisations

Table 15: **Realisations by business line**

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m
Private Equity	165	523
Infrastructure	30	1
Debt Management	-	-
Non-core activities	73	8
Total	268	532

Table 16: **Realisations by type** (£m)

	For the six months to 30 September 2012 £m	For the six months to 30 September 2011 £m
Trade sales	124	91
Secondaries	54	338
Quoted share sales/IPOs	67	74
Loan repayments	1	16
Other	22	13
Total	268	532

Proceeds from realisations in the six months to 30 September 2012 at £268 million (September 2011: £532 million) were lower than last year, although at a higher uplift over opening value of 32% (September 2011: 6%). As shown in Table 6, the sale of EUSA Pharma, a non-core asset, was the most significant contributor to the uplift.

As can be seen from Table 15, Private Equity generated the largest level of realisations at £165 million, with proceeds of £56 million from the partial sale of NORMA (Eurofund IV and Eurofund III), £42 million from the partial sale of a division of HILITE (Eurofund V) and £23 million for the disposal of the Spanish asset, Esmalglass (Eurofund III).

Table 16 shows that the Group was able to capitalise on opportunities for sales to trade buyers in the period, which totalled £124 million (September 2011: £91 million), representing 46% (September 2011: 17%) of total realisation proceeds.

Portfolio

The value of the portfolio at 30 September 2012 was £3,115 million (March 2012: £3,204 million). The Private Equity portfolio represented 81% of this total, with Infrastructure accounting for 16%, Debt Management for 1% and non-core activities for 2% of the total.

Private Equity

As can be seen from Table 17 shows that, earnings growth weighted by value in the Private Equity portfolio was strong at 9%. The aggregate earnings used to value the portfolio increased by 1% and include forecast earnings where these are expected to be lower than the latest management accounts.

Table 17: **Private equity portfolio earnings growth by value**[1]

Earnings growth	Number of companies	Carrying value at 30 September 2012 £m
<(20)%	14	131
(20)% to (10)%	5	194
(10)% to 0%	6	179
0% to 10%	15	898
10% to 20%	7	383
>20%	15	426

1 This represents 88% of the Private Equity portfolio, being those companies valued on an earnings basis.

Note: value weighted average earnings increase of 9%.

The weighted average EBITDA multiple used at 30 September 2012 was 8.3x pre discount (March 2012: 8.2x), 7.4x post discount (March 2012: 7.6x).

Leverage in the Private Equity portfolio remained stable at 30 September 2012 at 3.4x net debt to EBITDA weighted by value (March 2012: 3.4x)*. Net debt/EBITDA for those companies valued on an earnings basis was 3.3x, as referred to in the Unrealised value movement section.

* This is calculated using last twelve months' earnings and net debt figures for 98% of the Private Equity portfolio.

Table 18: **Ratio of net debt to EBITDA – Private Equity portfolio**
Weighted by 30 September 2012 carrying value (£m)[1]

Net debt to EBITDA ratio	Carrying value at 30 September 2012
<1x	693
1x to 2x	147
2x to 3x	723
3x to 4x	321
4x to 5x	312
5x to 6x	165
>6x	97

1 This represents 98% of the Private Equity portfolio, being those companies that report net debt.

Note: weighted average net debt /EBITDA 3.4x.

Table 19: **Debt repayment profile – Private Equity portfolio**
Repayment index weighted by 3i carrying values as at 30 September 2012 (%)

Repayment date	% of outstanding debt Weighted by 3i carrying value
2012	4%
2013	6%
2014	21%
2015	13%
2016	7%
2017	3%
2018 or later	46%

As at 30 September 2012, 69% (March 2012: 65%) of the outstanding debt in the Private Equity portfolio was repayable in 2015 or later. During the period, debt was refinanced and maturity extended in a number of our portfolio companies.

INFRASTRUCTURE

3i's Infrastructure portfolio principally comprises its 34.1% holding in 3i Infrastructure plc and its US$250 million commitment to the 3i India Infrastructure Fund.

At 30 September 2012, 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 £31 million for the six months to 30 September 2012, representing a return of 3.0% on shareholders' equity, underpinned by good income generation from underlying assets and consistent operational performance in its European portfolio.

3i has a US$250 million commitment to the US$1.2 billion 3i India Infrastructure Fund and, at 30 September 2012, US$208 million had been drawn down (March 2012: US$198 million). The Fund's mandate is to invest in ports, airports, roads and power assets in India. The Fund completed a new investment in a Build-Operate-Transfer road portfolio in the period and is now invested in seven assets, including three in the power sector, three in the roads sector and one port. Overall, the Fund's valuation declined in the period, principally as a result of a number of macroeconomic and market factors which have affected the performance of its power assets and, in particular, Adani Power, whose share price declined by 23% in the period. The road and port assets performed in line with expectations in the period.

Debt Management

The Debt Management portfolio consists of 12 assets, including the Group's investment in the CLOs managed by the Group, and the investment in Palace Street I (Credit Opportunities Fund). The investments were valued at £46 million at 30 September 2012 (March 2012: £42 million), including a value increase of £1 million. The key driver of the value increase was the movement in the underlying CLOs since 31 March 2012.

Portfolio composition

Table 20: **Portfolio value movement by business line**

	Opening portfolio value 31 March 2012 £m	Investment £m	Opening value realised £m	Value movement £m	Other £m	**Closing Portfolio value 30 September 2012 £m**
Core business lines						
Private Equity	2,531	131	(143)	69	(88)	**2,500**
Infrastructure	528	5	(30)	(2)	(1)	**500**
Debt Management	42	2	3	1	(2)	**46**
	3,101	138	(170)	68	(91)	**3,046**
Non-core activities	103	-	(33)	(2)	1	**69**
Total	3,204	138	(203)	66	(90)	**3,115**

The value of assets directly owned by the Group decreased from £3,204 million at 31 March 2012 to £3,115 million at 30 September 2012. 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 21 and 22, 3i continues to have a well diversified portfolio by sector and geographic region.

The main change in the period was in the continental European portfolio, reflecting net divestment in the region. The other area of note is the Americas, where we made our first investment in Brazil, Blue Interactive, in the period.

