Press release

3i Group plc

3i Group plc announces
Interim results for the six months to 30 September 2002

14 November 2002

Introduction

3i announces today its interim results for the six months to 30 September 2002.

Summary of results

- A negative total return of 14.4% on opening shareholders' funds, a significant outperformance of the FTSE 100 and the FTSE All-Share, which both fell by 28%, and the MSCI Europe which fell by 34%

- Strong realisation proceeds of £619 million, generating net realised profits of £118 million over opening valuation

- Investment of £393 million (including co-investment funds managed by 3i)

- Total return of £(570) million, and a diluted net asset value per share of 548p

- Unchanged interim dividend of 4.9 pence per share

Baroness Hogg, Chairman of 3i Group plc, commenting on the results, said: "A notable feature of these results is the realisations performance, markedly higher than in the preceding half year, resulting in a strong financial position at the period end. 3i is taking advantage of its unique network to generate value and is well placed to invest actively in the future."

Brian Larcombe added: "This is a robust performance in a difficult climate."

Operating review

3i has delivered a strong performance over the period when compared with quoted market benchmark indices. Cash flow was very positive and the balance sheet is strong. 3i is well positioned to take advantage of attractive opportunities for investment.

Substantial progress has been made in developing 3i's business. Sector focus has been sharpened, investment processes strengthened and more value is being delivered from the network.

3i has continued to use the network to generate and select the best investment opportunities and add value to its portfolio. In the six months to 30 September 3i invested £393 million, including unquoted funds under management. This is broadly in line with overall market activity. 3i's market share in Europe continues to be around 10% for buy-outs, growth capital and early stage investments.

The strong level of realisations, together with the structure of our balance sheet and funds under management means that 3i has the financial capacity to invest actively. We expect to be net investors in the second half of the year.

Financial review

3i's total return was a negative 14.4% during the period. This represents an outperformance of the FTSE 100 and the FTSE All-Share which both fell by 28%. Strong realisations of £619 million generated net realised capital profits of £118 million.

Net cash inflow of £274 million reduced gearing to 27% from 30% at 31 March and the balance sheet is strong. Equity realisations have been made at a profit of 49% above valuations at 31 March 2002.

Revenue profit of £47 million was lower than last year largely due to a decline in dividends received on the sale or restructuring of investments and a fall in interest income. These were partly offset by a reduction of £10 million in administrative costs.

The decline in net asset value was 14.4%, before deduction of the interim dividend. The most significant factor contributing to this was the unrealised fall in the valuation of the portfolio, largely due to lower quoted markets, the decline in weighted average price earnings ratio used to value the unquoted portfolio and provisions, which at £141 million were less than the provisions of £252 million for the same period last year.

Summary

3i has significantly outperformed its benchmark indices over the period. Realisations have been strong resulting in a positive cash flow and strengthened balance sheet. The negative total return is mainly the result of stock market movements.

3i's financial performance maintains the long term record of outperformance over 3, 5, 7 and 10 years against the FTSE All-Share index.

- ends -

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Notes to editors

3i brings capital, knowledge and connections to the creation and development of businesses around the world. It invests in a wide range of opportunities from start-ups to buy-outs and buy-ins, focusing on businesses with high growth potential and strong management. 3i invests in businesses across three continents through local investment teams in Europe, US and Asia Pacific.

The Interim results press release, the presentation and speeches given by Brian Larcombe, Chief Executive and Michael Queen, Finance Director, announcing the Interim results will be published from 10.30am, 14 November 2002 on 3i's website: www.3i.com/investorrelations/.

Chairman's statement

3i made a good start to the year on the back of the spring rebound in global economic activity and business sentiment. But by late summer the weakening of economic prospects, accompanied by sharp falls in stock markets, had reduced the value of our portfolio. However, 3i's fall in net asset value, before deduction of the interim dividend, of 14.4% in the six months to 30 September 2002 was significantly less than the fall of 28.4% in the FTSE All-Share total return index. The Directors have announced an unchanged interim dividend of 4.9p.

A notable feature of these results was the realisations performance. In the six months to 30 September 2002, 3i achieved realisations and repayments of £619 million, markedly higher than in the preceding half year, resulting in a strong financial position at the period end. Moreover, equity investments were realised at a 49% profit over valuations at the start of the period.

