14 November 2013

3i Group plc announces Half-yearly results to 30 September 2013

Key highlights

- Continuing to deliver against our strategic plan
- Strong flow of Private Equity realisations with proceeds of £528 million, representing a 32% uplift to opening value
- Solid Private Equity portfolio performance; continuing to see benefits of asset management improvement initiatives
- Good contribution by Infrastructure and Debt Management to fee income generation
- Expect to exceed operating cost savings target of £60 million by March 2014
- Total return of £175 million after accounting for a foreign exchange translation loss of £79 million
- Good progression in NAV per share to 322 pence at 30 September 2013 (31 March 2013: 311 pence)
- Initiating additional shareholder distribution - proposing distribution of 20 pence per share for the year to March 2014, including annual base dividend of 8.1 pence; remainder to be distributed via special dividend
- On this basis, confirming interim dividend of 2.7 pence and special interim dividend of 4.0 pence

Simon Borrows, 3i's Chief Executive, commented:

"The Group has performed well during the first six months of the financial year which reflects the strong progress we have made against our strategic priorities. We are now generating some real momentum in the business.

"There has been a strong flow of realisations and a good progression in NAV per share to 322 pence at September 2013 compared to 311 pence at 31 March 2013.

"Given our strong run of realisations, combined with a net cash position and good levels of liquidity, we are initiating additional shareholder distributions. For the financial year 2014, we expect to propose a total dividend of 20 pence per share, including the annual base dividend of 8.1 pence per share."

Financial data

	6 months to/as at 30 September 2013	6 months to/as at 30 September 2012
Returns		
Gross portfolio return	**£315m**	£180m
Gross portfolio return on opening portfolio value	**9.6%**	5.6%
Net portfolio return	**£257m**	£109m
Net portfolio return on opening portfolio value	**7.8%**	3.4%
Total return	**£175m**	£(5)m
Total return on opening shareholders' funds	**6.0%**	(0.2)%
Dividend per ordinary share	**6.7p**	2.7p
Operating expenses as a percentage of assets under management[1]	**1.1%**	1.5%
Assets under management ("AUM")		
3i	**£3,166m**	£4,059m
External funds	**£8,585m**	£7,288m
Total assets under management	**£11,751m**	£11,347m
Balance sheet		
3i portfolio value	**£3,058m**	£3,115m
Gross debt	**£873m**	£1,249m
Net debt / (cash)	**£(28)m**	£493m
Gross interest payable[2]	**£28m**	£62m
Gearing	**n/a**	19.1%
Liquidity	**£1,401m**	£1,251m
Net asset value	**£3,062m**	£2,575m
Diluted net asset value per ordinary share	**£3.22**	£2.73
Investment activity		
Investment	**£81m**	£118m
Realisations	**£528m**	£268m

1 Annualised operating expenses, excluding implementation costs of £4m in the six months to 30 September 2013, £30m in the year to 31 March 2013 and £25m in the six months to 30 September 2012, as a percentage of weighted average assets under management.

2 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2m for the six months to 30 September 2012 and £4m for the year to 31 March 2013.

- ends -

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For further information regarding the announcement of 3i's Half-yearly results to 30 September 2013, including a live videocast of the results presentation at 10.00am (registration from 09.30am), please visit www.3i.com

A pdf of the 3i Group plc Half-yearly report 2013 will be available on our website.

Notes to editors

3i is a leading international investor focused on mid-market private equity, infrastructure and debt management across Europe, Asia and the Americas.

This Half-yearly report has been prepared solely to provide information to shareholders. It should not be relied upon by any other party or for any other purpose.

This Half-yearly report may contain statements about the future, including certain statements about the future outlook for 3i Group plc and its subsidiaries ("3i"). These are not guarantees of future performance and will not be updated. 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.

Total return

for the six months to 30 September 2013

	Six months to 30 September 2013 £m	Six months to 30 September 2012 £m	12 months to 31 March 2013 £m
Realised profits over value on disposal of investments	**130**	65	195
Unrealised profits on revaluation of investments	**137**	66	250
Portfolio income			
Dividends	**16**	14	43
Income from loans and receivables	**26**	30	54
Fees receivable	**6**	5	4
Gross portfolio return	**315**	180	546
Fees receivable from external funds	**36**	36	71
Carried interest receivable from external funds	**3**	1	4
Carried interest and performance fees payable	**(29)**	(3)	(19)
Operating expenses	**(68)**	(105)	(170)
Net portfolio return	**257**	109	432
Net interest payable[1]	**(27)**	(58)	(95)
Movement in the fair value of derivatives	**10**	(8)	(6)
Net foreign exchange movements	**(79)**	(36)	30
Pension actuarial gain/(loss)[1]	**16**	(6)	21
Other including taxes	**(2)**	(6)	(9)
Total comprehensive income (“Total return”)	**175**	(5)	373
Total return on opening shareholders’ funds	**6.0%**	(0.2)%	14.2%

Overview

Performance highlights

Our performance for the six months to 30 September 2013

Strong Private Equity performance

Gross portfolio return of £322 million or 11.9% in the six months, supported by realisation proceeds of £528 million and realised profits of £129 million delivered through careful exit planning, representing an uplift to opening value of 32%

£528m
realisation proceeds

32%
uplift to opening value

On track to achieve cost saving target

Actual costs materially lower at £68 million versus £105 million in the same period last year. Expect to exceed new run-rate cost savings target of £60 million by 31 March 2014

£68m
actual operating costs

Further reduction in gross debt

Reduced gross debt by 19% since 31 March 2013 and over 46% since 31 March 2012

£873m
gross debt

Confirmation of special dividend

In line with distribution policy, initiating additional distribution via special dividend of 4.0p in addition to base interim dividend of 2.7p

20p
expected full year dividend

Chairman's statement

> "I am pleased to report a good set of results during the first six months. We continue to make strong progress in executing our strategic plan."

Sir Adrian Montague
Chairman
13 November 2013

I am pleased to report a good financial performance during the first half of the Group's financial year. This has been achieved against a backdrop of continued uncertainty and volatility in the wider economy. We continue to make strong progress in executing the strategic plan that we announced in June last year.

Dividend

In May 2012, the Board announced a strengthened distribution policy designed to give shareholders a direct share in the success of the Group's realisation activities by adopting a policy of returning to shareholders a proportion of gross cash realisations subject to certain conditions. These conditions have been satisfied and we are therefore initiating additional shareholder distributions above the base dividend.

The Board currently intends to propose a total dividend for the year of 20 pence per share, including the annual base dividend of 8.1 pence per share, subject to the financial results at 31 March 2014 and shareholder approval. Accordingly, the Board has decided to pay a total interim dividend of 6.7 pence per share (2012: 2.7 pence per share), representing one third of the expected total full year dividend. The total interim dividend of 6.7 pence per share will comprise a special dividend of 4.0 pence per share plus a base dividend of 2.7 pence per share.

Board changes

As I indicated in my statement for the year ended 31 March 2013, Willem Mesdag will be retiring from the Board with effect from 30 November. Willem has served as a non-executive Director on our Board since 2007, including as Chair of the Valuations Committee. He has provided invaluable advice during a period of considerable change for 3i and we wish him well in the future.

I am delighted that David Hutchison OBE has been appointed as a non-executive Director of 3i and joined the Board with effect from 11 November. Following Willem's departure from the Board, David will become Chair of the Valuations Committee. David brings a wealth of investment and banking experience across a range of asset classes. Until 2009, David was Head of UK Investment Banking at Dresdner Kleinwort Limited and a member of its Global Banking Operating Committee. Since 2009, he has been Chief Executive of Social Finance Limited, a not-for-profit organisation which injects market principles into funding that creates both social and financial results.

Outlook

Although there are some signs of recovery in parts of the global economy, the overall environment remains uncertain and volatile. We have seen only low levels of GDP growth in Eurozone countries and a marked slow down in emerging markets.

Despite the challenging macroeconomic environment and relatively subdued levels of M&A activity in our core markets, the second half of the year for 3i has started well. We have announced or completed three key Private Equity investments: GIF, JMJ Associates and Scandlines, representing total investment of £185 million. Within Infrastructure, the Group completed its acquisition of Barclays' European infrastructure funds management business, adding c.£780 million of assets under management and a team based in London and Paris.

We remain focused on delivering our strategic plan and we expect to continue to drive improved business performance and generate further shareholder value over the coming years.

Chief Executive's statement

"The Group has performed well over the last six months, delivering a solid set of results as we build upon the considerable progress made during the last financial year - our year of "Restructuring".

We are making good progress in executing the next phase of our strategic plan – "Transition and delivery"."

Simon Borrows
Chief Executive
13 November 2013

Introduction

The Group has performed well during the first six months of the financial year. This reflects the strong progress we have made against our strategic priorities.

There has been a strong flow of realisations and a good progression in NAV per share to 322 pence at 30 September 2013 compared to 311 pence at 31 March 2013. Over the same period, 3i has generated a healthy total shareholder return of 17% compared to 4% for the FTSE All-Share index.

Given our strong run of realisations combined with a net cash position and good levels of liquidity, we are initiating additional shareholder distributions. For financial year 2014, we expect to propose a total dividend of 20 pence per share, including the annual base dividend of 8.1 pence per share.

Business review

In **Private Equity**, we are continuing to see the benefits of the asset management improvement initiatives which were implemented last year. Our Private Equity investment portfolio performance has been good during the first half of the year, despite economic conditions remaining generally weak across a number of markets. In particular, we have had a strong run of realisations within Private Equity, generating £528 million of total proceeds for 3i, more than twice the amount in the same period a year ago. Including third-party funds managed by 3i, total Private Equity realisation proceeds in the period were £887 million. Realisations were achieved at an overall uplift of 32% to opening value and generated good returns on both proprietary and third-party capital for the benefit of our shareholders and fund investors, respectively.

This strong performance has led to a notable improvement in the performance of Eurofund V and our Growth Capital Fund which have now recovered to 1.0x and 1.22x at 30 September 2013 respectively. This is a significant improvement given the funds stood at 0.76x and 0.94x at 31 March 2012 and underlines the benefits of the asset management improvement initiatives initiated during the early part of FY13. Since establishing the new Private Equity leadership team in 2010, the business has seen a strong improvement in performance with a key driver of growth coming from investments made from 2010 onwards such as Action and Element. We expect to continue to improve the performance over time.

In terms of new Private Equity investment opportunities, I am encouraged both by the recent pick up as well as by the quality of the assets that we are seeing in our pipeline. Since the period-end, we have announced or completed three significant investments: GIF (German-based specialist in transmission testing), JMJ (global management consultancy) and Scandlines (leading European ferry operator). In aggregate, these equate to total investment by 3i of £185 million (£261 million including third-party funds).

I am confident that we are putting together an interesting portfolio of new investments with significant potential for value growth. We have been focussing on sectors and assets where we have good experience and where our international platform is a differentiator. These are true mid-market assets which we have secured using our local platforms away from very competitive auction processes. We remain cautious about the macro outlook and our Investment Committee is very keen to see this reflected in the pricing of new investment at the current time. We also have a growing pipeline of potential new investments with similar potential for future value growth.

As a result of the excellent progress made by the business, Private Equity has continued to make a strong contribution to the Group's overall performance. In the first six months of the year, Private Equity generated a gross portfolio return of £322 million (11.9% on opening value), a 92% increase compared to £168 million (6.4% on opening value) in the same period a year ago.

In **Infrastructure**, the European portfolio has continued to perform well and generated a good level of cash income for the Group, through both portfolio income and advisory fees. However, much of this progress has been offset by a decline in the value of the 3i India Infrastructure Fund, driven by a combination of a material depreciation in the Indian rupee as well as the broader macroeconomic challenges in India. While this is disappointing, the core European portfolio is expected to be the key driver of future performance and accounted for 79% of 3i's underlying portfolio value at 30 September 2013 compared with 68% at 31 March 2013.

There continues to be a strong demand for infrastructure assets as investors seek yield, and while the market is competitive, we are seeing a number of interesting investment opportunities in our target northern European markets. For example, in June this year, 3i Infrastructure plc invested £62 million in Cross London Trains, which will own a key element of London's commuter rail infrastructure.

We are delighted to have completed in November the acquisition from Barclays of their European infrastructure fund management business ("BIFM") which brings c.£780 million of assets under management and experienced investment teams in both London and Paris. This business was a pioneer in the primary PPP market and currently manages two unlisted funds focused on UK and European PPP and low-risk energy projects. This strategic acquisition is a key milestone in the development of our Infrastructure business and I believe it will broaden and enhance our access to new investment opportunities. For example, since the period-end, we have already completed an investment in the National Military Museum PPP project in the Netherlands for 3i Infrastructure plc, which was sourced through the BIFM team.

In **Debt Management**, during the first half of the year, third-party fee income remained steady at £16 million (September 2012: £16 million), representing almost half of the Group's total third-party fee income in the period. At 30 September 2013, the business managed £6.3 billion of AUM through 25 funds, 16 in Europe and 9 in the US.