Table 21: **3i direct portfolio value by business line and geography**

	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m
Private Equity			
UK	567	528	549
Continental Europe	1,269	1,615	1,344
Asia	336	382	355
The Americas	323	268	278
Rest of World	5	5	5
	2,500	2,798	2,531
Infrastructure			
UK	389	371	383
Continental Europe	-	-	29
Asia	111	119	115
Rest of World	-	1	1
	500	491	528
Debt Management			
Continental Europe	46	18	42
The Americas	-	-	-
	46	18	42
Non-core activities			
UK	65	98	97
Continental Europe	3	7	6
The Americas	1	-	-
	69	105	103
Total	**3,115**	**3,412**	**3,204**

The portfolio remains diversely spread by sector with fairly limited movement in the period to 30 September 2012.

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

	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m
Business Services[1]	**784**	817	782
Consumer	**561**	534	537
Healthcare	**322**	407	335
Industrials	**750**	945	828
Technology, Media, Telecoms	**198**	218	194
Infrastructure	**500**	491	528
Total	**3,115**	3,412	3,204

1 Including Financial Services.

Balance sheet

Table 23: **Group balance sheet**

	As at 30 September 2012	As at 30 September 2011	As at 31 March 2012
Shareholders' funds	**£2,575m**	£2,804m	£2,627m
Gross debt	**£1,249m**	£1,722m	£1,623m
Net debt	**£493m**	£531m	£464m
Liquidity	**£1,251m**	£1,680m	£1,653m
Gearing	**19%**	19%	18%
Diluted net asset value per share	**£2.73**	£2.94	£2.79

BORROWINGS AND GEARING

The Group continues to focus on conservative balance sheet management and is on track to meet its target to reduce its gross debt to below £1 billion by June 2013. Gross debt reduced in the period from £1,623 million to £1,249 million following the maturity of the remaining €278 million of the €500 million floating rate note raised in 2007, a €150 million repurchase of the €300 million 2013 floating rate note, together with market purchases of €9 million of the €350 million 2017 fixed loan note.

Net debt increased marginally from £464 million to £493 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 £36 million paid in April 2012.

Gearing increased from 18% to 19%, due to the increase in net debt in the period.

LIQUIDITY AND CASH

Liquidity reduced in the six months from £1,653 million at 31 March 2012 to £1,251 million at 30 September 2012. This reduction reflected the repurchase and repayment of gross debt, partially offset by net divestment and portfolio income. Liquidity at 30 September 2012 comprised cash and deposits of £756 million and undrawn facilities of £495 million.

DILUTED NAV

The diluted NAV per ordinary share at 30 September 2012 was £2.73 (31 March 2012: £2.79), reflecting the total return loss in the period of £5 million (1p reduction) and the impact of the payment of the final dividend of £51 million (5p reduction).

Within total return are the effects of implementation costs of £45 million (5p reduction) relating to organisational and gross debt restructuring.

Long-term performance

Table 24: **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 2012**	IRR to 31 March 2012	IRR to 30 September 2011
2013	57	-	36	**n/a[2]**	n/a	n/a
2012	269	46	326	**35%**	n/a	n/a
2011	259	-	259	**0%**	5%	12%
2010	-	-	-	**-**	-	-
2009	328	5	239	**(7)%**	(13)%	(9)%
2008	715	361	222	**(6)%**	(7)%	(7)%
2007	563	443	239	**7%**	9%	9%
2006	437	1,176	-	**48%**	48%	48%
2005	326	1,047	48	**63%**	63%	63%
2004	295	706	-	**35%**	35%	35%

1 Total investment excludes capitalised interest.

2 2013 vintage IRR is not meaningful, as the assets in the vintage are less than 12 months old.

Table 25: **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 2012**	IRR to 31 March 2012	IRR to 30 September 2011
2013	29	-	28	**n/a[2]**	n/a	n/a
2012	70	-	62	**(9)%**	n/a	n/a
2011	21	-	26	**15%**	20%	12%
2010	46	-	16	**(43)%**	(52)%	(43)%
2009	211	47	80	**(15)%**	(16)%	(8)%
2008	1,004	483	535	**0%**	(1)%	(1)%
2007	553	238	274	**(2)%**	(1)%	(1)%
2006	441	629	48	**22%**	23%	23%
2005	171	313	-	**26%**	25%	25%
2004	289	529	-	**26%**	26%	26%

1 Total investment excludes capitalised interest.

2 2013 vintage IRR is not meaningful, as the assets in the vintage are less than 12 months old.

Tables 24 and 25 show the long-term performance of the Private Equity Buyouts and Growth Capital portfolios. The 2008 to 2010 vintages continue to be challenged, although they have increased in value since 31 March 2012.

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

The early performance of the 2012 Buyouts vintage has been positive, reflecting good earnings growth in those assets.

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 2012. The following provides a description of the main areas of inherent risk affecting the Group:

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 principal inherent risks factors relating to each of the areas above, detailed in the report and accounts, remained broadly unchanged in the period and are expected to remain as the main risks and uncertainties in the second half of the financial year.

The Group continues to review its risk profile and approach to risk mitigation on a regular basis and in response to key developments. This Half-yearly report provides an update on 3i's strategy and business performance, as well as market conditions, which are relevant to the Group's overall risk profile and should be viewed in the context of the Group's risk management framework and principal inherent risk factors.