Investment activity in the private equity and venture capital industry has been lower than in the past two years and this has been true of 3i too. However, 3i has strengthened its market position as weaker competitors have withdrawn from the market.

We announced in September some changes to the Board. I am delighted to welcome a new non-executive Director, Christine Morin-Postel, whose wide European experience brings us an important new dimension. Meanwhile, we have also announced that two of our executive Directors, Richard Summers and Peter Williams, will be retiring from the Board at the end of 2002 after more than 25 years' service with 3i. They have made an enormous contribution: Richard in the development of our continental European network and Peter in driving the development of our UK investment business and I thank them both for all they have done for 3i.

Looking forward most forecasters are still expecting growth to improve slightly in 2003, although economic prospects this autumn continue to be overshadowed by geopolitical risk. 3i is taking advantage of its unique network to generate value from its portfolio and is well placed to invest actively in the future.

Baroness Hogg, Chairman
13 November 2002

Operating and financial review

Macro environment

The business environment in which 3i operates has continued to be difficult. This is most obvious in the weakness of the capital markets with lower levels of merger and acquisition activity and very few new public issues. In a low inflationary and low growth environment, corporate profits are under pressure and our latest Enterprise Barometer shows a further decline in business confidence.

In this environment, it is encouraging that 3i has enjoyed a strong cash flow from realisations at generally good prices and that the 3i portfolio continues to show earnings growth.

Market environment

The 3i/PricewaterhouseCoopers Global Private Equity survey for investment and fundraising in 2001 shows a sharp fall in the amount of funds raised and investments made, by 39% and 50% respectively, and a further decline in activity has continued in 2002.

We believe that growth in investment will return and are encouraged by a recent increase in investment opportunities at prices that we view as attractive. It is worth remembering that, in the recession of the early nineties, investments made produced many of the highest returns of the decade. We consider that this may be a good time to be investing, although we have adopted a cautious approach and made fewer investments than in recent years.

3i's position in the venture capital market has strengthened as competitors have withdrawn or found it difficult to raise funds. 3i's mix of permanent capital and funds under management enables us to take advantage of market opportunities in a way not open to many of our competitors.

Strategy

3i is Europe's leading venture capital company and our strategy is to continue to build our business internationally using our unique network as a competitive advantage. While investment and realisations policy will change according to market conditions, the following key elements of strategy continue to drive the development of the business.

We aim to build strong businesses in each of the major venture capital markets; to achieve a balanced business by product, by industry sector and by geographic region; to invest in companies that have the potential to grow their revenues and profits; and to use our international network to provide real competitive advantage for 3i and our investee companies.

3i has a strong market position in its three product areas, buy-outs, growth capital and early stage investments. We also have a unique network across Europe, the US and Asia Pacific that some of our competitors are now striving to emulate. Within the venture capital industry, we expect some consolidation and may, in consequence, see opportunities to manage more investments.

Our own balance sheet, which remains strong, together with our funds under management means that we have the financial capacity to invest actively.

Operations

During the last six months, there have been fewer investment opportunities and transactions have generally taken longer to complete. In this environment, our network has helped us to identify and select the best investment opportunities and to harness the resources necessary to complete them. We invested £393 million in the six months to 30 September 2002 and our market share in Europe continues to be at around 10% for buy-outs, growth capital and early stage investments.

3i's focus on adding value to its investee businesses through its network and expertise has been particularly important. We have been very active in managing our portfolio, providing input at Board level through our executives or appointees on strategy and review of operational performance and in making further investments to enhance our prospective returns.

We announced in September some changes to our Executive Committee. These changes reflect a greater focus on the management of our business by product as well as geographically. Jonathan Russell has for two years headed our management buy-out business on a worldwide basis and has improved our investing process and the value of our portfolio of buy-out investments. Rod Perry as head of our technology business has also instigated a large number of process changes which deliver the benefits of our network. Our technology business is now clearly organised on a sector basis, enabling better investment selection and improving our ability to add value to our investments. The appointment of Chris Rowlands to head our growth capital product increases the emphasis on this more traditional area of our business which has strong potential for excellent returns. We are confident that each of our three products are in growth markets with good profit potential.