In terms of market activity in the first half, we saw a re-opening of the European CLO market as well as a strong level of new CLO issuance in the US. We capitalised on this with the launch of our first European CLO (Harvest VII) since the establishment of the Debt Management platform in 2011. Harvest VII closed in September, adding €310 million of AUM. And since the period-end, we have made good progress towards launching further CLOs.

We are focussed on the opportunity to launch further new CLO funds and we have warehousing vehicles in place in both Europe and the US to seed future launches.

Strategic priorities and progress

In my last review, I set out the priorities and targets for the Group in the next phase of our strategic plan during financial years 2014 and 2015 – "Transition and delivery". Our overall strategic objectives in this phase are:

- **Cover operating costs with annual cash income.**
- **Grow third-party income and generate a sustainable annual operating profit from our fund management activities.**
- **Improve capital allocation strategy, focusing on enhanced shareholder distributions and re-investment in our core investment businesses.**

Our progress against each of these objectives is described below.

Cover operating costs with annual cash income

A key objective is to cover the Group's operating costs with cash income from management fees and portfolio income. The major cost reduction programme that we announced in June 2012 is a key part of achieving this objective, in combination with growing our assets under management over time.

In May, we announced that we had significantly outperformed our original cost savings target of £40 million, achieving £51 million of annualised run-rate operating cost savings at 31 March 2013.

In this context, we announced a new target of £60 million of cumulative cost savings by 31 March 2014. These targeted savings represent almost a third of the Group's total opening run-rate cost base of £185 million at 31 March 2012, before we announced the restructuring. We have made very good progress in the first half and we again expect to exceed our cost savings target for this financial year. As an indication of the progress we have made, in the first six months of the year, actual operating costs were £68 million, 35% lower than a year ago (September 2012: £105 million). Furthermore, the Group's cash income increased to £70 million in the first half compared to £62 million a year ago. This increase was driven by growth in fees and portfolio income from Debt Management through new fund launches offsetting reduced fee income from Private Equity as a result of net divestment activity as well as Eurofund V and the Growth Capital Fund coming to the end of their respective investment periods.

To help you track our progress, in May we introduced a new key performance indicator called "Annual operating cash profit". This measures the difference between our annual cash income (cash fees from managing third-party funds and cash income from our investment portfolio) and our annual operating expenses, excluding restructuring costs. In the past, 3i has operated at a material deficit on this measure. Our aim is to eliminate this deficit on an annualised run-rate basis by 31 March 2014 even against the headwind of Eurofund V and the Growth Fund having finished their respective investment periods. We are on track to meet this target. We have already made good progress with the Group turning to a profit of £6 million in the six months to 30 September 2013 compared to a loss of £(18) million for the six months to 30 September 2012. Further details are provided in the Financial review under Annual operating cash profit.

Grow third-party income and generate a sustainable annual operating profit from our fund management activities

Our fund management platforms in Private Equity, Infrastructure and Debt Management source and manage investments on behalf of both 3i and third-party funds. These international platforms underpin our ability to make alpha-generating investments on behalf of our shareholders and co-investors. A key objective for 3i is ensuring that fees from these activities more than cover the costs of running the platforms. This includes the costs of our investment teams and the network of regional offices as well as the costs to the Group of providing support functions such as finance, information technology and human resources.

Therefore, our strategic focus is to generate more fees over time through growing our funds under management, while at the same time maintaining a right-sized cost base. We are making strong progress on these fronts. Since 31 March 2012, prior to the announcement of 3i's future strategy, total funds under management have grown from £10.5 billion to £11.8 billion at 30 September 2013. This was driven by growth in third-party capital of close to 37%, from £6.3 billion (60% of total AUM) to £8.6 billion (73% of total AUM). Over the same period, through the cost reduction programme, we have reduced our operating costs as a percentage of weighted average AUM from 1.5% at 31 March 2012 to 1.1% at 30 September 2013.

Over time, we believe that our fund management platform is capable of generating sustainable and growing annual profits, which in turn should create additional value for shareholders beyond the value of our proprietary investments. This is a key building block of the 3i Value Build which I talked about in my last review earlier this year.

Improve capital allocation, focusing on enhanced shareholder distributions and re-investment in our core investment businesses

As part of 3i's new strategy announced in June last year, we have fundamentally changed 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.

- **Significant operating cost savings:** we expect to exceed our target of £60 million of cumulative cost savings by 31 March 2014 and importantly we are on target to cover our costs with cash income on an annualised run-rate basis.

- **Substantial reduction in gross debt and funding costs:** since 31 March 2012, prior to the announcement of 3i's new strategy, gross debt has reduced from £1,623 million to £873 million at 30 September 2013, representing a total reduction of over 46%. The effect of this has been to reduce gross interest costs to £28 million, less than half of the level a year ago (September 2012: £62 million). We are on track to reduce our gross interest costs to less than £60 million for the full year to 31 March 2014 compared to £101 million in the prior year.

- **Re-investing in our core investment businesses:** we are seeing increasing new investment momentum, and since the period-end, we have made a number of key Private Equity investments and our investment pipeline is continuing to build.

  The timing of realisations is driven by individual exit plans for each investment and we now have much better visibility on the timing of these initiatives. We are not planning for the same level of realisations in the second half of this financial year but over the coming years we do plan to deliver a good flow of realisations in Private Equity as we rationalise the number of investments in our portfolio and tighten our focus. We have had a strong run of realisations over the last 9 months, raising over £1.2 billion for 3i and its co-investors.

- **Initiating additional shareholder distributions:** through our strong run of realisations and the resulting net cash position, we have satisfied the criteria for implementing our enhanced distribution policy. The Board intends to propose a total dividend for the year of 20 pence per share, including the annual base dividend of 8.1 pence per share.

Evolving business model

We believe that the combination of our asset management skills across three complementary platforms, together with our strong balance sheet and access to permanent capital, represents a differentiated and attractive value proposition.

Investing from our own balance sheet is part of 3i's heritage. Currently, proprietary investment AUM amounts to £3.2 billion, accounting for 27% of the Group's total AUM. 3i is the largest single investor in our Private Equity and Infrastructure funds. Putting our own capital to work alongside third-party investors is a fundamental part of our business model and strategy.

A recent example of this approach are the framework arrangements we have established earlier in the year with a number of leading investors to invest alongside 3i in European private equity buyout opportunities. It was under one of these arrangements that 3i recently invested alongside a co-investor in JMJ.

We view our role as both an active owner as well as manager of our funds – we see ourselves as an "engaged" LP. This reinforces the alignment between the interests of our shareholders and our fund investors. The Partners in the Private Equity business are responsible for finding and managing our investments while the Investment Committee, which I chair, and includes the two co-heads of the Private Equity business together with a majority of members from outside the Private Equity Division, acts as an engaged and challenging LP and has the final say on new investment as well as realisations and major people and financing decisions.

As we evolve our business model and value proposition further, we increasingly consider the profitability of our fund management activities in addition to the investment returns we generate on 3i's own capital. Both parts need to generate value for the Group.

And while each of our business lines has different proportions of third-party and proprietary capital and therefore different blends of income and capital returns, overall our focus is on growing profitably our fund management activities and maximising investment returns on 3i's own investments. In particular, we believe that our fund management platform is capable of generating sustainable and growing annual profits. This, combined with capital upside on our proprietary investments, should generate further value over time.

We are already managing the Group with this much clearer delineation between our fund management activities and proprietary capital investing and going forward you will be able to track our progress through a combination of KPIs measuring our performance as an investor of proprietary capital and separately as a fund manager, in addition to overall Group performance.

Our changes to the Group's compensation policies which we announced last year will drive a much greater level of share ownership by 3i staff over time and ensure continued focus on costs and delivering a growing level of annual profits.

Outlook

While we have made considerable progress to date in implementing our strategic plan and continue to work hard to drive improved performance across our business, we remain cautious on the economic outlook. We are seeing some positive indicators in certain parts of the economy, but any broader based recovery could be slow and uneven.

We are seeing growth in Debt Management and Infrastructure, and despite the macroeconomic uncertainty, we currently have a growing pipeline of potential new investments in Private Equity. Whilst uncertainty in the economic outlook can create divergent views on price expectations between buyers and sellers and impact the rate of conversion of prospects, it can also create good opportunities for us. We will need to continue to be patient and disciplined but we have the platform and experience to source mid-market investments with good value growth potential away from aggressive auction processes. This platform, together with our propriety capital, is a true source of competitive advantage for 3i.

Critical to our success are our people. Much of what we have achieved since the announcement of the new strategy in June 2012 is down to their hard work and commitment. A key focus is the continued training and development of our staff throughout their careers with 3i.

So far we have made good progress on all of our strategic priorities in this next phase of our plan and I look forward to updating you when we report our annual results for financial year 2014.

Strategic goal and the 3i Value Build

3i's strategic goal is to be a leading international manager of third-party and proprietary capital with three strong investment businesses delivering top quartile cash investment returns over the longer term:

- Focused mid-market **Private Equity**;
- Class-leading **Infrastructure**; and
- Growing **Debt Management**.

Each of these businesses has different drivers and return characteristics. Together, they provide an attractive balance of income and capital returns. We believe that the combination of our asset management skills across these three complementary platforms, together with our strong balance sheet and permanent capital, represents a differentiated business model.

Our plan to achieve this strategic goal in financial year 2016 is set out in clear phases. During financial year 2013, we executed successfully the first phase of this strategic plan (the year of "**Restructuring**"), and we are already making strong progress towards delivering the full benefits of this in financial years 2014 and 2015 ("**Transition and delivery**").

The clear objective of this multi-year strategic plan is to improve business performance and maximise value for 3i, its shareholders and its fund investors – we call this the "**3i Value Build**" and it comprises:

- **Growing Private Equity investment portfolio earnings** through the asset management improvement initiatives, and in turn, increasing the value of our portfolio;
- **Realising investments** at values representing good uplifts to book value and strong cash-on-cash multiples, thereby optimising value from the portfolio and enhancing its valuation rating;
- **Generating a sustainable annual operating profit** from our fund management activities through growth in third-party income combined with a right-sized cost base;
- **Utilising our strong balance sheet and permanent capital** to take advantage of further value creating opportunities across our businesses; and
- **Increasing shareholder distributions** through our enhanced distribution policy which provides shareholders with a direct share of our realisation proceeds above the base annual dividend level.

Business review

> "The Group's results reflect further progress and achievement in the implementation of our strategic priorities."

Julia Wilson
Finance Director
13 November 2013

Group overview

3i Group is an international investor with three complementary business lines. All three business lines invest using a combination of proprietary capital from the Group's own balance sheet and third-party capital. This Business review provides detail on our performance for the six months to 30 September 2013 ("the period") as well as our financial position as at that date, together with comment on our markets and principal risk factors.

The Group generated a total return of £175 million, or a profit on opening shareholders' funds of 6.0% (September 2012: £(5) million or (0.2)%). This reflects further progress and achievement in the implementation of our strategic priorities, with good realisations at strong uplifts to value, an improvement in our cost and income balance, and a further reduction in gross debt. Continuing volatility in macro conditions has had some impact on the results, particularly in respect of foreign exchange.

A key objective of the Group is to improve its operating cash flow so that fees and portfolio income cover costs over time. As a result of new third-party assets under management and the successful cost reduction programme there has been a marked improvement, with "annual operating cash profit" now at £6 million compared with an £(18) million loss in the same period last year. We expect to maintain a profitable position on this measure on a run-rate basis by March 2014.

Total assets under management ("AUM") were £11.8 billion at 30 September 2013. In the period, we closed the first new European CLO since the establishment of the Debt Management business in February 2011, an important milestone for the business. This added €310 million to AUM. Since the period end, we have also completed the acquisition of BIFM, adding a further c.£780 million of AUM.

As the business grows its third-party funds under management it becomes more relevant to consider the balance of fee income and operating costs from that fund management activity separately from the value and performance of 3i's proprietary investment portfolio.

The Group's proprietary investment portfolio performed well in the period with strong realisations delivering cash proceeds of £528 million and an uplift on opening value of £130 million (September 2012: £268 million and £65 million). Portfolio income was stable at £48 million (September 2012: £49 million) and benefited from income being generated from our increased investment in Debt Management alongside third parties. This was offset by net interest payable of £27 million, which is materially lower than last year following a reduction in gross debt to £873 million (September 2012: £58 million[1] and £1,249 million). However, £53 million (September 2012: £50 million[1]) of non-cash accounting charges relating to foreign exchange, movement in derivatives and pension accounting had a negative effect on total return in the period.

Fee income of £36 million was stable compared with last year (September 2012: £36 million). The underlying position reflects good growth in Debt Management which contributed £16 million, offset by falling fee income in Private Equity (totalling £9 million in the period) as a result of net divestment and the impact of a number of fund investment periods ending in the prior year. Infrastructure's fee income was stable at £11 million.

The Group continues to focus on sustaining a leaner organisation with an appropriate operating cost base relative to fee income. Actual costs incurred in the period were materially lower at £68 million (September 2012: £105 million), including additional costs relating to acquisitions and £4 million relating to one-off restructuring costs. The Group remains on track to exceed its targeted run-rate cost savings of £60 million by 31 March 2014.