Consolidated statement of comprehensive income

for the six months to 30 September 2012

	Notes	**Six months to 30 September 2012 (unaudited) £m**	Six months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Realised profits over value on the disposal of investments	2	**65**	31	23
Unrealised profits/(losses) on the revaluation of investments	3	**66**	(441)	(498)
		131	(410)	(475)
Portfolio income				
Dividends		**14**	20	47
Income from loans and receivables		**30**	51	95
Fees receivable		**5**	8	4
Gross portfolio return	1	**180**	(331)	(329)
Fees receivable from external funds	1	**36**	43	89
Carried interest				
Carried interest receivable from external funds		**1**	(11)	(15)
Carried interest and performance fees payable		**(3)**	12	10
Operating expenses		**(105)**	(98)	(180)
Net portfolio return		**109**	(385)	(425)
Interest receivable		**4**	6	12
Interest payable		**(60)**	(58)	(103)
Movement in the fair value of derivatives	4	**(8)**	(16)	(19)
Exchange movements		**(205)**	(45)	(243)
Other income		**(3)**	1	1
Loss before tax		**(163)**	(497)	(777)
Income taxes		**(3)**	(3)	(6)
Loss for the period		**(166)**	(500)	(783)
Other comprehensive income				
Exchange differences on translation of foreign operations		**169**	26	194
Actuarial loss		**(8)**	(49)	(67)
Other comprehensive income for the period		**161**	(23)	127
Total comprehensive income for the period ("Total return")		**(5)**	(523)	(656)
Earnings per share				
Basic (pence)	7	**(17.7)**	(52.7)	(82.8)
Diluted (pence)	7	**(17.7)**	(52.7)	(82.8)

Consolidated statement of changes in equity

for the six months to 30 September 2012

For the six months to 30 September 2012 (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	Other reserve £m	Own shares £m	Total equity £m
Total equity at the start of the period	**717**	**780**	**43**	**11**	**457**	**233**	**491**	**–**	**(105)**	**2,627**
(Loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(190)**	**24**	**–**	**–**	**(166)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**169**	**–**	**–**	**–**	**–**	**169**
Actuarial loss	**–**	**–**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**(8)**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**169**	**(198)**	**24**	**–**	**–**	**(5)**
Share-based payments	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**4**
Release on forfeiture of share options	**–**	**–**	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**	**–**
(Loss)/profit on sale of own shares	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**1**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**–**	**(51)**
Total equity at the end of the period	**717**	**780**	**43**	**13**	**626**	**34**	**466**	**–**	**(104)**	**2,575**

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

Consolidated statement of changes in equity continued

for the year to 31 March 2012

For the year to 31 March 2012 (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	Other reserve £m	Own shares £m	Total equity £m
Total equity at the start of the year	717	779	43	17	263	1,093	526	5	(86)	3,357
(Loss)/income for the year	–	–	–	–	–	(786)	3	–	–	(783)
Exchange differences on translation of foreign operations	–	–	–	–	194	–	–	–	–	194
Actuarial loss	–	–	–	–	–	(67)	–	–	–	(67)
Total comprehensive (loss)/income for the year	–	–	–	–	194	(853)	3	–	–	(656)
Share-based payments	–	–	–	5	–	–	–	–	–	5
Release on lapse of equity settled call options	–	–	–	–	–	5	–	(5)	–	–
Release on forfeiture of share options	–	–	–	(11)	–	–	11	–	–	–
Purchase of own shares	–	–	–	–	–	–	–	–	(31)	(31)
Loss on sale of own shares	–	–	–	–	–	(12)	–	–	12	–
Ordinary dividends	–	–	–	–	–	–	(49)	–	–	(49)
Issue of ordinary shares	–	1	–	–	–	–	–	–	–	1
Total equity at the end of the year	717	780	43	11	457	233	491	–	(105)	2,627

Consolidated statement of financial position

as at 30 September 2012

	Notes	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Assets				
Non-current assets				
Investments				
Quoted equity investments		**468**	502	535
Unquoted equity investments		**1,412**	1,489	1,392
Loans and receivables		**1,201**	1,421	1,242
Investment portfolio	1	**3,081**	3,412	3,169
Carried interest receivable		**24**	42	36
Intangible assets		**35**	19	17
Retirement benefit surplus		**87**	68	56
Property, plant and equipment		**10**	14	13
Derivative financial instruments		**8**	1	6
Total non-current assets		**3,245**	3,556	3,297
Current assets				
Traded portfolio	1	**34**	-	35
Other current assets		**91**	71	102
Derivative financial instruments		**18**	1	7
Deposits		**150**	525	441
Cash and cash equivalents		**606**	666	718
Total current assets		**899**	1,263	1303
Total assets		**4,144**	4,819	4,600
Liabilities				
Non-current liabilities				
Carried interest and performance fees payable		**(31)**	(45)	(45)
Loans and borrowings	6	**(1,052)**	(1,381)	(1,358)
B shares		**(6)**	(6)	(6)
Derivative financial instruments		**(50)**	(39)	(41)
Retirement benefit deficit		**(9)**	(3)	(10)
Deferred income taxes		**(2)**	(6)	(4)
Provisions		**(22)**	(4)	(2)
Total non-current liabilities		**(1,172)**	(1,484)	(1,466)
Current liabilities				
Trade and other payables		**(194)**	(172)	(227)
Carried interest and performance fees payable		**(29)**	(56)	(40)
Loans and borrowings	6	**(166)**	(293)	(231)
Derivative financial instruments		**(1)**	(5)	-
Current income taxes		**(1)**	(2)	(3)
Provisions		**(6)**	(3)	(6)
Total current liabilities		**(397)**	(531)	(507)
Total liabilities		**(1,569)**	(2,015)	(1,973)
Net assets		**2,575**	2,804	2,627
Equity				
Issued capital		**717**	717	717
Share premium		**780**	780	780
Capital redemption reserve		**43**	43	43
Share-based payment reserve		**13**	18	11
Translation reserve		**626**	289	457
Capital reserve		**34**	564	233
Revenue reserve		**466**	484	491
Other reserves		**-**	-	-
Own shares		**(104)**	(91)	(105)
Total equity		**2,575**	2,804	2,627