New regional heads have been appointed for Germany, France and Benelux to bring broader international experience to these areas. Chris Rowlands will also be responsible for Germany and the Nordic region and Paul Waller will be responsible for France, Benelux, Spain and Italy in addition to his Unquoted Funds responsibilities.

The development areas of our business, Asia Pacific and the US, are now both managed by Martin Gagen. Although the difficulties in most of the technology markets have damaged the early stage venture capital industry in the US, this will remain the world's largest market and will continue to offer the potential for good returns.

Financial review

Total return

For the six months to 30 September 2002, there was a negative total return of 14.4% on opening shareholders' funds, which was disappointing in absolute terms, but represents a significant outperformance of the benchmark stock market indices, the FTSE 100 and the FTSE All-Share, which both fell by 28%, and the MSCI Europe which fell by 34%. Net asset value per share at 30 September 2002 was 548p compared with 645p at 31 March.

The negative total return of £570 million includes revenue profit of £47 million, realised capital profits of £118 million and unrealised value movement of £(701) million. A positive cash flow of £274 million was generated in the period.

The buy-out portfolio was the strongest of our product businesses and early stage technology was the weakest performer, in line with industry and market experience. Our UK portfolio generally performed well which is consistent with the relatively more robust UK economy.

Revenue profit

Revenue profit earned was £47 million compared with £69 million in the six months to 30 September 2001. Equity dividend income reduced by £18 million to £50 million following a significant reduction in dividends received on the sale or restructuring of investments which amounted to £9 million (2001: £31 million). Interest receivable on loan investments declined by £12 million to £48 million which results mainly from a reduction in the loan portfolio and a lower income yield. Interest payable on borrowings, largely fixed rate, has fallen to £52 million in line with the reduction in borrowings, while interest receivable was lower at £17 million because of lower short term interest rates and a reduction in average holdings of treasury assets. Fee income was also lower by £4 million as a consequence of lower investment activity. Total administrative expenses were reduced by £10 million following the organisational changes made last year.

Realised capital profits

Realised capital profits were strong at £118 million which compares with losses of £5 million in the first half and losses of £34 million in the second half of last year.

The level of realisation proceeds at £619 million in total was also higher than both halves of last year. This included the sale of Go, the low cost airline, which generated £144 million of proceeds and contributed £86 million to capital profits. Equity realisations generated an uplift in value of 49%, with 7% of the equity portfolio being realised, which is a substantial improvement on the uplifts achieved in the two preceding six month periods.

Realised capital profits are stated net of write-offs which were £32 million in the period. This is less than the same period last year (£49 million) and the second half of last year (£102 million).

Unrealised value movement

The unrealised value movement of £(701) million compares with £(1,060) million for the same period last year.

The impact of the deterioration of the quoted markets has had a twofold effect on the value of the portfolio. Firstly, quoted investments have fallen in value by £192 million and, secondly, the weighted average price earnings ratio used to value the portfolio fell from 10.0 at March to 8.3 at September 2002, resulting in a reduction in value of £212 million.

Investee companies' earnings, where used as the basis of valuation at the start and end of the period, have increased by 2%, contributing £38 million of value growth.

Provisions made for investments which may fail were £141 million in the six months to 30 September 2002, substantially lower than the £252 million in the same period last year. Technology investments comprise 69% of these provisions. In addition, there were reductions in value of £130 million for down rounds which have already taken place, or are expected to take place within the next six months.

Investment

Investment in the period was £393 million (£315 million from 3i directly and £78 million from co-investment funds). This is 35% lower than the investment made in the same period last year and 10% lower than the six months to 31 March 2002. Investment has been predominantly in buy-outs (45% of total investment) and growth capital (31%). Investment in early stage technology companies amounted to 24%, mainly comprised of further investments in existing portfolio companies.

UK investment accounted for 63% of the total as a result of several large UK based buy-out and growth capital deals. In continental Europe, investment fell to £111 million compared to £246 million in the same period last year. US investment also decreased, representing 8% of total investment.

Cash flow and balance sheet

Net cash flow for the six months was a positive inflow of £274 million compared with an outflow of £220 million for the same period last year. Net borrowings have decreased to £911 million and gearing has reduced to 27% from 30% at 31 March.