The acquisition of BIFM, which completed in November, will further increase fee income in the second half of the year. Fees generated by the BIFM funds are expected to exceed the incremental costs.

We took further steps to reduce gross debt in the period, principally by the repayment of drawings under a revolving credit facility in April. As at 30 September 2013, gross debt was £873 million, a reduction of 19% since the start of the period and over 46% since 31 March 2012. Strong realisations and relatively low levels of investment mean that at 30 September 2013 we had net cash of £28 million, compared to net debt of £335 million at 31 March 2013.

Consequently, the Group has now clearly met the criteria for making additional distributions. Realisation proceeds, including the carry forward of proceeds from the sale of Mold-Masters in the prior period, totalled £750 million at 30 September 2013. As investment levels have been relatively low, and are expected to continue to be so in the near term, the Board has confirmed that it intends to pay a total dividend of 20 pence for the year, of which 8.1 pence is our base dividend. We have decided to pay one third of the total, or 6.7 pence, as an interim distribution, of which 2.7 pence represents the base dividend and 4.0 pence a special dividend.

1 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million and an increase of £2 million to actuarial profits for the six months to 30 September 2012.

Financial data and Key Performance Indicators

The table below summarises our financial results and our key performance indicators. The rest of this section of the report includes more detail on the performance in the year.

	Six months to/as at 30 September 2013	Six months to/as at 30 September 2012	Year to/as at 31 March 2013
Returns			
Gross portfolio return	**£315m**	£180m	£546m
Gross portfolio return on opening portfolio value	**9.6%**	5.6%	17.0%
Net portfolio return	**£257m**	£109m	£432m
Net portfolio return on opening portfolio value	**7.8%**	3.4%	13.5%
Total return	**£175m**	£(5)m	£373m
Total return on opening shareholders' funds	**6.0%**	(0.2)%	14.2%
Dividend per ordinary share	**6.7p**	2.7p	8.1p
Actual operating expenses	**£68m**	£105m	£170m
Operating expenses as a percentage of assets under management[1]	**1.1%**	1.5%	1.3%
Annual operating cash profit/(loss)	**£6m**	£(18)m	£(8)m
Assets under management ("AUM")			
Proprietary capital	**£3,166m**	£4,059m	£3,694m
Third-party capital	**£8,585m**	£7,288m	£9,176m
Total assets under management	**£11,751m**	£11,347m	£12,870m
Balance sheet			
3i portfolio value	**£3,058m**	£3,115m	£3,295m
Gross debt	**£873m**	£1,249m	£1,081m
Net debt/(cash)	**£(28)m**	£493m	£335m
Gross interest payable[2]	**£28m**	£62m	£101m
Gearing	**n/a**	19.1%	11.4%
Liquidity	**£1,401m**	£1,251m	£1,082m
Net asset value	**£3,062m**	£2,575m	£2,934m
Diluted net asset value per ordinary share	**322p**	273p	311p
Investment activity			
Cash investment	**£81m**	£118m	£172m
Realisations	**£528m**	£268m	£606m

1 Annualised operating expenses, excluding implementation costs of £4 million in the six months to 30 September 2013, £30 million in the year to 31 March 2013 and £25 million in the six months to 30 September 2012, as a percentage of weighted average assets under management.

2 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million for the six months to 30 September 2012 and £4 million for the year to 31 March 2013.

Assets under management

Total AUM fell by £1,119 million to £11,751 million in the period (March 2013: £12,870 million). Within this, third-party AUM decreased by £591 million to £8,585 million, or 73% of the total AUM at 30 September 2013 (March 2013: £9,176 million, or 71% of total AUM).

Private Equity AUM is calculated on invested rather than committed capital following the end of the investment periods for Eurofund V and the Growth Capital Fund. The reduction in total AUM therefore mainly reflects the net divestment activity.

During the period Debt Management launched its first European CLO since our establishment of the Debt Management business in February 2011 which, in addition to the establishment of warehouse vehicles in Europe and the US, helped to reduce the impact of distributions from CLOs that have passed their re-investment period and foreign exchange. Debt Management AUM decreased by £146 million in the period.

In Infrastructure, since the period end, we also completed the acquisition of the BIFM business which will add a further c.£780 million to the AUM.

The table below summarises the key movements in the period.

Table 1: Reconciliation of movements in assets under management by business line

	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m
AUM at 31 March 2013	4,851	1,579	6,440	12,870
of which proprietary capital	3,145	481	68	3,694
of which third-party capital	1,706	1,098	6,372	9,176
Investment (cost)	48	-	-	48
Divestment/distributions (cost)	(789)	-	(381)	(1,170)
3i Infrastructure plc NAV movement	-	(24)	-	(24)
New funds raised	-	-	398	398
Acquisitions	-	-	-	-
Foreign exchange movements and other	(208)	-	(163)	(371)
AUM at 30 September 2013	**3,902**	**1,555**	**6,294**	**11,751**
of which proprietary capital	2,577	472	117	3,166
of which third-party capital	1,325	1,083	6,177	8,585

Table 2: Assets under management

	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment at September 2013	% invested at September 2013	Gross money multiple[1] at September 2013	AUM
Private Equity							
3i Eurofund III	July 1999	€1,990m	€995m	€90m	91%	2.1x	€11m
3i Eurofund IV	June 2004	€3,067m	€1,941m	€78m	96%	2.3x	€403m
3i Eurofund V	Nov 2006	€5,000m	€2,780m	€379m	86%	1.0x	€2,660m
3i Growth Capital Fund	March 2010	€1,192m	€800m	€376m	53%	1.2x	€598m
Other	various	various	various	n/a	n/a	n/a	€972m
Total Private Equity AUM							**£3,902m**
Infrastructure							
3i India Infrastructure Fund	March 2008	US$1,195m	US$250m	US$38m	73%	0.6x	US$689m[2]
3i Infrastructure plc	March 2007	£1,049m[3]	£358m[4]		n/a	n/a	£1,049m
Other	various	various	various		n/a	n/a	£103m
Total Infrastructure AUM							**£1,555m**

Debt Management

European CLO funds	Closing date	Reinvestment period end	Maturity date	Par value of fund at launch[5]	Realised equity money Multiple[6]	Annualised equity cash yield[7, 8, 9]	AUM
Harvest CLO I	Apr-04	Mar-09	Mar-17	€514m	0.7x	7.4%	€106m
Harvest CLO II	Apr-05	May-12	May-20	€540m	1.1x	13.3%	€442m
Harvest CLO III	Apr-06	Jun-13	Jun-21	€650m	0.7x	9.8%	€611m
Harvest CLO IV	Jun-06	Jul-13	Jul-21	€750m	0.8x	10.6%	€717m
Harvest CLO V	Apr-07	May-14	May-24	€632m	0.3x	5.3%	€606m
Harvest CLO VII	Sep-13	Oct-17	Oct-25	€310m	n/a	n/a	€310m
Windmill CLO I	Oct-07	Dec-14	Dec-29	€500m	0.4x	6.2%	€480m
Petrusse CLO	Jun-04	Sep-09	Dec-17	€295m	0.4x	4.6%	€57m
Alzette CLO	Dec-04	Dec-10	Dec-20	€362m	0.6x	7.4%	€124m
Garda CLO	Feb-07	Apr-13	Apr-22	€358m	1.0x	15.8%	€329m
Coniston CLO	Aug-07	Jun-13	Jul-24	€409m	0.6x	10.9%	€371m
Axius CLO	Oct-07	Nov-13	Nov-23	€350m	0.3x	4.5%	€321m
							£3,746m
US CLO funds							
Fraser Sullivan CLO I	Mar-06	Mar-12	Mar-20	US$400m	1.5x	19.7%	US$257m
Fraser Sullivan CLO II	Dec-06	Dec-12	Dec-20	US$485m	1.5x	23.4%	US$376m
COA Caerus CLO	Dec-07	Dec-15	Dec-19	US$242m	1.3x	25.2%	US$243m
Fraser Sullivan CLO VI	Nov-11	Nov-14	Nov-22	US$409m	0.3x	17.6%	US$403m
Fraser Sullivan CLO VII	Apr-12	Apr-15	Feb-21	US$450m	0.2x	21.2%	US$454m
Jamestown CLO I	Nov-12	Nov-16	Nov-24	US$450m	0.1x	18.0%	US$453m
Jamestown CLO II	Feb-13	Jan-17	Jan-25	US$500m	0.1x	12.5%	US$502m
							£1,664m

	Closing date	Reinvestment Period end	Maturity date	Original fund size	Realised equity money Multiple[6]	Annualised equity cash yield[7, 8, 9]	AUM
Other funds							
Vintage I	Mar-07	Mar-09	Jan-22	€500m	2.0x	4.8x	€440m
Vintage II	Nov-11	Sept-13	n/a	US$400m	n/a	1.3x	US$248m
Palace Street I	Aug-11	n/a	n/a	n/a	0.6x	21.4%	€50m
Friday Street	Aug-06	Aug-08	Aug-14	€300m	0.2x	2.9%	€77m
European Warehouse	n/a	n/a	n/a	n/a	n/a	n/a	€9m
COA Fund[10]	Nov-07	n/a	n/a	n/a	n/a	(3.0)%	US$116m
Senior Loan Fund	Jul-09	n/a	n/a	n/a	n/a	9.3%	US$73m
US Warehouse vehicles	n/a	n/a	n/a	n/a	n/a	n/a	US$211m
							£884m
Total Debt Management							**£6,294m**

1 Gross money multiple is the cash returned to the fund plus value as at 30 September 2013, as a multiple of cash invested.
2 Adjusted to reflect 3i Infrastructure plc's US$250 million share of the Fund.
3 Based on latest published NAV (ex-dividend).
4 3i Group's proportion of latest published NAV.
5 Includes par value of assets and principal cash amount.
6 Multiple of total equity distributions over par value of equity at launch.
7 Average annualised returns since inception of CLOs calculated as annualised cash distributions over par value of equity. Excludes unrealised equity remaining in CLO.
8 Vintage I & II returns are shown as gross money multiple which is cash returned to the Fund plus value as at 30 September 2013, as a multiple of cash invested.
9 The annualised returns for the COA fund and Senior Loan Fund are the annualised net returns of the Funds since inception.
10 The COA Fund AUM excludes the market value of investments the fund has made in 3i US Debt Management CLO funds (US$126 million as at 30 September 2013).

Investment and realisations

Table 3: Investment activity – proprietary capital and third-party capital six months to 30 September

	Proprietary capital		Proprietary and Third-party capital	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Realisations	**528**	268	**887**	384
Cash investment[1]	**(81)**	(118)	**(152)**	(165)
Net cash divestment	**447**	150	**735**	219
Non-cash investment[2]	**(46)**	(20)	**(73)**	(63)
Net divestment	**401**	130	**662**	156

1 Includes net negative investment of £11 million in Debt Management Palace Street I fund.
2 Non-cash investment reflects the recognition of capitalised interest within the Private Equity portfolio and outstanding non-settled trading activity within Debt Management's Palace Street I fund.

Realisations in the period generated cash proceeds of £528 million (September 2012: £268 million), offset by cash investment of £81 million (September 2012: £118 million), resulting in net cash inflow of £447 million (2012: £150 million). Non-cash investment in the period totalled £46 million (September 2012: £20 million) and total investment was £127 million (September 2012: £138 million).

Investment

The macroeconomic environment in Europe remains challenged, with some economies struggling to return to growth while implementing austerity measures. There are some signs that the UK economy in particular is starting to improve with Purchasing Manager Indices reporting improved metrics. There are also signs of a more established recovery in the US economy. However, there remain a number of risks and, notwithstanding this improvement, global M&A activity in the six months to 30 June 2013 was flat overall in value terms, while the volume of deals reduced. Although there is significant capacity for investment (source: KPMG M&A Predictor July 2013), ongoing concerns about macroeconomic factors continue to subdue activity levels. M&A in the small and mid-market in particular has continued to reduce and European private equity activity, while flat year-on-year, fell 19% in the third quarter compared to the second quarter.

In contrast, the market for CLO fund raisings has been more positive. In the nine months to September 2013 $60 billion of new CLO deals have priced in the US across 124 deals, which is higher than the total level issued in 2012. Notwithstanding the strong momentum year to date, the primary CLO market has become more challenging in recent months, whilst the impact of US regulation, loans being issued on issuer friendly terms and wider liability funding. There were $28 billion of CLOs issued in the first quarter of 2013, with $18 billion and $14 billion issued in the second and third quarters. In the nine months to 30 September 2013, new European leveraged loan issuance was €54.6 billion, which is more than double the €20.5 billion seen in the first nine months of 2012. The recovery in the supply of new leveraged loan issuance in Europe is reflected in the re-opening of the European CLO market. Fourteen CLOs have priced in Europe so far this year for total volume of €4.8 billion.

The relatively reduced level of M&A activity and high level of competition is reflected in the Group's continued low level of investment activity, outside Debt Management, in the period.