Consolidated cash flow statement

for the six months to 30 September 2012

	Notes	**Six months to 30 September 2012 (unaudited) £m**	Six months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Cash flow from operating activities				
Purchase of investments		**(102)**	(353)	(447)
Proceeds from investments		**268**	532	771
Net (purchase)/proceeds from traded portfolio		**(16)**	-	(17)
Portfolio interest received		**10**	6	9
Portfolio dividends received		**15**	20	44
Portfolio fees received		**2**	4	7
Fees received from external funds		**35**	38	91
Carried interest received		**12**	28	30
Carried interest and performance fees paid		**(22)**	(26)	(40)
Operating expenses		**(130)**	(177)	(240)
Interest received		**5**	6	12
Interest paid		**(48)**	(46)	(101)
Income taxes paid		**(6)**	(2)	(7)
Net cash flow from operating activities		**23**	30	112
Cash flow from financing activities				
Dividend paid		**(51)**	(23)	(31)
Purchase of own shares		**-**	(11)	(49)
Repayment of long-term borrowings and convertible bonds		**(223)**	(171)	(169)
Repurchase of long-term borrowings		**(129)**	(147)	(201)
Net cash flow from derivatives		**8**	(3)	(5)
Net cash flow from financing activities		**(395)**	(355)	(455)
Cash flow from investing activities				
Acquisition of management contracts and other Debt Management business development	5	**(18)**	-	-
Purchase of property, plant and equipment		**(1)**	-	(2)
Proceeds on sale of property, plant and equipment		-	-	1
Net cash flow from deposits		**291**	35	119
Net cash flow from investing activities		**272**	35	118
Change in cash and cash equivalents		**(100)**	(290)	(225)
Cash and cash equivalents at the beginning of the period		**718**	961	961
Effect of exchange rate fluctuations		**(12)**	(5)	(18)
Cash and cash equivalents at the end of the period		**606**	666	718

Notes to the accounts

1 Segmental analysis

6 months to 30 September 2012 (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	**22**	**-**	**3**	**40**	**65**
Unrealised profits/(losses) on the revaluation of investments	**69**	**(2)**	**1**	**(2)**	**66**
Portfolio income					
Dividends	**3**	**9**	**1**	**1**	**14**
Income from loans and receivables	**30**	**-**	**-**	**-**	**30**
Fees receivable	**5**	**-**	**-**	**-**	**5**
	129	**7**	**5**	**39**	**180**
Net portfolio return					
Fees receivable from external funds	**10**	**10**	**16**	**-**	**36**
Carried interest receivable from external funds	**4**	**-**	**(3)**	**-**	**1**
Carried interest and performance fees payable	**(5)**	**-**	**2**	**-**	**(3)**
Operating expenses[1]	**(73)**	**(13)**	**(16)**	**(3)**	**(105)**
	65	**4**	**4**	**36**	**109**
Net (investment)/divestment					
Realisations	**165**	**30**	**-**	**73**	**268**
Investment	**(131)**	**(5)**	**(2)**	**-**	**(138)**
	34	**25**	**(2)**	**73**	**130**
Balance sheet					
Value of investment portfolio at the end of the period	**2,500**	**500**	**46**	**69**	**3,115**

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

1 Operating expenses by business line include direct costs and an allocation of indirect costs.

1 Segmental analysis continued

12 months to 31 March 2012 (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	17	-	1	5	23
Unrealised losses on the revaluation of investments	(481)	(7)	(3)	(7)	(498)
Portfolio income					
Dividends	26	18	2	1	47
Income from loans and receivables	94	-	1	-	95
Fees receivable/(payable)	5	-	-	(1)	4
	(339)	11	1	(2)	(329)
Net portfolio return					
Fees receivable from external funds	32	25	32	-	89
Carried interest receivable from external funds	(13)	(14)	12	-	(15)
Carried interest and performance fees payable	13	8	(11)	-	10
Operating expenses[1]	(127)	(17)	(31)	(5)	(180)
	(434)	13	3	(7)	(425)
Net (investment)/divestment					
Realisations	756	1	-	14	771
Investment	(540)	(70)	(36)	-	(646)
	216	(69)	(36)	14	125
Balance sheet					
Value of investment portfolio at the end of the year	2,531	528	42	103	3,204

1 Operating expenses by business line include direct costs and an allocation of indirect costs.

2 Realised profits over value on the disposal of investments

	6 months to 30 September 2012 Unquoted equity (unaudited) £m	**6 months to 30 September 2012 Quoted equity (unaudited) £m**	**6 months to 30 September 2012 Loans and receivables (unaudited) £m**	**6 months to 30 September 2012 Traded portfolio (unaudited) £m**	**6 months to 30 September 2012 Total (unaudited) £m**
Realisations	**112**	**70**	**86**	**-**	**268**
Valuation of disposed investments	**(57)**	**(68)**	**(81)**	**3**	**(203)**
Investments written off	**-**	**-**	**-**	**-**	**-**
	55	**2**	**5**	**3**	**65**

	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 Traded portfolio (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

	12 months to 31 March 2012 Unquoted equity (audited) £m	12 months to 31 March 2012 Quoted equity (audited) £m	12 months to 31 March 2012 Loans and receivables (audited) £m	12 months to 31 March 2012 Trade portfolio (audited) £m	12 months to 31 March 2012 Total (audited) £m
Realisations	557	1	213	-	771
Valuation of disposed investments	(517)	(2)	(197)	1	(715)
Investments written off	-	-	(33)	-	(33)
	40	(1)	(17)	1	23

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

	6 months to 30 September 2012 Unquoted equity (unaudited) £m	**6 months to 30 September 2012 Quoted equity (unaudited) £m**	**6 months to 30 September 2012 Loans and receivables (unaudited) £m**	**6 months to 30 September 2012 Traded portfolio (unaudited) £m**	**6 months to 30 September 2012 Total (unaudited) £m**
Movement in the fair value of equity and traded loans	**40**	**6**	**-**	**-**	**46**
Provisions, loan impairments and other movements	**-**	**-**	**20**	**-**	**20**
	40	**6**	**20**	**-**	**66**

	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 Traded portfolio (unaudited) £m	6 months to 30 September 2011 Total (unaudited) £m
Movement in the fair value of equity and traded loans	(273)	(58)	-	(1)	(332)
Provisions, loan impairments and other movements	-	-	(109)	-	(109)
	(273)	(58)	(109)	(1)	(441)

	12 months to 31 March 2012 Unquoted equity (unaudited) £m	12 months to 31 March 2012 Quoted equity (unaudited) £m	12 months to 31 March 2012 Loans and receivables (unaudited) £m	12 months to 31 March 2012 Traded portfolio (unaudited) £m	12 months to 31 March 2012 Total (unaudited) £m
Movement in the fair value of equity and traded loans	(160)	(20)	–	(1)	(181)
Provisions, loan impairments and other movements	(64)	–	(253)	-	(317)
	(224)	(20)	(253)	(1)	(498)

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 2012 (unaudited) £m	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Interest rate swaps	**(9)**	(15)	(19)
Call options	**-**	(1)	(1)
Forward foreign exchange contracts	**1**	-	1
	(8)	(16)	(19)

Exchange movements in relation to forward foreign exchange contracts are included within exchange movements in the statement of comprehensive income. During the period, a £19 million gain was recognised in exchange movements in relation to forward foreign exchange contracts (September 2011: £2 million gain, March 2012: £16 million gain).