The total value of the investment portfolio has fallen by 17% from £5.1 billion to £4.3 billion. This has resulted from strong realisations and lower levels of investment as well as an unrealised reduction in the value of the portfolio. At 30 September 2002, the portfolio comprised quoted investments of £251 million and unquoted investments of £4.0 billion. By product, the portfolio includes buy-out investments of £1.6 billion, growth capital investments of £1.2 billion, early stage technology investments of £0.8 billion, and late stage and quoted technology investments of £0.7 billion.

In accordance with FRS17 Accounting For Retirement Benefits, we disclosed that at 31 March there was a deficit of £14 million in respect of the 3i Group Pension Plan. We estimate that at 30 September 2002 the equivalent figure was £105 million. This amount has not been reflected in the total return or balance sheet.

Financial summary

A positive cash flow of £274 million and the low level of gearing result in a strong balance sheet.

The decline in net asset value is mainly the result of stock market movements and provisions which are at a lower level than last year. 3i’s financial performance supports our long term record of outperformance over 3, 5, 7 and 10 years against the FTSE All-Share index.

This is a robust performance in a difficult climate.

Brian Larcombe, Chief Executive
13 November 2002

Consolidated statement of total return
For the six months to 30 September 2002

	6 months to 30 September 2002		**(unaudited)**	6 months to 30 September 2001		(unaudited)	12 months to 31 March 2002		(audited)
	Revenue £m	**Capital £m**	**Total £m**	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Capital profits									
Net realised profits/(losses) over opening valuation		**118**	**118**		(5)	(5)		(39)	(39)
Net unrealised value movement in the period		**(701)**	**(701)**		(1,060)	(1,060)		(890)	(890)
		(583)	**(583)**		(1,065)	(1,065)		(929)	(929)
Total operating income before interest payable	**153**		**153**	204		204	355		355
Interest payable	**(52)**	**(3)**	**(55)**	(59)	(3)	(62)	(114)	(6)	(120)
	101	**(586)**	**(485)**	145	(1,068)	(923)	241	(935)	(694)
Administrative expenses	**(53)**	**(23)**	**(76)**	(63)	(23)	(86)	(121)	(50)	(171)
Amortisation of goodwill	**-**	**-**	**-**	(2)	(72)	(74)	(2)	(71)	(73)
Cost of changes to organisational structure				(9)	(9)	(18)	(9)	(9)	(18)
Return before tax and currency translation adjustment	**48**	**(609)**	**(561)**	71	(1,172)	(1,101)	109	(1,065)	(956)
Tax	**(1)**	**2**	**1**	(2)	8	6	(3)	4	1
Return for the period before currency translation adjustment	**47**	**(607)**	**(560)**	69	(1,164)	(1,095)	106	(1,061)	(955)
Currency translation adjustment	**1**	**(11)**	**(10)**	-	(2)	(2)	(4)	(1)	(5)
Total return	**48**	**(618)**	**(570)**	69	(1,166)	(1,097)	102	(1,062)	(960)
Total return per share									
Basic (pence)	**7.8p**	**(101.3)p**	**(93.5)p**	11.4p	(191.8)p	(180.4)p	16.8p	(174.5)p	(157.7)p
Diluted (pence)	**7.8p**	**(101.0)p**	**(93.2)p**	11.4p	(191.3)p	(179.9)p	16.7p	(173.3)p	(156.6)p

Movement in shareholders' funds
For the six months to 30 September 2002

	6 months to 30 September 2002 (unaudited) £m	6 months to 30 September 2001 (unaudited) £m	12 months to 31 March 2002 (audited) £m
Opening balance	**3,945**	4,973	4,973
Revenue return	**48**	69	102
Capital return	**(618)**	(1,166)	(1,062)
Total return	**(570)**	(1,097)	(960)
Dividends	**(29)**	(29)	(78)
Proceeds of issues of shares	**4**	7	10
Movement in the period	**(595)**	(1,119)	(1,028)
Closing balance	**3,350**	3,854	3,945