Investment was £127 million (September 2012: £138 million). Cash investment was £81 million (September 2012: £118 million), including net negative investment of £11 million in Palace Street I, the European Credit Opportunities Fund. Investment into Debt Management accounted for the majority of cash investment in the period with £10 million also being invested by Private Equity to support the existing portfolio. All of the Group's new investments in the period were made by our Debt Management business and included £16 million in our new European CLO, Harvest VII, and also £66 million to warehouse investments in the US and Europe in preparation for the launch of further CLO funds. Table 4 details the new investments made in the period.

The investment pipeline for Private Equity did improve during the first half of the year. On 9 September 2013, 3i announced its £64 million investment in GIF, a leading international transmission testing business based in Germany, at a multiple of 7x EBITDA. On 21 October 2013 we also announced a £44 million investment in JMJ, a US-based global management consultancy. The investment in JMJ is the first to be made alongside our co-investors under the established framework agreements. The Group has also committed, alongside Eurofund V, to purchase an additional equity stake in Scandlines from our original investment partner for £77 million. The investments in GIF and JMJ have now completed and we expect Scandlines to complete in the quarter to 31 December 2013.

Table 4: New investment in the six months to 30 September 2013

Investment	Region	Date	3i investment £m
Harvest VII	Europe	September 2013	16
Debt Warehouse - Europe	Europe	May 2013	33
Debt Warehouse - US	US	June 2013	33
Total			82

Note : All new investments in the period related to the Debt Management business.

Realisations

As noted above, M&A activity remains subdued in Europe but there is capital available for investment generating a good environment for realisations. The Group generated strong realisations in the period but activity slowed in the quarter to 30 September 2013, in line with the market.

The Group received cash proceeds from realisations of £528 million in the six months to 30 September 2013 (September 2012: £268 million). These realisations were achieved at a strong average uplift over opening portfolio value of 32% (September 2012: 32%) and at a money multiple over original cost of 1.6x (September 2012: 2.1x). Excluding Enterprise, a large 2007 vintage investment, which was realised in the period for £7 million, representing a 0.1x money multiple, the money multiple over original cost was 1.9x.

All of the realisations in the period were generated from our Private Equity portfolio, predominantly through a combination of trade sales to strategic buyers and sales to private equity or other financial investors.

Notable exits included the sale of Xellia, which generated proceeds of £143 million and an uplift over opening portfolio value of 46%; the sale of Civica for £124 million and a 48% uplift on opening portfolio value; and the partial sale of shares in Quintiles, a global healthcare business, which completed a successful IPO in May 2013, from which we generated proceeds of £13 million, and retained residual value at 30 September 2013 of £146 million.

Table 5: Realisations by type in the six months to 30 September

	2013 £m	2012 £m
Trade sales	**171**	124
Sales to private equity and other financial investors	**239**	54
Loan repayment	**59**	1
Quoted asset sales	**21**	67
Other	**38**	22
Total	**528**	268

Table 6: Realisations in the six months to 30 September 2013

Investment	Country	Calendar year invested	31 March 2013 value £m	3i realised proceeds £m	Realised profit/(loss) in the period £m	Uplift on opening value[1] %	30 Sep 2013 value	Money multiple over cost[2]	IRR
Private Equity									
Xellia	Nordic	2008	99	143	45	46%	**n/a**	2.3x	18%
Civica	UK	2008	84	124	40	48%	**n/a**	2.1x	16%
Action[3]	Benelux	2011	280	59	11	23%	**299**	3.4x	80%
Trescal	France	2010	51	58	8	16%	**n/a**	2.0x	30%
Hyperion	UK	2008	43	44	2	5%	**n/a**	1.7x	12%
Joyon	China	2007	15	21	5	31%	**n/a**	1.9x	15%
Quintiles[3]	USA	2008	103	13	4	44%	**146**	2.4x	23%
HTC	Nordic	2006	10	13	3	30%	**n/a**	0.6x	(6)%
Franklin	Singapore	2007	10	12	2	20%	**n/a**	1.5x	10%
Futaste	China	2007	8	9	-	-	**n/a**	0.9x	(2)%
Enterprise	UK	2007	8	7	(1)	(13)%	**n/a**	0.1x	(50)%
EUSA[4]	UK	2007	-	6	6	n/a	**n/a**	2.4x	19%
Gain Capital[3]	USA	2008	12	7	2	40%	**19**	1.0x	-
Other investments[3,5]	n/a	n/a	71	12	2	20%	**61**	0.6x	n/a
			794	528	129	32%	**525**	1.6x	n/a
Debt Management									
Palace Street I	Europe	2011	48	-	1	n/a	**44**	n/a	n/a
Total			**842**	**528**	**130**	**n/a**		**n/a**	**n/a**

1 Cash proceeds in the period over opening value realised.
2 Cash proceeds (including income) over cash invested.
3 For partial divestments and recapitalisations, valuations of any remaining investment are included in the money multiple over cost calculation.
4 Deferred consideration.
5 Includes the full realisation of three investments, four partial realisations and three receipts of deferred consideration.

Portfolio

The value of the portfolio at 30 September 2013 was £3,058 million (31 March 2013: £3,295 million). It reduced in the period as a result of net divestment, offset in part by unrealised value growth.

The weighting of Private Equity in the portfolio reduced marginally in the period to 79% (March 2013: 83%), following net divestment. The weighting of Debt Management increased to 5% (March 2013: 2%), as a consequence of new fundraising activity and Infrastructure remained stable at 16% of the total portfolio (March 2013: 15%).

In line with its strategy, the Group continues to reduce the number of assets held in the portfolio. There were 115 investments in the portfolio at 30 September 2013 (31 March 2013: 127) of which 87 were Private Equity, 10 Infrastructure and 18 Debt Management. As the number of realisations exceeded new investment, combined with the strong value growth in the Group's larger investments, there has been an increased concentration of the portfolio. The 10 largest investments accounted for 51% of the portfolio at the period end (31 March 2013: 46%) and the 25 largest for 76% (31 March 2013: 75%).

Private Equity

As shown in Table 7, the majority of the portfolio (65% by value) grew earnings and the portfolio's largest assets are delivering good earnings growth. The Private Equity portfolio's last 12 months value weighted earnings, the most relevant measure of NAV impact, grew by 15% (March 2013: 10%) year on year.

Table 7: Portfolio earnings growth[1]

Last 12 months' earnings growth	3i carrying value at 30 September 2013 (£m)	Number of companies
<(20)%	**49**	**6**
(20) - (11)%	**90**	**4**
(10) - (1)%	**438**	**8**
0 - 9%	**302**	**9**
10 - 19%	**269**	**4**
20 - 29%	**479**	**6**
>30%	**80**	**3**

1 Includes all companies valued on an earnings basis where comparable earnings data is available. This represents 70% of the Private Equity portfolio.

The weighted average EBITDA multiple used at 30 September 2013 was 9.6x pre-marketability discount (March 2013: 8.8x) and 8.8x post-marketability discount (March 2013: 7.9x). These multiples remain below those seen in relevant sector and geographic public markets; for example the FTSE 250 was valued on an average multiple of 11.7x at 30 September 2013.

Leverage in the Private Equity portfolio increased marginally in the period to 3.3x net debt to EBITDA weighted by value (31 March 2013: 3.2x). The increase is primarily a result of the successful refinancing of Action in September 2013 which, as a result of the business' strong performance and the company's high cash flow conversion, had rapidly de-levered Table 8 shows the ratio of net debt to EBITDA weighted by portfolio value.

Table 8: Ratio of net debt to EBITDA
– Private Equity portfolio weighted by September 2013 carrying values[1]

Ratio of net debt to EBITDA	3i carrying value at 30 September 2013 £m
<1x	561
1 - 2x	333
2 - 3x	415
3 - 4x	542
4 - 5x	382
5 - 6x	88
>6x	78

1 This represents 99% of the Private Equity portfolio, being those investments where net debt is relevant.

The majority, or 84%, of the Private Equity portfolio by value, is now located in our focus areas of Northern Europe, the US and Brazil (31 March 2013: 81%) as the exposure to Asia and Southern Europe has reduced through realisations and some decline in value.

Infrastructure

3i's investment exposure to infrastructure assets is primarily through its 34% shareholding in 3i Infrastructure plc ("3iN") and through its commitment to the 3i India Infrastructure Fund. 3iN is a listed company with an independent board and our investment is therefore exposed not only to the underlying portfolio but also to fluctuations in the share price of 3iN.

3iN is 3i Group's largest single investment. 3iN's share price increased from 132.6 pence to 133.2 pence in the period. Our 34% holding was valued at £400m at 30 September 2013, or 13% of 3i's total portfolio.

The underlying European portfolio continues to perform well and now represents 79% of the underlying portfolio (31 March 2013: 68%). The underlying India portfolio reduced in value in the period as a result of continuing challenging market conditions in India. Further detail can be found at: www.3i-infrastructure.com

Debt Management

The Debt Management portfolio consists of 18 investments, including the capital provided to CLOs managed by the Group, Palace Street I and the Senior Loan Fund and investments into warehouses in order to build portfolios prior to future fund launches. The Debt Management portfolio grew in the period following increased activity levels and the portfolio was valued at £155 million at 30 September 2013 (March 2013: £81 million). Excluding new investment, value remained flat in the period.

Financial review

Returns

Table 9: Total return for the six months to 30 September 2013

	Six months to 30 September 2013 £m	Six months to 30 September 2012 £m	12 months to 31 March 2013 £m
Realised profits over value on disposal of investments	**130**	65	195
Unrealised profits on revaluation of investments	**137**	66	250
Portfolio income			
Dividends	**16**	14	43
Income from loans and receivables	**26**	30	54
Fees receivable	**6**	5	4
Gross portfolio return	**315**	180	546
Fees receivable from external funds	**36**	36	71
Carried interest receivable from external funds	**3**	1	4
Carried interest and performance fees payable	**(29)**	(3)	(19)
Operating expenses	**(68)**	(105)	(170)
Net portfolio return	**257**	109	432
Net interest payable[1]	**(27)**	(58)	(95)
Movement in the fair value of derivatives	**10**	(8)	(6)
Net foreign exchange movements	**(79)**	(36)	30
Pension actuarial gain/(loss)[1]	**16**	(6)	21
Other including taxes	**(2)**	(6)	(9)
Total comprehensive income ("Total return")	**175**	(5)	373
Total return on opening shareholders' funds	**6.0%**	(0.2)%	14.2%

Total return

The total return for the Group was £175 million, which represented a 6.0% return on opening shareholders' funds and a marked improvement on the prior comparable six-month period (September 2012: £(5) million, (0.2)%). Gross portfolio return on 3i's investment portfolio of £315 million (September 2012: £180 million) demonstrated the robust performance of the portfolio, supported by strong cash realisations above opening valuations. The Group also benefited from the cost reduction programme initiated in June 2012, with actual operating costs of £68 million (September 2012: £105 million) being significantly lower than the prior comparable six-month period. The effect of the material reduction in gross debt since 31 March 2012 is now reflected in the net interest payable, which was £27 million in the period (September 2012: £58 million[1]). Finally, the total return included the negative impact of foreign exchange movements which, along with other non-cash accounting charges, reduced total return by £53 million (September 2012: £(50) million[1]).

1 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million and an increase of £2 million to actuarial profits for the six months to 30 September 2012. For the 12 months to 31 March 2013 this resulted in an increase in interest payable of £4 million and an increase of £4 million to actuarial profits. In both periods there has been no impact on total comprehensive income.

Annual operating cash profit

In June 2012, the Group set an objective of generating cash income from third-party fees and portfolio income sufficient to cover the operating expenses incurred in the year, prior to restructuring costs. This is the "annual operating cash profit" and we measure it on an interim basis for a six month period.

The benefits of the cost reduction programme are now being seen. Actual costs incurred in the period of £68 million were significantly lower compared to the prior period (September 2012: £105 million). They include £4 million of implementation costs associated with the cost reduction programme, and £5 million of costs relating to the Fraser Sullivan and Invesco acquisitions completed since the programme commenced.

In addition to reducing costs, the Group has maintained its cash income. A reduction in fee income from Private Equity funds, that have had net divestment in the period, has been offset by underlying growth in Debt Management through new fund launches and increased investment into cash yielding Debt Management investments. The Private Equity portfolio income has also benefitted from £4 million of one-off cash receipts of accrued interest on realisation. The recent acquisition of BIFM will generate further fee income in future periods.

The annual operating cash profit position improved and importantly moved from a loss of £18 million in the six months to 30 September 2012 to a profit of £6 million in the six months to 30 September 2013, including the £4 million of one-off receipts stated above. We expect to remain profitable on this measure through to 31 March 2014.

Table 10: Annual operating cash profit for the six months to 30 September

	2013 £m	2012 £m
Third-party capital fees	**39**	35
Cash portfolio fees	**6**	2
Cash portfolio dividends and interest	**25**	25
Cash income	**70**	62
Operating expenses[1]	**68**	105
Less: Restructuring costs	**(4)**	(25)
	64	80
Annual operating cash profit/(loss)	**6**	(18)

1 Operating expenses are disclosed on an accruals basis rather than a cash basis. This difference is not considered material.

Realised profits

Realised profits of £130 million in the period (September 2012: £65 million) demonstrated the benefits of careful exit planning. Realisations were achieved at an uplift over opening value of 32% (September 2012: 32%) and produced a money multiple of 1.6x (September 2012: 2.1x).