5 Business combination

On the 28 September 2012 3i Debt Management US LLC, a newly formed entity ("3i DM US"), entered into a strategic transaction with WCAS Fraser Sullivan Investment Management ("FSIM") to set up a US debt management platform. FSIM is a specialist US debt management company, with approximately US$2.5 billion of AUM, comprising six CLO funds, an unlevered senior loan fund and a credit opportunities fund.

Following completion of the transaction, the fund management of the Senior Loan Fund and the Credit Opportunities Fund transferred across to 3iDM US. The senior loan fund was renamed 3i US Senior Loan Fund. FSIM will continue to manage the existing CLO funds until investor approval has been granted to change the fund manager to 3i DM US. As part of the strategic transaction the FSIM team are also employed by 3iDM US and will be available to 3iDM US to manage transferred funds and new funds launched by 3iDM US.

3iDM US has acquired certain of the assets and liabilities of FSIM. These assets do not include the CLO management contracts noted above. 3iDM US has also entered into a services agreement with FSIM and this has been classified as an intangible asset.

This strategic transaction is judged to have key features of a business combination and accordingly has been classified as a business combination under IFRS3: Business Combinations. The Group subscribed for 80% of the equity of 3iDM US for cash consideration of £8 million. The management team of FSIM subscribed for the remaining 20% of the equity of 3iDM US. The Group has entered into agreements to purchase this remaining 20% from the management team by March 2016, with the price subject to the performance of 3iDM US.

The purchase of the management team's equity holding or "earn-out" is made up of two parts:

- £2 million deferred consideration, for the transfer of the remaining 20% of the shares held by FSIM management by March 2016. This has been recognised on acquisition and will be carried as a liability on the Group balance sheet.

- The remaining amount is contingent on the management team remaining in employment with 3iDM US and raising new funds. The amount will be determined by the performance of 3iDM US during the three year period and will be recognised in the statement of comprehensive income as carried interest and performance fees payable.

The fair value of the identifiable assets and liabilities of FSIM as at the date of entering into the strategic transaction and the consideration paid were:

	Fair value recognised £m
Fair value of assets received	
Intangible assets (fund management contracts and service agreement)	3
Total fair value of assets received	3
Fair value of liabilities assumed	
Creditors	(1)
Total fair value of liabilities assumed	(1)
Total identifiable net assets at fair value	2
Consideration	
Cash	8
Deferred consideration	2
Total consideration	10
Goodwill	8
Net cash outflow arising on acquisition	
Cash consideration paid	(8)
Cash and cash equivalents acquired	-
Net cash flow on acquisition	(8)

The measurement of fair value of the net assets obtained resulted in goodwill of £8 million which has been recognised on the consolidated balance sheet of 3i Group plc as at 30 September 2012. Goodwill represents the amount paid in excess of the value of the intangible and other assets and liabilities transferred to 3iDM US and reflects the future ability of the business to raise and manage funds. The value of goodwill is deductible for US tax purposes, spread over 15 years on a straight line basis.

From 28 September 2012 to 30 September 2012, 3iDM US has not contributed to the net profit before tax of the Group. If the transaction had taken place at the beginning of the six month period to 30 September 2012, the contribution to the Group's revenue from continuing operations would have been £2 million and the profit from continuing operations for the Group would have been £1 million.

Transaction costs of £2 million have been charged to operating expenses in the period.

Since the balance sheet date, a key manager, Tighe Sullivan, passed away. The impact on the transaction has been considered and no changes have been made.

6 Loans and borrowings

	30 September 2012 (unaudited) £m	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Loans and borrowings are repayable as follows:			
Within one year	**166**	293	231
In the second year	**-**	259	250
In the third year	**50**	-	50
In the fourth year	**155**	50	-
In the fifth year	**272**	161	448
After five years	**575**	911	610
	1,218	1,674	1,589

Principal borrowings include:

	Rate	Maturity	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Issued under the £2,000 million note issuance programme					
Fixed rate					
£200 million notes (public issue)	6.875%	2023	**200**	200	200
£400 million notes (public issue)	5.750%	2032	**375**	375	375
€350 million notes (public issue)	5.625%	2017	**272**	302	292
Other			**46**	34	35
Variable rate					
€500 million notes (public issue)	EURIBOR+0.20%	2012	**-**	293	231
Other			**120**	259	250
			1,013	1,463	1,383
Committed multi-currency facilities					
£200 million	LIBOR+3.75%	2014	**50**	50	50
£50 million	LIBOR+1.50%	2016	**-**	-	-
£450 million	LIBOR+1.00%	2016	**155**	161	156
			205	211	206
Total loans and borrowings			**1,218**	1,674	1,589

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 was 1.45 at 30 September 2012 (September 2011: 1.45, March 2012: 1.45). The Asset Cover Ratio at 30 September 2012 was 3.27 (September 2011: 2.81, March 2012: 2.82).

All of the Group's borrowings are repayable in single instalments on the respective maturity dates. None of the Group's interest-bearing loans and borrowings is secured on the assets of the Group. The fair value of the loans and borrowings is £1,247 million (September 2011: £1,643 million, March 2012: £1,581 million), determined where applicable with reference to published market prices.