Consolidated revenue statement
for the six months to 30 September 2002

	6 months to 30 September 2002 (unaudited) £m	6 months to 30 September 2001 (unaudited) £m	12 months to 31 March 2002 (audited) £m
Interest receivable on loan investments	**48**	60	113
Fixed rate dividends	**10**	9	19
Other interest receivable and similar income	**17**	26	46
Interest payable	**(52)**	(59)	(114)
Net interest income	**23**	36	64
Dividend income from equity shares	**50**	68	111
Share of net (losses)/profits of joint ventures	**(1)**	8	9
Fees receivable	**28**	32	56
Other operating income	**1**	1	1
Total operating income	**101**	145	241
Administrative expenses and depreciation	**(53)**	(63)	(121)
Amortisation of goodwill	**-**	(2)	(2)
Cost of changes to organisational structure		(9)	(9)
Profit on ordinary activities before tax	**48**	71	109
Tax on profit on ordinary activities	**(1)**	(2)	(3)
Profit for the period	**47**	69	106
Dividends			
Interim (4.9p per share proposed, 2002: 4.9p per share paid)	**(29)**	(29)	(29)
Final (2002: 8.1p per share paid)			(49)
Profit retained for the period	**18**	40	28
Dividends per share (pence)	**4.9p**	4.9p	13.0p
Earnings per share			
Basic (pence)	**7.7p**	11.4p	17.4p
Diluted (pence)	**7.7p**	11.4p	17.3p

Consolidated balance sheet
as at 30 September 2002

Assets	£m	30 September 2002 (unaudited) £m	£m	30 September 2001 (unaudited) £m	£m	31 March 2002 (audited) £m
Treasury bills and other eligible bills		**1**		1		1
Loans and advances to banks		**695**		673		563
Debt securities held for treasury purposes		**198**		216		191
Debt securities and other fixed income securities held as financial fixed asset investments						
Loan investments	**1,326**		1,477		1,408	
Fixed income shares	**264**		390		324	
Equity shares						
Listed	**210**		406		413	
Unlisted	**2,451**		2,771		2,964	
		4,251		5,044		5,109
Interests in joint ventures						
Share of gross assets	**-**		267		133	
Share of gross liabilities	**-**		(152)		(98)	
		-		115		35
Tangible fixed assets		**52**		60		50
Other assets		**185**		220		184
Total assets		**5,382**		6,329		6,133

Liabilities						
Deposits by banks		**343**		632		519
Debt securities in issue		**1,373**		1,487		1,339
Other liabilities		**221**		269		246
Provision for joint venture deficit						
Share of gross assets	**(74)**		-		-	
Share of gross liabilities	**80**		-		-	
		6		-		-
Subordinated liabilities		**89**		87		84
		2,032		2,475		2,188
Called up share capital		**305**		304		305
Share premium and redemption reserve		**347**		341		343
Capital reserve		**2,403**		2,917		3,021
Revenue reserve		**295**		292		276
Equity shareholders' funds		**3,350**		3,854		3,945
Total liabilities		**5,382**		6,329		6,133
Net asset value per share						
Basic (pence)		**549p**		633p		647p
Diluted (pence)		**548p**		631p		645p

Approved by the Board
13 November 2002

Consolidated cash flow statement
for the six months to 30 September 2002

	6 months to 30 September 2002 (unaudited) £m	6 months to 30 September 2001 (unaudited) £m	12 months to 31 March 2002 (audited) £m
Operating activities			
Interest received and similar income arising from debt securities and other fixed income securities held as financial fixed asset investments	**44**	59	102
Other interest received and similar income	**16**	26	51
Interest paid on borrowings	**(54)**	(56)	(113)
Dividends received from equity shares	**47**	68	109
Fees and other net cash receipts	**31**	34	62
Operating and administrative costs paid	**(59)**	(75)	(148)
Net cash inflow from operating activities	**25**	56	63
Taxation received/(paid)	**3**	(2)	(2)
Capital expenditure and financial investment			
Investment in equity shares, fixed income shares and loans	**(299)**	(493)	(804)
Investment in equity shares and loans acquired from joint ventures	**(10)**	(174)	(233)
Sale, repayment or redemption of equity shares, fixed income shares and loans	**624**	617	1,123
Investment administrative expenses	**(23)**	(23)	(59)
Investment interest paid	**(3)**	(3)	(6)
Investment in joint ventures	**(5)**	(330)	(347)
Divestment or repayment of interests in joint ventures	**10**	223	281
Disposal of investment properties	**-**	-	7
Purchase of tangible fixed assets	**(3)**	(4)	(7)
Sale of tangible fixed assets	**-**	-	1
Net cash flow from capital expenditure and financial investment	**291**	(187)	(44)
Acquisitions			
Acquisition of subsidiary undertakings	**-**	(46)	(51)
Equity dividends paid	**(49)**	(48)	(78)
Management of liquid resources	**(122)**	183	293
Net cash flow before financing	**148**	(44)	181
Financing			
Debt due within one year	**(87)**	(223)	(394)
Debt due after more than one year	**(50)**	241	165
Issues of shares	**4**	7	10
Net cash flow from financing	**(133)**	25	(219)
Increase/(decrease) in cash	**15**	(19)	(38)