Table 6 details realisations in the period and sets out the accounting uplift reflected in the period's total return and the longer term cash-to-cash results.

Unrealised value movements

Table 11: Unrealised profits/(losses) on revaluation of investments six months to 30 September

	2013 £m	2012 £m
Private Equity		
Earnings based valuations		
Performance	**32**	60
Multiple movements	**78**	4
Other bases		
Provisions	**-**	4
Imminent sale	**(13)**	(1)
Discounted Cash Flow	**(11)**	1
Other movements on unquoted investments	**-**	(9)
Quoted portfolio	**75**	8
Infrastructure		
Quoted portfolio	**(4)**	(2)
Discounted Cash Flow	**(20)**	-
Debt Management		
Broker quotes	**-**	1
Total	**137**	66

The underlying performance of the portfolio overall was good. Some of our largest investments, notably Action and Element, continued to demonstrate strong progress in earnings growth. Investments in India and China continued to be challenged, principally as a result of macro economic factors. There have also been significant currency movements in the India portfolio in particular. The weakening of the rupee resulted in a loss of £15 million in the period, which is included in the foreign exchange movement within total return.

Table 12 details the proportion of portfolio value by valuation basis following the movements in the period.

Table 12: Proportion of portfolio value by valuation basis as at 30 September 2013

	%
Earnings	**60**
Imminent sale	**1**
Quoted	**19**
Discounted Cash Flow	**6**
Other	**9**
Broker quotes	**5**

Performance

The performance category measures the impact of earnings and net debt movements for the 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 2013 valuations are the last 12 months' management accounts data to June 2013, unless the current year forecast indicates a lower maintainable earnings level. Where appropriate, adjustments are made to earnings on a pro forma basis for acquisitions, disposals and non-recurring items. Consistent with the approach taken at 31 March 2013, a run-rate adjustment is made to the earnings of Action for valuation purposes to reflect the profitability of stores opened in the period.

Improvements in the performance of the portfolio valued on an earnings basis resulted in an increase in value of £32 million (September 2012: £60 million). This was driven by strong earnings growth in our larger investments, with last 12 months' value weighted earnings, the most relevant measure of NAV impact, growing by 15% (March 2013: 10%). Leverage, measured as net debt to EBITDA, remained flat at 3.2x at 30 September 2013 since the beginning of the year for companies valued on an earnings basis (3.3x for the whole portfolio).

Multiple movements

Multiples used to value the portfolio showed improvement in the latter part of the period, following the continued recovery in stock markets. The value weighted average EBITDA multiple increased to 9.6x pre marketability discount (March 2013: 8.8x) and to 8.8x post discount (March 2013: 7.9x). This 9% increase in the period generated an increase in value of £78 million (September 2012: £4 million) for those assets valued on an earnings basis at the beginning and end of the period.

Provisions

A provision is recognised where we anticipate that there is a 50% or greater chance that the Group's investment in the portfolio company will fail within the next 12 months. There were no provisions made in the period (September 2012: £4 million).

Imminent sale

Portfolio companies which are currently in a negotiated sales process are valued on an imminent sale basis, provided there are no significant conditions to a successful completion. At 30 September 2013, two portfolio companies were in an advanced sales process, generating a value decrease of £13 million (September 2012: £(1) million). The majority of this decrease relates to an asset from the Asian portfolio.

Discounted Cash Flow

The Discounted Cash Flow ("DCF") valuation basis is used to value portfolio companies with predictable and stable cash flows, typically infrastructure investments. As at 30 September 2013, there were nine portfolio companies valued using the DCF valuations basis, the majority of which relate to the Group's Indian portfolio. The continued challenging environment in India has contributed to an unrealised loss for cases valued using DCF models of £31 million in the period (September 2012: £1 million).

Other

Where a different valuation basis is more appropriate for a portfolio company, other methods are used to determine fair value, for example, the sum of the parts of the business, or industry specific methods. We group these in the "other" category. The total movement in value was nil in the six months to 30 September 2013 (September 2012: £(9) million).

Quoted portfolio

The quoted portfolio was valued at £578 million at 30 September 2013 and now represents 19% (March 2013: 13%) of the Group's total portfolio, following the IPO of Quintiles in the period. The Group's 34% investment in 3i Infrastructure plc represents the majority of the quoted portfolio at £400 million. Table 13 below summarises the Group's quoted holdings.

Table 13: Quoted value movement in the six months to 30 September 2013

Investment	Business line	Listing market	Residual cost at 30 September 2013 £m	Share price at 30 September 2013	**Value at 30 September 2013 £m**	Value growth in the six months to 30 September 2013 £m
3i Infrastructure plc	Infrastructure	LSE	302	£1.332	**400**	1
Quintiles	Private Equity	NYSE	67	$44.88	**146**	62
Gain Capital	Private Equity	NYSE	14	$12.57	**19**	13
Adani Power	Infrastructure	BSE	25	INR32.25	**11**	(5)
Newron	Private Equity	SWX	2	CHF9.11	**2**	-
Total			410		**578**	71

Broker quotes

The Group has investments in a number of the CLOs managed by the Debt Management team, as well as in the Credit Opportunities Fund, Palace Street I. These assets, valued using broker quotes, recorded no value movement in the period (September 2012: £1 million).

Portfolio income

Income from the portfolio was £48 million in the six months to 30 September 2013 (September 2012: £49 million).

Dividends of £16 million were received (September 2012: £14 million), including £11 million from 3i Infrastructure plc and £3 million from Debt Management investments. Interest income was lower than last year at £26 million (September 2012: £30 million) due to the net divestment position for Private Equity.

A further £6 million in net deal fees was received in the period (September 2012: £5 million), principally relating to fees received on completing investments and realisations and annual monitoring fees paid by portfolio companies.

Portfolio income received as cash in the six months was £31 million (September 2012: £27 million), reflecting the relatively high proportion of capitalised interest generated by the Private Equity portfolio.

Fees receivable from external funds

Fees earned from external funds of £36 million in the period were in line with the same period last year (September 2012: £36 million).

Our Private Equity business generated fund management fee income of £9 million (September 2012: £10 million), the decline reflecting the Growth Capital Fund coming to the end of its investment period in December 2012 and the net divestment position seen in the period.

Our Debt Management business continued to generate strong fund management fee income of £16 million (September 2012: £16 million). The recently closed European CLO, Harvest VII, will contribute to further growth in fee income in the second half. We recognised the subordinated fees on all but two of the CLO funds at 30 September 2013, demonstrating their continuing solid performance.

Advisory and management services to 3i Infrastructure plc and the 3i India Infrastructure Fund generated £11 million of advisory and management fee income in the year (September 2012: £10 million). The recently completed acquisition of BIFM will contribute to fee income growth in the second half.

Net carried interest and performance fees payable

Table 14: Net carried interest and performance fees payable six months to 30 September

	2013 £m	2012 £m
Receivable from third party funds	**3**	1
Payable	**(29)**	(3)
Net	**(26)**	(2)

Carried interest and performance fees are accrued on realised and unrealised profits, taking relevant performance hurdles on the underlying fund and carry vehicles into consideration and assuming that all assets are realised at their current carrying value. No cash payments will be made until the equivalent cash-to-cash returns are generated.

Net carried interest and performance fees payable in the six months to 30 September 2013 of £26 million (September 2012: £2 million) reflect the strong performance of assets, in particular those invested in since 2010. This is consistent with the improved performance of Eurofund V and the Growth Capital fund.

Operating expenses

Table 15: Operating expenses six months to 30 September

	2013 **£m**	2012 £m
Operating expenses	**68**	105
Operating expenses excluding implementation costs	**64**	80
Operating expenses/AUM[1] (excluding implementation costs)	**1.1%**	1.5%

1 Annualised operating expenses, excluding implementation costs of £4 million in the six months to 30 September 2013 and £25 million in the six months to 30 September 2012, as a percentage of weighted average assets under management.

Operating expenses were materially lower at £68 million (September 2012: £105 million) and included implementation costs of £4 million in respect of redundancy, office closures and organisational changes (September 2012: £25 million). As a percentage of weighted average AUM in the period, annualised actual operating expenses in the period were 1.1% (September 2012: 1.5%).

The cost reduction programme, initiated in June 2012, has led to a material reduction in costs and headcount. Headcount at the end of 30 September 2013 was 271 (March 2013: 282). This is a significant reduction from 435 staff at 31 March 2012, prior to the cost reduction programme, and includes 15 additional staff who have joined the Group as a result of acquisitions since March 2012.

Net interest payable

Gross interest payable for the six months to 30 September 2013 was £28 million (September 2012: £62 million[1]) and in line with the expected reduction in interest cost following the reduction in gross debt to below £1 billion.

Interest receivable reduced to £1 million (September 2012: £4 million) in the period, as a result of the lower level of yield being received by the Group on lower average cash balances and deposits.

Derivative movements

The Group recognised a £10 million gain from the fair value movement of derivatives during the period (September 2012: £8 million loss), principally relating to a long-term legacy interest rate swap. The principal amount of the swap was reduced from £150 million to £60 million in the period, locking in an improvement in the long-dated sterling yield curve. The Group continues to reduce its use of derivative based hedging in relation to foreign exchange movements.

1 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million and an increase of £2 million to actuarial profits for the six months to 30 September 2012.

Net foreign exchange movements

The hedging ratio of the euro and US dollar denominated portfolio at 30 September 2013 reduced to 38% (September 2012: 89%) and 13% (September 2012: 65%) respectively, as a result of the reduction in euro and US dollar denominated debt and the reduction of currency hedging through derivatives in line with the updated hedging policy discussed in the 2013 Annual report. The net foreign exchange loss also reflects the translation of non-portfolio net assets including non-sterling cash held at the balance sheet date.

The net foreign exchange loss of £79 million (September 2012: £36 million loss) was driven by the strengthening of sterling against the unhedged element of the euro (1.0%), US dollar (6.1%), Indian rupee (18.6%) and Brazilian real (15.2%) resulting in losses of £8 million, £41 million, £15 million and £7 million respectively.

Pensions

The IAS 19 valuation of the Group's UK defined benefit pension scheme at 30 September was improved by an update to the membership data as part of the 30 June 2013 triennial funding valuation that is currently in progress. Due to the reduction in headcount as part of the Group's ongoing cost reduction programme, there are now fewer active members in the pension scheme which has resulted in a reduction of the value of the scheme's liabilities. This was, however, partially offset by the weaker than estimated performance of the scheme's assets. The total actuarial gain in the period was £16 million (September 2012: £(6) million[1]). The latest triennial funding valuation is in progress, with an effective date of 30 June 2013.

1 Prior period financial statements have been restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million and an increase of £2 million to actuarial profits for the six months to 30 September 2012.

Balance sheet

Table 16: Portfolio value movement by business line

	Opening portfolio value 1 April 2013 £m	Investment £m	Value disposed £m	Unrealised value movement £m	Other movement[1] £m	**Closing portfolio value 30 September 2013 £m**
Business lines						
Private Equity	2,707	49	(399)	161	(94)	**2,424**
Debt Management[2]	81	78	1	-	(5)	**155**
Infrastructure	507	-	-	(24)	(4)	**479**
Total	3,295	127	(398)	137	(103)	**3,058**

1 Other relates to foreign exchange and the provisioning of capitalised interest.

2 The Palace Street I Fund records investment net of realisations.

Strong realisations in the period were offset by investment of £127 million and unrealised value growth of £137 million, resulting in a decrease in the total portfolio value to £3,058 million at 30 September 2013 (March 2013: £3,295 million).

Table 17: Gearing and borrowings

	30 September 2013	30 September 2012	31 March 2013
Gross debt	**£873m**	£1,249m	£1,081m
Net debt / (cash)	**£(28)m**	£493m	£335m
Gearing	**n/a**	19%	11%

Following the significant reduction in gross debt in the prior year, a further £164 million drawn under the 2016 revolving credit facility was repaid in April 2013. Gross debt includes mark to market derivative positions. In the period, £90 million notional of a £150 million long dated interest rate swap was closed out, further reducing gross debt by £22 million. Gross debt at 30 September 2013 was £873 million (31 March 2013: £1,081 million), a reduction of 19% in the period and of over 46% since 31 March 2012.

The Group moved into a net cash position of £28 million during the period (31 March 2013: £335 million net debt) following net divestment. Gearing consequently fell to zero at 30 September 2013 (31 March 2013: 11%) as a result of both the decrease in net debt and the increase in shareholders' funds to £3,062 million (31 March 2013: £2,934 million) following the total return of £175 million in the period.

Liquidity

Liquidity increased to £1,401 million in the six months (31 March 2013: £1,082 million). This comprised cash and deposits of £901 million (31 March 2013: £746 million) and undrawn facilities of £500 million (31 March 2013: £336 million). The cash balance increased primarily as a result of the strong cash inflows from divestment activity albeit offset by other operating cash flows and the repayment of gross debt.