7 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 2012 (unaudited)	6 months to 30 September 2011 (unaudited)	12 months to 31 March 2012 (audited)
Earnings per share (pence)			
Basic	**(17.7)**	(52.7)	(82.8)
Diluted[1]	**(17.7)**	(52.7)	(82.8)
Earnings (£m)			
Loss for the period attributable to equity holders of the Company	**(166)**	(500)	(783)

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

	6 months to 30 September 2012 (unaudited) Number	6 months to 30 September 2011 (unaudited) Number	12 months to 31 March 2012 (audited) Number
Weighted average number of shares in issue			
Ordinary shares	**971,170,388**	970,725,309	970,832,567
Own shares	**(32,968,465)**	(21,652,035)	(25,156,748)
	938,201,923	949,073,274	945,675,819
Effect of dilutive potential ordinary shares			
Share options and awards	**3,177,011**	3,137,226	2,245,376
Diluted shares	**941,378,934**	952,210,500	947,921,195

	30 September 2012 (unaudited)	30 September 2011 (unaudited)	31 March 2012 (audited)
Net assets per share (£)			
Basic	**2.74**	2.96	2.80
Diluted	**2.73**	2.94	2.79
Net assets (£m)			
Net assets attributable to equity holders of the Company	**2,575**	2,804	2,627

	30 September 2012 (unaudited) Number	30 September 2011 (unaudited) Number	31 March 2012 (audited) Number
Number of shares in issue			
Ordinary shares	**971,284,437**	970,843,005	971,069,281
Own shares	**(32,968,465)**	(22,165,246)	(32,968,465)
	938,315,972	948,677,759	938,100,816
Effect of dilutive potential ordinary shares			
Share options and awards	**3,911,376**	3,817,309	2,827,365
Diluted shares	**942,227,348**	952,495,068	940,928,181

8 Dividends

	6 months to 30 September 2012 (unaudited) pence per share	**6 months to 30 September 2012 (unaudited) £m**	6 months to 30 September 2011 (unaudited) pence per share	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) pence per share	12 months to 31 March 2012 (audited) £m
Declared and paid during the period						
Ordinary shares						
Final dividend	**5.4**	**51**	2.4	23	2.4	23
Interim dividend	**-**	**-**	-	-	2.7	26
	5.4	**51**	2.4	23	5.1	49
Proposed dividend	**2.7**	**25**				

9 Contingent liabilities

	30 September 2012 (unaudited) £m	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Contingent liabilities relating to guarantees in respect of investee companies	**12**	4	37

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 2012, 3i Holdings plc had drawn down £205 million (September 2011: £221 million, March 2012: £206 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. On 4 April 2012 the Company transferred eligible assets (£150 million of ordinary shares in 3i Infrastructure plc as defined by the agreement) 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. The fair value of eligible assets at 30 September 2012 was £152 million.

At 30 September 2012, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

10 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 2012 (unaudited) £m**	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Carried interest receivable	**4**	(11)	(24)
Fees receivable from external funds	**13**	38	41

Statement of financial position	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Carried interest receivable	**16**	42	27

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 (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 2012 (unaudited) £m**	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Realised profits/(losses) over value on the disposal of investments	**2**	17	(4)
Unrealised profits/(losses) on the revaluation of investments	**77**	(336)	(370)
Portfolio income	**42**	50	122

Statement of financial position	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Quoted equity investments	**380**	435	480
Unquoted equity investments	**931**	950	853
Loans and receivables	**1,123**	1,322	1,141

10 Related parties continued

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

Advisory arrangements

The Group acts as adviser to 3i Infrastructure plc, which is listed on the London Stock Exchange. The following amounts have been included in respect of this advisory relationship:

Statement of comprehensive income	**6 months to 30 September 2012 (unaudited) £m**	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Unrealised profits on the revaluation of investments	**6**	11	22
Fees receivable from external funds	**7**	6	17
Dividends	**9**	9	18

Statement of financial position	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Quoted equity investments	**380**	363	375

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee, which replaced the Leadership Team in July 2012, 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 2012 (unaudited) £m**	6 months to 30 September 2011 (unaudited) £m	12 months to 31 March 2012 (audited) £m
Salaries, fees, supplements and benefits in kind	**3**	3	7
Bonuses and deferred share bonuses	**3**	4	3
Carried interest and performance fees payable	**1**	7	6
Share-based payments	**1**	2	3
Termination benefits[1]	**3**	-	1

1 No termination payments were made to Executive Directors in the period to 30 September 2012 or in the year to 31 March 2012.

Statement of financial position	**30 September 2012 (unaudited) £m**	30 September 2011 (unaudited) £m	31 March 2012 (audited) £m
Bonuses and deferred share bonuses	**3**	4	4
Carried interest and performance fees payable within one year	**2**	6	4
Carried interest and performance fees payable after one year	**7**	12	11
Deferred consideration included within trade and other payables[1]	**11**	11	11

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

Carried interest paid in the period to key management personnel was £5 million (September 2011: £3 million, March 2012: £6 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 2012.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) and have been prepared on the same basis as the Consolidated Financial Statements for the year to 31 March 2012 (“Report and Accounts 2012”).

The Half-yearly Financial Statements were authorised for issue by the Directors on 14 November 2012.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and Accounts 2012. 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 2012, 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 judgements 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 2012.

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
14 November 2012

Board of Directors

Sir Adrian Montague, Chairman
Simon Borrows, Chief Executive and executive Director
Julia Wilson, Group Finance Director 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
Martine Verluyten, Non-executive Director

Independent review report to 3i Group plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated cash flow statement, and the related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

As disclosed in the Basis of preparation, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
14 November 2012

Fifty large investments

The investments listed in these tables are substantially all of the Group's investments over £12 million. They do not include eight investments that have been excluded for commercial reasons.

Investment Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost March 2012 £m	Residual cost Sept 2012 £m	Valuation March 2012 £m	Valuation Sept 2012 £m
3i Infrastructure plc Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	34.1	302	301	375	380
Action Non-food discount retailer	Private Equity Benelux 2011 Earnings	21.1	115	106	143	173
Mayborn Manufacturer and distributor of baby products	Private Equity UK 2006 Earnings	44.7	103	111	105	117
Foster + Partners[1] Architectural services	Private Equity UK 2007 Earnings	40.0			112	112
ACR Reinsurance in large risk segments	Private Equity Singapore 2006 Industry metric	23.9	105	105	118	105
HILITE Fluid control component supplier	Private Equity Germany 2011 Earnings	25.4	99	52	115	99[2]
Element Materials Technology Testing and Inspection	Private Equity Benelux 2010 Earnings	42.2	63	66	90	95
Scandlines Ferry operator in the Baltic Sea	Private Equity Germany 2007 DCF/Earnings	27.3	39	39	89	88
Mémora Funeral service provider	Private Equity Spain 2008 Earnings	34.7	116	116	74	85
Eltel Networks Infrastructure services for electricity and telecoms networks	Private Equity Finland 2007 Earnings	42.6	85	86	68	70
Ten large investments	**42% of total portfolio**		**1,027**	**982**	**1,289**	**1,324**