Notes to the financial statements for the six months to 30 September 2002

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

	6 months to 30 September 2002 (unaudited) £m	6 months to 30 September 2001 (unaudited) £m	12 months to 31 March 2002 (audited) £m
Revenue profit before tax	**48**	71	109
Depreciation of equipment and vehicles	**3**	4	8
Amortisation of goodwill	**-**	2	2
Interest received by way of loan note	**(15)**	(5)	(30)
Tax on investment income included within income from overseas companies	**-**	-	(2)
Movement in other assets associated with operating activities	**7**	(3)	(5)
Movement in prepayments and accrued income associated with operating activities	**(10)**	(14)	13
Movement in accruals and deferred income associated with operating activities	**(5)**	9	(31)
Movement in provisions for liabilities and charges	**(4)**	-	8
Reversal of losses/(profits) of joint ventures less distributions received	**1**	(8)	(9)
Net cash inflow from operating activities	**25**	56	63

2 Reconciliation of net cash flows to movements in net debt

	6 months to 30 September 2002 (unaudited) £m	6 months to 30 September 2001 (unaudited) £m	12 months to 31 March 2002 (audited) £m
Increase/(decrease) in cash in the period	**15**	(19)	(38)
Cash flow from management of liquid resources	**122**	(183)	(293)
Cash flow from debt financing	**142**	(1)	252
Cash flow from subordinated liabilities	**(5)**	(17)	(24)
Cash flow from finance leases	**-**	-	1
Change in net debt from cash flows	**274**	(220)	(102)
Foreign exchange movements	**-**	2	5
Non-cash changes	**2**	-	9
Movement in net debt in the period	**276**	(218)	(88)
Net debt at start of period	**(1,189)**	(1,101)	(1,101)
Net debt at end of period	**(913)**	(1,319)	(1,189)

3 Analysis of net debt

	1 April 2002 (audited) £m	Cash flow (unaudited) £m	Exchange movement (unaudited) £m	Other non-cash changes (unaudited) £m	30 September 2002 (unaudited) £m
Cash and deposits repayable on demand	48	15	1	-	64
Treasury bills, other loans, advances and treasury debt securities	707	122	1	-	830
Deposits and debt securities repayable within one year	(310)	87	6	(152)	(369)
Deposits and debt securities repayable after one year	(1,548)	55	(6)	152	(1,347)
Subordinated liabilities repayable after one year	(84)	(5)	(2)	2	(89)
Finance leases	(2)	-	-	-	(2)
	(1,189)	274	-	2	(913)

Basis of preparation and independent review report

Basis of preparation

The accounting policies used in the preparation of this Interim report are the same as those used in the statutory accounts for the year to 31 March 2002 and those expected to be used for the year to 31 March 2003. The six month period is treated as a discrete period except in so far as tax in the revenue account is charged on the basis of an estimated annual effective rate.

The figures for the year to 31 March 2002 have been extracted from the accounts filed with the Registrar of Companies on which the auditors issued an unqualified report. This Interim report does not constitute statutory accounts.

Independent review report to 3i Group plc

Introduction We have been instructed by the Company to review the financial information for the six months ended 30 September 2002 which comprises Consolidated statement of total return, Movement in shareholders' funds, Consolidated revenue statement, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 3 and the basis of preparation. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

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

Review conclusion On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.

Ernst &Young LLP
London
13 November 2002

New investment analysis

Analysis of the equity, fixed income and loan investments made by 3i Group. The analyses below exclude investments in joint ventures.