Diluted NAV

The diluted NAV per share at 30 September 2013 was 322 pence (31 March 2013: 311 pence). This increase was driven by the total return in the period of £175 million (September 2012: £(5) million), and partially offset by the payment of the final dividend in relation to the prior financial year of £51 million (September 2012: £51 million).

Risks and uncertainties

The main elements of 3i's approach to risk management, its risk management process and governance structure are set out in the Risk section of the 3i Group Annual report and accounts 2013.

The principal risks which the Group currently faces, and which the Board believes have the potential to impact materially the Group's financial performance and/or achievement of its strategic objectives, are set out in detail in the Annual report and are broadly unchanged in the period since publication.

The main areas of inherent risk affecting the Group are as follows:

External – Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations.

Strategic – Risks arising from the analysis, design and implementation of the Group's business model and key decisions on the investment levels and capital allocations.

Investment – Risks in respect of specific asset investment decisions, the subsequent performance of an investment or exposure concentrations across business line portfolios.

Treasury and funding – Risks in relation to changes in market prices and rates, access to capital markets and third-party funds, and the Group's capital structure.

Operational – Risks arising from inadequate or failed processes, people and systems or from external factors affecting these.

The Group Risk Committee continues to meet quarterly. The risk review process includes the monitoring of dashboards which track the Group's financial performance and progress against its strategic objectives at a Group level and for each of the Group's business lines. This assists the Committee in its assessment of the key risks to achievement of the Group's objectives and the effectiveness of current risk mitigation plans.

The Committee also has a number of focus areas, which are agreed in advance of each meeting. Topics discussed in the period have included the implementation of the European AIFM Directive; a new IT system implementation; the Barclays Infrastructure Fund Management ("BIFM") acquisition; and business developments in Asia.

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.

Financial statements

Consolidated statement of comprehensive income

for the six months to 30 September 2013

	Notes	**Six months to 30 September 2013 (unaudited) £m**	Six months to 30 September 2012[1] (unaudited) £m	12 months to 31 March 2013[1] (audited) £m
Realised profits over value on the disposal of investments	2	**130**	65	195
Unrealised profits on the revaluation of investments	3	**137**	66	250
		267	131	445
Portfolio income				
Dividends		**16**	14	43
Income from loans and receivables		**26**	30	54
Fees receivable		**6**	5	4
Gross portfolio return	1	**315**	180	546
Fees receivable from external funds	1	**36**	36	71
Carried interest and performance fees				
Receivable from third-party funds		**3**	1	4
Payable		**(29)**	(3)	(19)
Operating expenses		**(68)**	(105)	(170)
Net portfolio return		**257**	109	432
Interest receivable		**1**	4	6
Interest payable		**(28)**	(62)	(101)
Movement in the fair value of derivatives	4	**10**	(8)	(6)
Exchange movements		**(97)**	(205)	(143)
Other income/(expenses)		**-**	(3)	(3)
Profit/(loss) before tax		**143**	(165)	185
Income taxes		**(2)**	(3)	(6)
Profit/(loss) for the period		**141**	(168)	179
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		**18**	169	173
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial profit/(loss)		**16**	(6)	21
Total other comprehensive income for the period		**34**	163	194
Total comprehensive income/(loss) for the period ("Total return")		**175**	(5)	373
Earnings per share				
Basic (pence)	7	**15.0**	(17.9)	19.0
Diluted (pence)	7	**14.9**	(17.9)	19.0

1 Prior period financial statements were restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in interest payable of £2 million and an increase of £2 million to actuarial profits for the six months to 30 September 2012. For the 12 months to 31 March 2013 this resulted in an increase in interest payable of £4 million and an increase of £4 million to actuarial profits. In both periods there was no impact on total comprehensive income.

Consolidated statement of changes in equity

for the six months to 30 September 2013

For the six months to 30 September 2013 (unaudited)	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**	**Translation reserve £m**	**Capital reserve[1] £m**	**Revenue reserve[1] £m**	**Own shares £m**	**Total equity £m**
Total equity at the start of the period	**718**	**780**	**43**	**17**	**630**	**363**	**487**	**(104)**	**2,934**
Income for the period	**–**	**–**	**–**	**–**	**–**	**117**	**24**	**–**	**141**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**18**	**–**	**–**	**–**	**18**
Actuarial profit	**–**	**–**	**–**	**–**	**–**	**16**	**–**	**–**	**16**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**18**	**133**	**24**	**–**	**175**
Share-based payments	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**3**
Release on forfeiture of share options	**–**	**–**	**–**	**(4)**	**–**	**–**	**4**	**–**	**–**
(Loss)/profit on sale of own shares	**–**	**–**	**–**	**–**	**–**	**(12)**	**–**	**12**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**(51)**
Issue of ordinary shares	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Total equity at the end of the period	**718**	**781**	**43**	**16**	**648**	**484**	**464**	**(92)**	**3,062**

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[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the period	717	780	43	11	457	236	488	(105)	2,627
(Loss)/income for the period	–	–	–	–	–	(190)	22	–	(168)
Exchange differences on translation of foreign operations	–	–	–	–	169	–	–	–	169
Actuarial loss	–	–	–	–	–	(6)	–	–	(6)
Total comprehensive (loss)/income for the period	–	–	–	–	169	(196)	22	–	(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	39	461	(104)	2,575

1 Prior period financial statements were restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in a reduction in the revenue reserve of £7 million and an increase in the capital reserve of £7 million on the September 2013 opening reserves.

The impact on the September 2012 opening reserves was a reduction in the revenue reserve of £3 million and an increase in the capital reserve of £3 million. For the six months to 30 September 2012 this resulted in a reduction in the revenue reserve of £2 million and an increase in the capital reserve of £2 million. There was no impact on total reserves for the six months to 30 September 2012.

Consolidated statement of changes in equity continued
for the year to 31 March 2013

For the year to 31 March 2013 (audited)	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve[1] £m	Revenue reserve[1] £m	Own shares £m	Total equity £m
Total equity at the start of the year	717	780	43	11	457	236	488	(105)	2,627
Income for the year	–	–	–	–	–	107	72	–	179
Exchange differences on translation of foreign operations	–	–	–	–	173	–	–	–	173
Actuarial profit	–	–	–	–	–	21	–	–	21
Total comprehensive income for the year	–	–	–	–	173	128	72	–	373
Share-based payments	–	–	–	9	–	–	–	–	9
Release on forfeiture of share options	–	–	–	(3)	–	–	3	–	–
Loss on sale of own shares	–	–	–	–	–	(1)	–	1	–
Ordinary dividends	–	–	–	–	–	–	(76)	–	(76)
Issue of ordinary shares	1	–	–	–	–	–	–	–	1
Total equity at the end of the year	718	780	43	17	630	363	487	(104)	2,934

1 Prior period financial statements were restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in a reduction in the revenue reserve of £3 million and an increase in the capital reserve of £3 million on the March 2013 opening reserves. In the year to 31 March 2013 it resulted in a reduction in the revenue reserve of £4 million and an increase in the capital reserve of £4 million. There has been no impact on total reserves for the 12 months to 31 March 2013.

Consolidated statement of financial position

as at 30 September 2013

	Notes	**30 September 2013 (unaudited) £m**	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Assets				
Non-current assets				
Investments				
Quoted equity investments		**578**	468	431
Unquoted equity investments		**1,307**	1,412	1,566
Loans and receivables		**1,129**	1,201	1,250
Investment portfolio	1	**3,014**	3,081	3,247
Carried interest receivable		**20**	24	20
Intangible assets		**29**	35	32
Retirement benefit surplus		**138**	87	120
Property, plant and equipment		**6**	10	7
Derivative financial instruments		**4**	8	–
Deferred income taxes		**4**	–	3
Total non-current assets		**3,215**	3,245	3,429
Current assets				
Traded portfolio	1	**44**	34	48
Other current assets		**87**	91	85
Derivative financial instruments		–	18	4
Deposits		**20**	150	90
Cash and cash equivalents		**881**	606	656
Total current assets		**1,032**	899	883
Total assets		**4,247**	4,144	4,312
Liabilities				
Non-current liabilities				
Carried interest and performance fees payable		**(68)**	(31)	(39)
Loans and borrowings	6	**(852)**	(1,052)	(855)
B shares		**(6)**	(6)	(6)
Derivative financial instruments		**(16)**	(50)	(55)
Retirement benefit deficit		**(13)**	(9)	(14)
Deferred income taxes		**(2)**	(2)	(3)
Provisions		**(1)**	(22)	(8)
Total non-current liabilities		**(958)**	(1,172)	(980)
Current liabilities				
Trade and other payables		**(202)**	(194)	(192)
Carried interest and performance fees payable		**(11)**	(29)	(29)
Loans and borrowings	6	–	(166)	(164)
Derivative financial instruments		**(3)**	(1)	(5)
Current income taxes		**(1)**	(1)	(2)
Deferred income taxes		**(1)**	–	(1)
Provisions		**(9)**	(6)	(5)
Total current liabilities		**(227)**	(397)	(398)
Total liabilities		**(1,185)**	(1,569)	(1,378)
Net assets		**3,062**	2,575	2,934
Equity				
Issued capital		**718**	717	718
Share premium		**781**	780	780
Capital redemption reserve		**43**	43	43
Share-based payment reserve		**16**	13	17
Translation reserve		**648**	626	630
Capital reserve[1]		**484**	39	363
Revenue reserve[1]		**464**	461	487
Own shares		**(92)**	(104)	(104)
Total equity		**3,062**	2,575	2,934

1 Prior period financial statements were restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in a reduction in the revenue reserve of £7 million and an increase in the capital reserve of £7 million for the six months to 30 September 2013 and for the year to 31 March 2013. For the six months to 30 September 2012 this resulted in a reduction in revenue reserve of £5 million and an increase in capital reserve of £5 million.

There has been no impact on total reserves for these periods.

Consolidated cash flow statement

for the six months to 30 September 2013

	Six months to 30 September 2013 (unaudited) £m	Six months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Cash flow from operating activities			
Purchase of investments	**(92)**	(102)	(149)
Proceeds from investments	**528**	268	606
Net proceeds/(purchase) from traded portfolio	**11**	(16)	(23)
Portfolio interest received	**9**	10	15
Portfolio dividends received	**16**	15	43
Portfolio fees received	**6**	2	4
Fees received from external funds	**39**	35	70
Carried interest received	**2**	12	20
Carried interest and performance fees paid	**(17)**	(22)	(30)
Operating expenses	**(78)**	(130)	(190)
Interest received	**2**	5	7
Interest paid	**(15)**	(48)	(118)
Income taxes paid	**(5)**	(6)	(7)
Net cash flow from operating activities	**406**	23	248
Cash flow from financing activities			
Dividend paid	**(51)**	(51)	(76)
Repayment of short-term borrowings	**(164)**	–	(304)
Repayment of long-term borrowings and convertible bonds	**–**	(223)	–
Repurchase of long-term borrowings	**–**	(129)	(267)
Net cash flow from derivatives	**(23)**	8	11
Net cash flow from financing activities	**(238)**	(395)	(636)
Cash flow from investing activities			
Acquisition of management contracts and other Debt Management business development	**–**	(18)	(18)
Purchase of property, plant and equipment	**–**	(1)	(1)
Proceeds on sale of property, plant and equipment	**–**	–	1
Net cash flow from deposits	**70**	291	351
Net cash flow from investing activities	**70**	272	333
Change in cash and cash equivalents	**238**	(100)	(55)
Cash and cash equivalents at the beginning of the period	**656**	718	718
Effect of exchange rate fluctuations	**(13)**	(12)	(7)
Cash and cash equivalents at the end of the period	**881**	606	656

Notes to the accounts

1 Segmental analysis

6 months to 30 September 2013 (unaudited)	**Private Equity[2] £m**	**Infrastructure £m**	**Debt Management[3] £m**	**Total £m**
Realised profits over value on the disposal of investments	**129**	**–**	**1**	**130**
Unrealised profits/(losses) on the revaluation of investments	**161**	**(24)**	**–**	**137**
Portfolio income				
Dividends	**2**	**11**	**3**	**16**
Income from loans and receivables	**24**	**–**	**2**	**26**
Fees receivable	**6**	**–**	**–**	**6**
Gross portfolio return	**322**	**(13)**	**6**	**315**
Fees receivable from external funds	**9**	**11**	**16**	**36**
Carried interest receivable from external funds	–	–	**3**	**3**
Carried interest and performance fees payable	**(24)**	**1**	**(6)**	**(29)**
Operating expenses[1]	**(42)**	**(9)**	**(17)**	**(68)**
Net portfolio return	**265**	**(10)**	**2**	**257**
Net (cash investment)/divestment				
Realisations	**528**	**–**	–	**528**
Investment	**(10)**	**–**	**(71)**	**(81)**
	518	**–**	**(71)**	**447**
Balance sheet				
Value of investment portfolio at the end of the period	**2,424**	**479**	**155**	**3,058**

6 months to 30 September 2012 (unaudited)	Private Equity[2] £m	Infrastructure £m	Debt Management[3] £m	Total £m
Realised profits over value on the disposal of investments	62	–	3	65
Unrealised profits/(losses) on the revaluation of investments	67	(2)	1	66
Portfolio income				
Dividends	4	9	1	14
Income from loans and receivables	30	–	–	30
Fees receivable	5	–	–	5
Gross portfolio return	168	7	5	180
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]	(76)	(13)	(16)	(105)
Net portfolio return	101	4	4	109
Net (cash investment)/divestment				
Realisations	238	30	–	268
Investment	(96)	(5)	(17)	(118)
	142	25	(17)	150
Balance sheet				
Value of investment portfolio at the end of the period	2,569	500	46	3,115

1 Operating expenses by business line include direct costs and an allocation of indirect costs.
2 The Private Equity business line now includes Non-Core investments which were previously disclosed separately.
3 Debt Management operating expenses and carried interest includes £8 million in the six months to 30 September 2013, £3 million in the six months to 30 September 2012 and £12 million in the 12 months to 31 March 2013 relating to acquisition accounting adjustments.