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

Fifty large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost March 2012 £m	Residual cost Sept 2012 £m	Valuation March 2012 £m	Valuation Sept 2012 £m
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	39.5	30	30	63	65
Navayuga Engineering Engineering and construction	Private Equity India 2006 DCF/Earnings	10.0	23	23	61	58
Tato Manufacture and sale of speciality chemicals	Non-core UK 1989 Earnings	26.1	2	2	59	56
Etanco Designer, manufacturer and distributor of fasteners and fixing systems	Private Equity France 2011 Earnings	30.3	72	74	67	55
NORMA Provider of engineered joining technology	Private Equity Germany 2006 Quoted	9.7	0	0	103	51
Amor Distributor and retailer of affordable jewellery	Private Equity Germany 2010 Earnings	42.1	46	48	55	48
Hobbs Retailer of women's clothing and footwear	Private Equity UK 2004 Earnings	47.0	74	77	49	48
Xellia Developer and supplier of specialist active pharmaceutical ingredients	Private Equity Norway 2007 Earnings	30.4	86	90	27	47
Phibro Animal healthcare	Private Equity US 2009 Earnings	29.9	89	90	41	45
Hyperion Insurance Group Specialist insurance intermediary	Private Equity UK 2008 Industry metric	19.1	21	21	34	39
20 large investments	**59% of total portfolio**		**1,470**	**1,437**	**1,848**	**1,836**

Fifty large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost March 2012 £m	Residual cost Sept 2012 £m	Valuation March 2012 £m	Valuation Sept 2012 £m
Trescal Calibration services	Private Equity France 2010 Earnings	23.5	31	32	38	38
Lekolar Distributor of pedagogical products and educational materials	Private Equity Sweden 2007 Earnings	33.3	30	31	36	36
Geka Manufacturer of brushes, applicators and packaging systems for the cosmetics industry	Private Equity Germany 2012 Earnings	45.7	n/a	57	n/a	36
Palace Street I Debt management (Credit Opportunities Fund)	Debt Management UK[3] 2011 Broker quotes	100.0	36	35	35	34
Krishnapatnam Port India port	Infrastructure India 2009 DCF	3.0	24	24	31	32
Azelis Distributor of specialty chemicals, polymers and related services	Private Equity Benelux 2007 Earnings	47.5	51	64	56	31
OneMed Group Distributor of consumable medical products, devices and technology	Private Equity Sweden 2011 Earnings	30.5	93	98	46	31
LHI Technology Medical cable assemblies	Private Equity China 2008 Earnings	37.5	16	16	30	28
Blue Interactive Cable TV and broadband provider	Private Equity Brazil 2012 Earnings	43.9	n/a	29	n/a	28
BVG India Business services	Private Equity India 2011 Earnings	19.6	21	21	25	26
Inspecta Supplier of testing, inspection and Certification (TIC) services	Private Equity Finland 2007 Earnings	39.2	51	53	13	23
SLR Management Specialist environmental consultancy	Private Equity UK 2008 Earnings	25.9	23	23	23	23
Touch Tunes Interactive Networks Out of home interactive media and entertainment network	Private Equity US 2011 Earnings	9.4	18	18	22	22
MKM Building Supplies Builders' merchant	Private Equity UK 1998 Earnings	30.3	15	16	21	21
Loxam Professional equipment rental	Private Equity France 2011 Earnings	4.9	21	21	23	21

3 Managed in the UK, but has investments in Europe, North America and the UK

Fifty large investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Proportion of equity shares held (%)	Residual cost March 2012 £m	Residual cost Sept 2012 £m	Valuation March 2012 £m	Valuation Sept 2012 £m
Adani Power Power generation	Infrastructure India 2007 Quoted	1.6	25	25	28	21
Polyconcept Supplier of promotional products	Private Equity Benelux 2005 Earnings	13.0	43	44	29	21
GVK Energy Power generation	Infrastructure India 2010 DCF	2.8	23	23	22	20
Environmental Scientifics Group (ESG) Testing, inspection and compliance	Private Equity UK 2007 Earnings	38.0	32	40	21	20
Joyon Southside Real estate	Private Equity China 2007 DCF	49.9	8	8	20	19
Consultim Finance Wholesaler of rental real estate	Private Equity France 2007 Earnings	20.0	24	24	20	18
Agent Provocateur Women's lingerie and assorted products	Private Equity UK 2007 Earnings	34.5	49	49	13	18
John Hardy Designer jewellery business	Private Equity China 2007 Earnings	23.5	15	15	9	18
Soya Fashion design company	Private Equity Denmark 2007 Earnings	45.0	13	13	23	17
KMC Roads Road BOT project construction	Infrastructure India 2011 DCF	6.9	15	15	16	17
Refresco Manufacturer of private label juices and soft drinks	Private Equity Benelux 2010 Earnings	10.7	46	46	17	16
UFO Moviez Provider of digital cinema services	Private Equity India 2007 Earnings	27.6	11	11	14	15
Indiareit Offshore Fund Real estate	Private Equity India 2006 Fund	20.0	13	13	12	13
Gain Capital Retail online forex trading	Private Equity US 2008 Quoted	10.1	24	24	13	13
GO Outdoors Retailer of outdoor equipment, tents, clothing and footwear	Private Equity UK 2011 Earnings	16.5	17	17	13	12
50 large investments	**81% of total portfolio**		**2,258**	**2,342**	**2,517**	**2,524**

Portfolio summary

3i direct portfolio value by business line and geography (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Private Equity			
UK	567	528	549
Continental Europe	1,269	1,615	1,344
Asia	336	382	355
The Americas	323	268	278
Rest of World	5	5	5
	2,500	2,798	2,531
Infrastructure			
UK	389	371	383
Continental Europe	-	-	29
Asia	111	119	115
Rest of World	-	1	1
	500	491	528
Debt Management			
Continental Europe	46	18	42
The Americas	-	-	-
	46	18	42
Non-core			
UK	65	98	97
Continental Europe	3	7	6
The Americas	1	-	-
	69	105	103
Total	**3,115**	**3,412**	**3,204**

3i direct continental European portfolio by value (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Benelux	**341**	341	286
France	**216**	187	228
Germany/Austria/Switzerland	**322**	498	418
Italy	**4**	7	6
Nordic	**233**	242	232
Spain	**158**	308	178
Other European[1]	**44**	57	73
Total	**1,318**	1,640	1,421

1 Other European includes investments in countries where 3i did not have an office at 30 September 2012 and also includes the investment in Palace Street I, which holds investments in several countries.