Investment by geography (3i only – excluding co-investment funds) (£m)	6 months to 30 September 2002	6 months to 30 September 2001	12 months to 31 March 2002
UK	197	240	377
Continental Europe	84	179	312
US	31	72	119
Asia Pacific	3	7	26
Total	315	498	834

Investment by geography (including co-investment funds) (£m)			
UK	248	273	443
Continental Europe	111	246	446
US	31	72	119
Asia Pacific	3	9	31
Total	393	600	1,039

Continental European investment (£m)			
Benelux	3	62	64
France	12	27	84
Germany/Austria/Switzerland	48	86	146
Ireland	-	2	2
Italy	7	8	13
Nordic	23	36	90
Spain	17	25	45
Other European[1]	1	-	2
Total	111	246	446

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

Investment by stage of development (£m)			
Start-ups	16	56	95
Management buy-outs	172	179	332
Management buy-ins	4	7	29
Growth capital	169	313	511
Share purchase	1	14	16
Recoveries	31	31	56
Total	393	600	1,039

Investment is based on venture capital industry definitions of stage of development of the company when this period's investment was made, rather than when the original investment was made. These definitions differ from 3i's product classification for management of the business.

Investment by FTSE industrial classification (£m)			
Resources	3	13	15
Industrials	86	60	110
Consumer goods	130	84	206
Services and utilities	61	254	352
Financials	33	11	26
Information technology	80	178	330
Total	393	600	1,039

Technology investment by sector (£m)			
Healthcare	43	62	96
Communications	31	81	173
Electronics, semiconductors and advanced technologies	34	36	87
Software	61	122	192
Total	169	301	548

Portfolio analysis

The Group's equity, fixed income and loan investments total £4,251 million at 30 September 2002. The analyses below exclude investments in joint ventures.

Portfolio value by geography (including co-investment funds) (£m)	At 30 September 2002	At 31 March 2002
UK	3,390	4,018
Continental Europe	1,683	1,984
US	200	270
Asia Pacific	80	101
Total	5,353	6,373

Portfolio value by geography (3i only – excluding co-investment funds) (£m)		
UK	2,831	3,386
Continental Europe	1,152	1,373
US	198	264
Asia Pacific	70	86
Total	4,251	5,109

Continental European portfolio value (£m)		
Benelux	61	78
France	195	253
Germany/Austria/Switzerland	339	385
Ireland	15	18
Italy	82	103
Nordic	269	304
Spain	187	222
Other European[1]	4	10
Total	1,152	1,373

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

Portfolio value by FTSE industrial classification (£m)		
Resources	233	268
Industrials	933	1,117
Consumer goods	953	1,080
Services and utilities	1,078	1,318
Financials	256	273
Information technology	798	1,053
Total	4,251	5,109

Portfolio value by valuation method (£m)		
Imminent sale or IPO	94	51
Listed	210	413
Secondary market	41	89
Earnings	969	1,210
Cost	889	1,077
Further advance	155	185
Net assets	133	132
Other	170	220
Loan investments and fixed income shares	1,590	1,732
Total	4,251	5,109

Portfolio analysis

Buy-out portfolio value by valuation method (£m)	At 30 September 2002	At 31 March 2002
Imminent sale or IPO	38	13
Listed	33	72
Earnings	485	592
Cost	77	101
Net assets	33	32
Other	50	91
Loan investments and fixed income shares	906	1,051
Total	1,622	1,952

Technology portfolio value by stage (£m)		
Early stage	837	1,042
Late stage		
Quoted	120	290
Buy-outs	250	214
Growth capital	224	170
	594	674
Total	1,431	1,716

The early stage portfolio comprises investments in immature businesses which typically require further funding. The late stage portfolio comprises investments in more mature, typically self funding businesses, including investments made by way of buy-outs and growth capital.