1 Segmental analysis continued

12 months to 31 March 2013 (audited)	Private Equity[2] £m	Infrastructure £m	Debt Management[3] £m	Total £m
Realised profits over value on the disposal of investments	190	-	5	195
Unrealised profits/(losses) on the revaluation of investments	250	(2)	2	250
Portfolio income				
Dividends	22	18	3	43
Income from loans and receivables	52	-	2	54
Fees receivable	4	-	-	4
Gross portfolio return	518	16	12	546
Fees receivable from external funds	19	21	31	71
Carried interest receivable from external funds	4	1	(1)	4
Carried interest and performance fees payable	(11)	(2)	(6)	(19)
Operating expenses[1]	(114)	(24)	(32)	(170)
Net portfolio return	416	12	4	432
Net (cash investment)/divestment				
Realisations	575	31	-	606
Investment	(121)	(5)	(46)	(172)
	454	26	(46)	434
Balance sheet				
Value of investment portfolio at the end of the year	2,707	507	81	3,295

1 Operating expenses by business line include direct costs and an allocation of indirect costs.
2 The Private Equity business line now includes Non-Core investments which were previously disclosed separately.
3 Debt Management operating expenses and carried interest includes £8 million in the six months to 30 September 2013, £3 million in the six months to 30 September 2012 and £12 million in the 12 months to 31 March 2013 relating to acquisition accounting adjustments.

2 Realised profits over value on the disposal of investments

	6 months to 30 September 2013 Unquoted equity (unaudited) £m	**6 months to 30 September 2013 Quoted equity (unaudited) £m**	**6 months to 30 September 2013 Loans and receivables (unaudited) £m**	**6 months to 30 September 2013 Traded portfolio (unaudited) £m**	**6 months to 30 September 2013 Total (unaudited) £m**
Realisations	**284**	**22**	**222**	**-**	**528**
Valuation of disposed investments	**(166)**	**(17)**	**(216)**	**1**	**(398)**
Investments written off	**-**	**-**	**-**	**-**	**-**
	118	**5**	**6**	**1**	**130**

	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

	12 months to 31 March 2013 Unquoted equity (audited) £m	12 months to 31 March 2013 Quoted equity (audited) £m	12 months to 31 March 2013 Loans and receivables (audited) £m	12 months to 31 March 2013 Trade portfolio (audited) £m	12 months to 31 March 2013 Total (audited) £m
Realisations	351	120	135	-	606
Valuation of disposed investments	(166)	(113)	(133)	5	(407)
Investments written off	(4)	-	-	-	(4)
	181	7	2	5	195

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

	6 months to 30 September 2013 Unquoted equity (unaudited) £m	**6 months to 30 September 2013 Quoted equity (unaudited) £m**	**6 months to 30 September 2013 Loans and receivables (unaudited) £m**	**6 months to 30 September 2013 Traded portfolio (unaudited) £m**	**6 months to 30 September 2013 Total (unaudited) £m**
Movement in the fair value of equity and traded loans	**48**	**71**	**-**	**(1)**	**118**
Provisions, loan impairments and other movements	**-**	**-**	**19**	**-**	**19**
	48	**71**	**19**	**(1)**	**137**

	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

	12 months to 31 March 2013 Unquoted equity (unaudited) £m	12 months to 31 March 2013 Quoted equity (unaudited) £m	12 months to 31 March 2013 Loans and receivables (unaudited) £m	12 months to 31 March 2013 Traded portfolio (unaudited) £m	12 months to 31 March 2013 Total (unaudited) £m
Movement in the fair value of equity and traded loans	215	11	–	(1)	225
Provisions, loan impairments and other movements	-	–	25	-	25
	215	11	25	(1)	250

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 2013 (unaudited) £m	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Interest rate swaps	**10**	(9)	(8)
Forward foreign exchange contracts	**-**	1	2
	10	(8)	(6)

The derivatives are held at fair value which represents the replacement cost of the instruments at the balance sheet date. Movements in the fair value of derivatives are included in the statement of comprehensive income. In accordance with the fair value hierarchy described in note 5, derivative financial instruments are measured using Level 2 inputs. There were no transfers between Level 1, Level 2 or Level 3 during the period.

Exchange movements in relation to forward foreign exchange contracts are included within exchange movements in the statement of comprehensive income. During the period, a £8 million gain was recognised in exchange movements in relation to forward foreign exchange contracts (September 2012: £19 million gain, March 2013: £11 million loss).

5 Investment portfolio

Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)	
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments and loan instruments included in the traded portfolio (Palace Street I)

Unquoted equity instruments and debt instruments included in the traded portfolio are measured in accordance with the International Private Equity and Venture Capital valuation guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section Portfolio valuation – an explanation, which can be found in the Annual report and accounts 2013 on page 124.

The Group's investment portfolio is classified by the fair value hierarchy as follows:

	30 September 2013			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Quoted equity	**578**	**-**	**-**	**578**
Unquoted equity	**-**	**-**	**1,307**	**1,307**
Loans and receivables	**-**	**-**	**1,129**	**1,129**
Traded portfolio	**-**	**-**	**44**	**44**
Total	**578**	**-**	**2,480**	**3,058**

This disclosure only relates to the investment portfolio. The fair value hierarchy also applies to derivative financial instruments, see note 4 for further details.

Level 3 fair value reconciliation

	30 September 2013		
	Unquoted equity[1] £m	**Loans and receivables £m**	**Total £m**
Opening book value	**1,614**	**1,250**	**2,864**
Additions	**135**	**114**	**249**
Disposals, repayments and write-offs	**(288)**	**(216)**	**(504)**
Revaluation	**47**	**19**	**66**
Transfer of equity from Level 3 to Level 1	**(103)**	**-**	**(103)**
Other movements	**(54)**	**(38)**	**(92)**
Closing book value	**1,351**	**1,129**	**2,480**

1 Additions and disposals, repayments and write-offs include the grossed up amounts in relation to the traded portfolio.

Unquoted equity investments valued using Level 3 inputs also had the following impact on the statement of comprehensive income; realised profits over value on disposal of investment of £118 million (2012: £179 million), dividend income of £4 million (2012: £23 million) and foreign exchange losses of £43 million (2012: £37 million). The transfer of equity from Level 3 to Level 1 reflects the IPO of Quintiles on 14 May 2013.

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Portfolio valuation – an explanation, which can be found in our Annual report and accounts 2013 on page 124.
A reasonable alternative assumption would be to apply a standard marketability discount of 5% for all assets rather than the specific approach adopted. This would have a positive impact on the portfolio of £125 million (2012: £125 million) or 10% (2012: 8%) of total unquoted equity value.

6 Loans and borrowings

	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Loans and borrowings are repayable as follows:			
Within one year	**-**	166	164
In the second year	**-**	-	-
In the third year	**-**	50	-
In the fourth year	**277**	155	280
In the fifth year	**-**	272	-
After five years	**575**	575	575
	852	1,218	1,019

Principal borrowings include:

	Rate	Maturity	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (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	**277**	272	280
Other			**-**	46	-
Variable rate					
Other			**-**	120	-
			852	1,013	855
Committed multi-currency facilities					
£200 million	LIBOR+3.75%	2014	**-**	50	-
£50 million	LIBOR+1.50%	2016	**-**	-	-
£450 million	LIBOR+1.00%	2016	**-**	155	164
			-	205	164
Total loans and borrowings			**852**	1,218	1,019

The Group is subject to a financial covenant relating to its Asset Cover Ratio; defined as total assets (including cash) divided by loans and borrowings plus derivative financial liabilities. The Asset Cover Ratio limit was 1.45 at 30 September 2013 (September 2012: 1.45, March 2013: 1.45). The Asset Cover Ratio at 30 September 2013 was 4.88 (September 2012: 3.27, March 2013: 4.00).

All of the Group's borrowings are repayable in one instalment on the respective maturity dates. None of the Group's interest-bearing loans and borrowings are secured on the assets of the Group. The fair value of the loans and borrowings is £912 million (September 2012: £1,247 million, March 2013: £1,087 million), determined where applicable with reference to their published market price.

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 2013 (unaudited)	6 months to 30 September 2012 (unaudited)	12 months to 31 March 2013 (audited)
Earnings per share (pence)			
Basic	**15.0**	(17.9)	19.0
Diluted	**14.9**	(17.9)	19.0
Earnings (£m)			
Profit/(loss) for the period attributable to equity holders of the Company[1]	**141**	(168)	179

	6 months to 30 September 2013 (unaudited) Number	6 months to 30 September 2012 (unaudited) Number	12 months to 31 March 2013 (audited) Number
Weighted average number of shares in issue			
Ordinary shares	**971,490,861**	971,170,388	971,257,376
Own shares	**(29,301,068)**	(32,968,465)	(31,582,481)
	942,189,793	938,201,923	939,674,895
Effect of dilutive potential ordinary shares			
Share options and awards	**5,475,763**	3,177,011	3,253,409
Diluted shares	**947,665,556**	941,378,934	942,928,304

	30 September 2013 (unaudited)	30 September 2012 (unaudited)	31 March 2013 (audited)
Net assets per share (pence)			
Basic	**324**	274	312
Diluted	**322**	273	311
Net assets (£m)			
Net assets attributable to equity holders of the Company	**3,062**	2,575	2,934

	30 September 2013 (unaudited) Number	30 September 2012 (unaudited) Number	31 March 2013 (audited) Number
Number of shares in issue			
Ordinary shares	**971,607,373**	971,284,437	971,405,127
Own shares	**(27,681,913)**	(32,968,465)	(31,395,645)
	943,925,460	938,315,972	940,009,482
Effect of dilutive potential ordinary shares			
Share options and awards	**7,224,410**	3,911,376	3,613,318
Diluted shares	**951,149,870**	942,227,348	943,622,800

1 Prior period financial statements were restated to reflect the impact of the retrospective application of IAS19R which became effective for accounting periods beginning after 1 January 2013. This resulted in an increase in the loss for the six months to 30 September of £2 million and a reduction in the profit for the year to 31 March 2013 of £4 million. There was no impact on total return for these periods.

8 Dividends

	6 months to 30 September 2013 (unaudited) pence per share	**6 months to 30 September 2013 (unaudited) £m**	6 months to 30 September 2012 (unaudited) pence per share	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) pence per share	12 months to 31 March 2013 (audited) £m
Declared and paid during the period						
Ordinary shares						
Final dividend	**5.4**	**51**	5.4	51	5.4	51
Interim dividend	**-**	**-**	-	-	2.7	25
	5.4	**51**	5.4	51	8.1	76
Proposed dividend	**6.7**	**63**				

9 Contingent liabilities

	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Contingent liabilities relating to guarantees in respect of investee companies	**5**	12	4

In addition to the table above, 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 2013, 3i Holdings plc had no drawings (September 2012: £205 million, March 2013: £164 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 2013 was £160 million.

3i Corporation, a 3i Group subsidiary, has provided an indemnification against an existing personal guarantee by the management of Fraser Sullivan Investment Management on the lease of a New York office taken over by 3iDM US LLC, a subsidiary of 3i Corporation. 3i Corporation is in the process of taking over this guarantee. The guarantee covers lost rental income the landlord would suffer if 3i DM US reneged on its lease obligations. The current lease runs to October 2014 and the maximum exposure that 3i Corporation could be exposed to is US $550k.