3i direct portfolio value by sector (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Business Services[2]	**784**	817	782
Consumer	**561**	534	537
Healthcare	**322**	407	335
Industrials	**750**	945	828
Technology, Media and Telecoms	**198**	218	194
Infrastructure	**500**	491	528
Total	**3,115**	3,412	3,204

1 Includes Financial Services.

3i direct portfolio value by valuation method (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Imminent sale or IPO	**6**	193	8
Quoted	**468**	502	535
Earnings	**2,151**	2,180	2,128
Net assets	**-**	1	-
Fund	**18**	5	18
Industry metric	**144**	175	152
DCF	**262**	240	231
Broker quotes	**46**	18	42
Other	**20**	98	90
Total	**3,115**	3,412	3,204

3i direct Private Equity portfolio value by valuation method (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Imminent sale or IPO	**2**	193	4
Quoted	**64**	99	131
Earnings	**2,094**	2,084	2,037
Net assets	**-**	1	-
Fund	**18**	5	17
Industry metric	**144**	175	152
DCF	**164**	168	108
Other	**14**	73	82
Total	**2,500**	2,798	2,531

3i direct Infrastructure portfolio value by valuation method (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Quoted	**401**	401	403
DCF	**98**	72	123
Other	**1**	18	2
Total	**500**	491	528

3i direct Debt Management portfolio value by valuation method (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Broker quotes	**46**	18	42
Total	**46**	18	42

3i direct Non-core portfolio value by valuation method (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Imminent sale or IPO	**4**	-	4
Quoted	**3**	2	1
Earnings	**57**	96	92
Other	**5**	7	6
Total	**69**	105	103

Investment

Investment by business line and geography (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Private Equity			
UK	20	80	100
Continental Europe	76	299	404
Asia	6	12	18
The Americas	29	18	18
	131	409	540
Infrastructure			
UK	-	33	34
Continental Europe	-	-	28
Asia	5	-	8
The Americas	-	-	-
	5	33	70
Debt Management			
UK	-	-	-
Continental Europe	2	6	36
Asia	-	-	-
The Americas	-	-	-
	2	6	36
Non-core	-	-	-
Total	**138**	**448**	**646**

3i direct continental European investment (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Benelux	**10**	156	142
France	**-**	39	120
Germany/Austria/Switzerland	**55**	97	99
Italy	**-**	-	2
Nordic	**10**	2	48
Spain	**5**	5	22
Other European[1]	**(2)**	6	36
Total	**78**	305	469

1 Other European includes investment in the Credit Opportunities Fund.

3i direct investment by sector (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Business Services[1]	**20**	81	141
Consumer	**-**	165	157
Healthcare	**8**	4	25
Industrials	**68**	106	182
Technology, Media and Telecoms	**37**	59	69
Infrastructure	**5**	33	70
Other	**-**	-	2
Total	**138**	448	646

1 Includes Financial Services.

3i direct investment by type (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
New first investment	**89**	302	374
Acquisition finance	**1**	9	12
Other portfolio investment	**13**	11	11
Capitalised interest	**38**	95	163
Other	**(3)**	31	86
Total	**138**	448	646

Investment by business line (including managed and advised external funds) (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Private Equity	**200**	669	888
Infrastructure	**23**	34	296
Debt Management	**2**	6	36
Total	**225**	709	1,220

Investment by geography (including managed and advised external funds) (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
UK	**30**	158	185
Continental Europe	**137**	515	954
Asia	**29**	12	57
The Americas	**29**	24	24
Total	**225**	709	1,220

Realisations

Realisations by business line and geography (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Private Equity			
UK	20	58	65
Continental Europe	143	449	667
Asia	2	8	16
The Americas	-	8	8
	165	523	756
Infrastructure			
UK	1	1	1
Continental Europe	29	-	-
Asia	-	-	-
The Americas	-	-	-
	30	1	1
Debt Management			
UK	-	-	-
Continental Europe	-	-	-
Asia	-	-	-
The Americas	-	-	-
	-	-	-
Non-core			
UK	72	4	10
Continental Europe	1	3	3
Asia	-	-	-
The Americas	-	1	1
	73	8	14
Total	**268**	**532**	**771**

Realisations proceeds by type (£m)

	Six months to 30 September 2012	Six months to 30 September 2011	Year to 31 March 2012
Trade sales	**124**	91	291
Secondaries	**54**	338	349
Sale of quoted investments	**67**	-	-
Loan repayments	**1**	16	18
IPO	**-**	74	76
Other	**22**	13	37
Total	**268**	532	771

Information for shareholders

Note A

The Half-yearly report 2012 will be available as a pdf on our website at www.3igroup.com

Note B

The interim dividend is expected to be paid on 9 January 2013 to holders of ordinary shares on the register on 14 December 2012. The ex-dividend date will be 12 December 2012.

Annual reports online

If you would prefer to receive shareholder communications electronically in future, including annual reports and notices of meetings, please visit our Registrars' website at www.shareview.co.uk/clients/3isignup and follow the instructions there to register.

More general information on electronic communications is available on our website at www.3igroup.com/e-comms

Registrars

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

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Calls to this number are charged at 8p per minute from a BT landline, other telephony provider costs may vary. Lines are open from 8.30am to 5.30pm, Monday to Friday.

3i Group plc

Registered office:
16 Palace Street,
London SW1E 5JD, UK

Registered in England No. 1142830
An investment company as defined by section 833 of the Companies Act 2006.