Technology portfolio value by valuation method (£m)		
Imminent sale or IPO	7	10
Listed	86	219
Secondary market	34	71
Earnings	68	94
Cost	721	827
Further advance	142	170
Net assets	5	11
Other	58	48
Loan investments and fixed income shares	310	266
Total	1,431	1,716

Technology portfolio value by sector (£m)		
Healthcare	370	421
Communications	265	308
Electronics, semiconductors and advanced technologies	225	233
Software	571	754
Total	1,431	1,716

Growth capital portfolio value by valuation method (£m)		
Imminent sale or IPO	49	28
Listed	91	122
Secondary market	7	18
Earnings	416	524
Cost	91	149
Further advance	13	15
Net assets	95	89
Other	62	81
Loan investments and fixed income shares	374	415
Total	1,198	1,441

Realisations analysis

Analysis of the Group's realisation proceeds (excluding third party co-investment funds). The analyses below exclude divestment of non-venture capital investments in FTSE 350 companies (six months to 30 September 2001 and twelve months to 31 March 2002: £156 million).

Realisations proceeds by geography (£m)	6 months to 30 September 2002	6 months to 30 September 2001	12 months to 31 March 2002
UK	535	399	794
Continental Europe	79	56	133
US	1	-	10
Asia Pacific	4	1	2
Total	619	456	939
Realisations proceeds (£m)			
IPO	33	14	55
Sale of quoted investments	79	232	370
Trade and other sales	257	123	303
Loan and fixed income share repayments	250	87	211
Total	619	456	939
Realisations proceeds by FTSE industrial classification (£m)			
Resources	53	27	52
Industrials	167	93	193
Consumer goods	117	134	255
Services and utilities	217	128	288
Financials	32	13	18
Information technology	33	61	133
Total	619	456	939

Funds under management

(£m)	At 30 September 2002	At 31 March 2002
Third party unquoted co-investment funds	1,739	1,995
Quoted investment companies [1]	457	761
Total	2,196	2,756

1 Includes the 3i Group Pension Plan.

Ten largest investments

At 30 September 2002, the Directors' valuation of the ten largest investments was a total of £377 million. These investments cost £306 million.

Investment (date first invested in) and description of business	Cost £m (Note 1)	Proportion of equity shares held	Directors' valuation £m (Note 1)
Travelex Holdings Ltd (Note 2) (1998) Foreign currency services			
Equity shares	-	19.6%	51
	-		51
Mettis Group Ltd (1999) Orthopaedic and aerospace component service provider			
Equity shares	1	40.0%	1
Loans	46		46
	47		47
Beltpacker plc (2000) Manufacture/marketing of healthcare/beauty products, footwear and accessories			
Equity shares	12	35.6%	-
Loans	43		43
	55		43
Nordisk Renting AB (2001) Renting real estate			
Equity shares	62	35.0%	42
	62		42
Westminster Health Care Holdings Ltd (2002) Care homes operator			
Equity shares	1	49.6%	1
Loans	40		40
	41		41
ERM Holdings Ltd (Note 3) (2001) Environmental consultancy			
Equity shares	-	39.0%	1
Loans	33		33
	33		34
Morse plc (Note 4) (1995) Leading technology integrator			
Equity shares	8	19.0%	33
	8		33
ASCo plc (1996) Oilfield logistics			
Equity shares	11	32.2%	15
Fixed income shares	14		14
Loans	2		2
	27		31
Ben Sherman Ltd (Note 5) (1993) Manufacture of shirts and swimwear			
Equity shares	-	49.6%	-
Loans	4		28
	4		28
Pets At Home Ltd (1995) Retailer in pets and pet supplies			
Equity shares	2	26.0%	-
Loans	27		27
	29		27

Notes

1 The investment information is in respect of 3i's holding and excludes any co-investment by 3i managed funds.
2 The cost of the equity shares held in Travelex Holdings Ltd is £121,000.
3 The cost of the equity shares held in ERM Holdings Ltd is £465,000.
4 Quoted company.
5 The cost of the equity shares held in Ben Sherman Ltd is £420,000. In June 2000, 3i led a secondary buy-out and 3i's equity value was converted into a loan and into new equity shares.

Note 1

The Interim report 2002 will be posted to shareholders on 25 November 2002 and thereafter copies will be available from the Company Secretary, 3i Group plc, 91 Waterloo Road, London SE1 8XP.

Note 2

The interim dividend will be payable on 8 January 2003 to holders of shares on the register on 6 December 2002. The ex-dividend date will be 4 December 2002.

Note 3

Investments statistics referred to in this announcement relate to investments made by 3i Group and third party unquoted co-investment funds managed by 3i unless otherwise stated.