At 30 September 2013, 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 2013 (unaudited) £m	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Carried interest receivable	**3**	4	6
Fees receivable from external funds	**12**	13	25

Statement of financial position	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Carried interest receivable	**20**	16	10

Investments

The Group makes minority investments in the equity of unquoted and quoted companies. This normally allows the Group to participate in the financial and operating policies of those companies. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. These investments are not equity accounted for (as permitted by IAS 28) but are related parties. The total amounts included for these investments are as follows:

10 Related parties continued

Statement of comprehensive income	**6 months to 30 September 2013 (unaudited) £m**	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Realised profits over value on the disposal of investments	**111**	2	118
Unrealised profits on the revaluation of investments	**101**	77	299
Portfolio income	**37**	42	82

Statement of financial position	**30 September 2013 (unaudited) £m**	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Quoted equity investments	**400**	380	398
Unquoted equity investments	**1,011**	931	1,087
Loans and receivables	**969**	1,123	1,159

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 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 2013 (unaudited) £m**	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Unrealised profits on the revaluation of investments	**2**	6	24
Fees receivable from external funds	**8**	7	15
Carry receivable from external funds	**-**	-	1
Dividends	**11**	9	18

Statement of financial position	**30 September 2013 (unaudited) £m**	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Quoted equity investments	**400**	380	398

Key management personnel

The Group's key management personnel comprise the members of the Executive Committee 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 2013 (unaudited) £m**	6 months to 30 September 2012 (unaudited) £m	12 months to 31 March 2013 (audited) £m
Salaries, fees, supplements and benefits in kind	**2**	3	6
Bonuses and deferred share bonuses	**2**	3	4
Carried interest and performance fees payable	**6**	1	5
Share-based payments	**1**	1	2
Termination benefits	**-**	3	1

Statement of financial position	**30 September 2013 (unaudited) £m**	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Bonuses and deferred share bonuses	**4**	3	7
Carried interest and performance fees payable within one year	**1**	2	2
Carried interest and performance fees payable after one year	**15**	7	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 £2 million (September 2012: £5 million, March 2013: £6 million).

11 Post balance sheet events

On 8 November 2013 3i Holdings Plc, a wholly owned Group subsidiary, acquired 100% of the share capital of Barclays Infrastructure Funds Management Limited ("BIFML"). The acquisition formed part of the Group's strategy to build its Infrastructure business and to grow external AUM. At the time of the transaction, BIFML was managing c.£780 million of AUM, comprising two active funds. Both of the funds mainly invest in Private Public Partnerships, Private Finance Initiative projects and other infrastructure related projects with similar characteristics in the UK and Europe. BIFML has four fully owned subsidiaries that serve as General Partners for these and other funds within the structure.

The fair value of the identifiable assets and liabilities of BIFML as at the date of completion and the consideration paid were:

	Fair value recognised £m
Fair value of assets received	
Cash	7.7
Fees (net of rebates) receivable from funds	1.2
Sundry debtors	0.8
Total fair value of assets received	9.7
Fair value of liabilities assumed	
Sundry creditors	(0.7)
Deferred tax liability	(1.2)
Provisions	(2.3)
Total fair value of liabilities assumed	(4.2)
Total identifiable net assets at fair value	5.5
Consideration	
Cash	5.5
Total consideration	5.5
Goodwill	-
Net cash outflow arising on acquisition	
Cash consideration paid	(5.5)
Cash and cash equivalents acquired	7.7
Net cash flow on acquisition	2.2

The measurement of fair value of the net assets resulted in no goodwill on acquisition.

At completion the new Group entities were renamed (where relevant) as follows:

Barclays Infrastructure Funds Management Limited	3i BIFM Limited
Barclays European Infrastructure II Limited	BEIF II Limited
Barclays Alma Mater General Partner Limited	BAM GP Limited
BEIF Management Limited	BEIF Management Limited
BIIF GP Limited	BIIF GP Limited

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 2013.

The Half-yearly Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and should be read in conjunction with the Consolidated Financial Statements for the year to 31 March 2013 ("Report and Accounts 2013"), as they provide an update of previously reported information.

The Half-yearly Financial Statements were authorised for issue by the Directors on 13 November 2013.

The Half-yearly Financial Statements have been prepared in accordance with the accounting policies set out in the Report and Accounts 2013 except for the adoption of new standards and interpretations effective as of 1 January 2013. The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include amendments to IAS 1 Presentation of Financial Statements, IAS 19(Revised 2011) Employee Benefits and IFRS 13 Fair Value Measurements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g. actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability/asset in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. The Group has retrospectively applied these amendments and restated the prior period comparative figures presented. Other amendments to this standard include new disclosures, such as, quantitative sensitivity disclosures which will be presented in the Annual Report and Accounts.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim

condensed consolidated financial statements period. The Group provides these disclosures in Note 5. IFRS 13 requires prospective application from 1 January 2013. Specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information for periods before the initial application of the standard. As such the Group has not provided comparative information in note 5.

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 2013, 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 2013.

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 FCA'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
13 November 2013

Board of Directors

Sir Adrian Montague, Chairman
Simon Borrows, Chief Executive and executive Director
Julia Wilson, Finance Director and executive Director
Jonathan Asquith, Non-executive Director
Alistair Cox, Non-executive Director
David Hutchison, 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 2013 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 11. 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 Conduct Authority.

As disclosed in the Basis of preparation, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards 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 2013 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 Conduct Authority.

Ernst & Young LLP
London
13 November 2013

Our largest investments

The list below provides information on 25 of our largest investments in respect of the Group's holding, excluding any managed or advised external funds. These do not include two investments that have been excluded for commercial reasons.

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2013 £m	**Residual cost Sept 2013 £m**	Valuation March 2013 £m	**Valuation Sept 2013 £m**
3i Infrastructure plc Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	302	**302**	398	**400**
Action Non-food discount retailer	Private Equity Benelux 2011 Earnings	107	**57**	280	**299**
Quintiles Clinical research outsourcing solutions	Private Equity US 2008 Quoted	74	**67**	103	**146**
Element Materials Technology Testing and Inspection	Private Equity Benelux 2010 Earnings	70	**74**	112	**119**
ACR Pan-Asian non life reinsurance	Private Equity Singapore 2006 Industry metric	105	**105**	121	**108**
Foster + Partners[1] Architectural services	Private Equity UK 2007 Other			108	**108**
HILITE Fluid control component supplier	Private Equity Germany 2011 Earnings	54	**56**	107	**106**
Mayborn Manufacturer and distributor of baby products	Private Equity UK 2006 Earnings	87	**94**	97	**100**
Scandlines Ferry operator in Baltic Sea	Private Equity Germany 2007 DCF	39	**39**	104	**97**
Mémora Funeral service provider	Private Equity Spain 2008 Earnings	128	**128**	90	**81**
Ten large investments	**51% of total portfolio**	**966**	**922**	**1,520**	**1,564**

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

Our largest investments continued

Investment Description of business	Business line Geography First invested in Valuation basis	Residual cost March 2013 £m	**Residual cost Sept 2013 £m**	Valuation March 2013 £m	**Valuation Sept 2013 £m**
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	**30**	79	**77**
Tato Manufacture and sale of speciality chemicals	Private Equity UK 1989 Earnings	2	**2**	63	**73**
Eltel Networks Infrastructure services for electricity and telecoms networks	Private Equity Finland 2007 Earnings	87	**88**	74	**71**
Phibro Animal Health Corporation Animal healthcare	Private Equity US 2009 Earnings	89	**89**	57	**66**
Amor Distributor and retailer of affordable jewellery	Private Equity Germany 2010 Earnings	49	**50**	57	**62**
Geka Manufacturer of brushes, applicators and packaging systems for the cosmetics industry	Private Equity Germany 2012 Earnings	57	**56**	39	**51**
OneMed Group Distributor of consumable medical products, devices and technology	Private Equity Sweden 2011 Earnings	113	**113**	47	**45**
Palace Street I Debt Management (Credit Opportunities Fund)	Debt Management Europe 2011 Broker quotes	50	**47**	48	**44**
Etanco Designer, manufacturer and distributor of fasteners and fixing systems	Private Equity France 2011 Earnings	74	**75**	34	**38**
Refresco Manufacturer of private label juices and soft drinks	Private Equity Benelux 2010 Earnings	46	**46**	27	**38**
Hobbs Retailer of women's clothing and footwear	Private Equity UK 2004 Earnings	79	**69**	47	**35**
Inspecta Testing and Inspection	Private Equity Finland 2007 Earnings	63	**70**	31	**33**
Debt Warehouse - Europe European Debt Warehouse Facility	Debt Management Europe 2013 Broker quotes	n/a	**33**	n/a	**32**
Debt Warehouse – US US Debt Warehouse Facility	Debt Management US 2013 Broker quotes	n/a	**33**	n/a	**31**
Lekolar Distributor of pedagogical products and educational materials	Private Equity Sweden 2007 Earnings	33	**34**	36	**30**
Twenty five large investments	**75% of total portfolio**	**1,738**	**1,753**	**2,159**	**2,290**

Portfolio composition, investment and realisations data

Portfolio composition

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Private Equity[1]			
UK	**528**	632	641
Continental Europe	**1,337**	1,272	1,480
Asia	**256**	336	337
The Americas	**299**	324	243
Rest of World	**4**	5	6
	2,424	2,569	2,707
Infrastructure			
UK	**409**	389	407
Continental Europe	**-**	-	-
Asia	**70**	111	100
Rest of World	**-**	-	-
	479	500	507
Debt Management[2]			
UK	**-**	-	-
Continental Europe	**107**	46	62
Asia	**-**	-	-
The Americas	**48**	-	19
	155	46	81
Total	**3,058**	3,115	3,295

1 The Private Equity portfolio now includes the non-core portfolio and the prior periods have been restated accordingly.
2 The Debt Management portfolio is split based on the geographic location of the fund management team, with all funds managed by the team in London disclosed as "Continental Europe". The underlying investments of the vehicles may be across several geographies.

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Imminent sale or IPO	**43**	6	61
Quoted	**578**	468	431
Earnings	**1,831**	2,151	2,197
Fund	**12**	18	18
Industry metric	**133**	144	150
DCF	**181**	262	237
Broker quotes	**155**	46	81
Other	**125**	20	120
Total	**3,058**	3,115	3,295

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Imminent sale or IPO	**43**	6	61
Quoted	**167**	67	15
Earnings	**1,831**	2,151	2,197
Fund	**12**	18	18
Industry metric	**133**	144	150
DCF	**114**	164	146
Other	**124**	19	120
Total	**2,424**	2,569	2,707

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Benelux	**476**	335	469
France	**171**	216	225
Germany	**345**	322	311
Italy	**0**	4	2
Nordic	**201**	233	317
Spain	**140**	158	153
Other European[1]	**4**	4	3
Total	**1,337**	1,272	1,480

1 Other European includes investments in countries where 3i did not have an office at 30 September 2013.

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Business Services[1]	**720**	738	840
Consumer	**665**	561	652
Healthcare	**384**	322	435
Industrials	**536**	750	573
Technology, Media and Telecoms	**119**	198	207
Total	**2,424**	2,569	2,707

1 Includes Financial Services.

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Quoted	**411**	401	416
DCF	**67**	98	91
Other	**1**	1	-
Total	**479**	500	507

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Broker quotes	**155**	46	81
Total	**155**	46	81

Investment

Investment by business line and geography (£m)

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Private Equity			
UK	**19**	20	31
Continental Europe	**25**	76	147
Asia	**5**	6	13
The Americas	**-**	29	43
	49	131	234
Infrastructure			
UK	**-**	-	-
Continental Europe	**-**	-	-
Asia	**-**	5	5
The Americas	**-**	-	-
	-	5	5
Debt Management[1]			
UK	**-**	-	-
Continental Europe	**45**	2	13
Asia	**-**	-	-
The Americas	**33**	-	18
	78	2	31
Total	**127**	138	270

1 Debt Management investment is split based on the geographic location of the fund management team, with all funds managed by the team in London disclosed as "Continental Europe". The underlying investments of the vehicles may be across several geographies.

3i direct investment by type (£m)

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
New investment	**82**	89	128
Further investment	**10**	1	2
Other portfolio investment[1]	**(11)**	15	35
Other	**-**	13	7
Total cash investment	**81**	118	172
Non-cash investment[2]	**46**	20	98
Total gross investment	**127**	138	270

1 Includes net investment in Palace Street I and syndicated investments in Private Equity.
2 Includes capitalised interest and unsettled trades in Palace Street I.

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

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Private Equity	**83**	200	888
Infrastructure	**64**	23	296
Debt Management	**78**	2	36
Total	**225**	225	1,220

Realisations

Realisations by business line and geography (£m)

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Private Equity[1]			
UK	**183**	92	149
Continental Europe	**279**	144	201
Asia	**43**	2	3
The Americas	**21**	-	222
Rest of the world	**2**	-	-
	528	238	575
Infrastructure			
UK	**-**	1	1
Continental Europe	**-**	29	30
Asia	**-**	-	-
The Americas	**-**	-	-
	-	30	31
Debt Management			
UK	**-**	-	-
Continental Europe	**-**	-	-
Asia	**-**	-	-
The Americas	**-**	-	
	-	-	-
Total	**528**	268	606

1 Private Equity realisations now include those of companies previously disclosed as non-core, and the prior periods have been restated accordingly.

Realisations proceeds by type (£m)

	Six months to 30 September 2013	Six months to 30 September 2012	Year to 31 March 2013
Trade sales	**171**	124	362
Secondaries	**239**	54	54
Loan repayments	**59**	1	6
Quoted asset sales	**21**	67	117
Other	**38**	22	67
Total	**528**	268	606

Information for shareholders

Notes

1 The Half-yearly report 2013 will be available as a pdf on our website at www.3i.com

2 The interim dividend is expected to be paid on 8 January 2014 to holders of ordinary shares on the register on 13 December 2013. The ex-dividend date will be 11 December 2013.

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.3i.com/investor-relations/shareholder-information

Registrars

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

Equiniti

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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.
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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.