Half-yearly report
for the six months to 30 September 2015

3i Group plc

Disclaimer

This Half-yearly report has been prepared solely to provide information to shareholders. It should not be relied on 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.

Basis

The numbers and commentary in the Overview and Interim management report reflects the Investment basis rather than IFRS. Detail on the differences and a reconciliation is included from page 23. The key measures of total return on equity and NAV are the same under both bases.

For more information on 3i's business, its portfolio and the latest news, please visit:

www.3i.com

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For definitions of our financial terms, used throughout this report, please see our glossary on pages 52 to 54.

We have enhanced this Half-yearly report to concentrate on those events and transactions that are significant to an understanding of 3i's financial performance in the period since the *Annual report and accounts 2015*. As a result the commentary has been streamlined to remove duplication and a number of Notes on the Financial Statements have been refined or deleted to focus on information that is material to this Half-yearly report.

OVERVIEW

Performance highlights
for the six months to 30 September 2015

TOTAL RETURN ON EQUITY

4.4%

The solid performance across all three businesses, despite the market volatility seen in our second quarter, demonstrates the Group's commercial and financial resilience and competitive positioning.

ASSETS UNDER MANAGEMENT ("AUM")

£13.5bn

AUM remained stable as the fundraising activity in Debt Management was offset by net divestment in Private Equity.

OPERATING CASH PROFIT

£17m

Cash income increased by 1% to £80 million due to distributions from CLO equity and dividend income in Private Equity.

Operating expenses remain well controlled at less than 1% of AUM.

PRIVATE EQUITY

REALISATION PROCEEDS

£307m

CASH INVESTED

£208m

Private Equity remained net divestors in the first half as they continued to focus on reducing the number of companies in the portfolio.

The team completed two new investments in our core industrials sector in Europe, where our expertise and network can create longer term value.

INFRASTRUCTURE

OPERATING CASH INCOME

£25m

SPECIAL DIVIDEND

£51m

Ordinary dividends and advisory fees resulted in £25 million of cash income for 3i.

The Group also received a £51 million special dividend from 3i Infrastructure plc ("3iN") following the sale of Eversholt Rail which has been recognised as realised proceeds.

DEBT MANAGEMENT

NEW AUM RAISED

£773m

FEE INCOME

£17m

Debt Management closed two CLOs in the first half and launched the Global Income Fund. AUM increased to £7.5 billion.

Good levels of income were generated from CLO distributions and fund management activities.

Chairman's statement

"3i remains well positioned and reported a resilient performance in the first half despite the volatile economic environment"

Simon Thompson, Chairman
11 November 2015

INTRODUCTION

This is my first report to you since succeeding Sir Adrian Montague as Chairman at the Annual General Meeting in June 2015. Over the past few months, I have acquainted myself with both the 3i team and its shareholders. My first impressions are that 3i is well positioned in its chosen geographies and sectors with a distinct and well established strategy to deliver shareholder value. In this highly competitive and volatile market, I believe that 3i has both the financial and commercial strength to maximise the opportunities available to it.

PERFORMANCE

Our performance in the first half of our financial year was resilient. The market environment has been characterised by reduced investor confidence as a result of uncertainties in the Eurozone, the impact of depressed commodity prices and concerns about the growth outlook for China and other emerging markets. While we are not immune to these developments, we are seeing the benefit of the strategic decision to reduce our presence in Asia and South America and to focus on our core sectors in northern Europe and North America.

DIVIDEND

Our distribution policy is designed to give shareholders a direct share in the success of the Group's divestment activity. We made good progress on realisations in the first half and generated proceeds of £359 million. We also increased our investment activity but have announced a total interim dividend of 6.0 pence per share (September 2014: 6.0 pence per share) in recognition of the robust financial performance and the Board's confidence in the Group's longer term prospects. The dividend comprises of a base dividend of 2.7 pence (one third of our annual base dividend) and 3.3 pence of additional dividend.

BOARD CHANGES

As announced in October 2015, Alistair Cox retired as a Director of 3i on 10 November 2015, having served on the Board for six years. We thank him for his valued contribution to the Group.

Peter Grosch was appointed as a non-executive Director on 1 November 2015. He brings directly relevant geographic and sector experience as a director or supervisory board member of a number of private and public companies as well as being chairman of Euro-Diesel, a 3i investee company.

OUTLOOK

The macro-economic and geo-political landscape continues to be challenging and investor confidence is fragile. The outlook for growth is uncertain in many parts of the world, including the Eurozone and China, and this is resulting in volatility across financial markets. Given this context, we will remain cautious and disciplined in our investment approach, and focused on enhancing the value of our portfolio of investments, while supporting the continued development of our fund management activity.

Chief Executive's statement

"Another solid half year for 3i with each business making important progress"

Simon Borrows, Chief Executive
11 November 2015

INTRODUCTION

We have completed another solid half year with each business making important progress, underpinned by the sound fundamentals created from our restructuring in 2012.

The macro and market environment has clearly deteriorated over the course of this year but 3i is now well-placed to operate with resilience and capitalise on the opportunities this part of the cycle will create. Today, the Group benefits from a strong balance sheet, a portfolio of Private Equity investments with good earnings growth and capable investment teams working within disciplined investment processes.

ROBUST FIRST HALF PERFORMANCE

3i generated a total return on shareholders' funds of 4.4% (September 2014: 7.1%) and a NAV per share of 401 pence (31 March 2015: 396 pence) after accounting for the payment of the 14 pence final dividend in July 2015. This performance was underpinned by continued strong earnings growth in the Private Equity portfolio and supported by good levels of dividend and fee income from Infrastructure and Debt Management. We continued to reduce the number of companies in our portfolio by realising smaller non-core assets early in the period. Realisation proceeds also benefited from a special dividend from 3iN following the sale of Eversholt Rail. In line with our policy, and in recognition of our confidence in our longer term prospects, we are announcing a 6.0 pence dividend which is comprised of one third of our base dividend (2.7 pence) and an additional dividend of 3.3 pence.

BUSINESS REVIEW

In **Private Equity**, the team delivered another good performance and generated a gross investment return of £246 million, or 8% on opening value (September 2014: £282 million, 10%). This was due to strong performances from a number of our larger assets, as evidenced by weighted average earnings growth, including the benefit of portfolio acquisitions, of 19% (31 March 2015: 19%) and 14% excluding Action (31 March 2015: 16%). Action delivered robust like for like earnings growth and made good progress with its international expansion plans, opening over 80 new stores in the calendar year to date. It announced the appointment of a new CEO and CFO to lead the business in the next stage of its strategic journey and is well set for a strong finish to its current financial year. Elsewhere in the portfolio, Element Materials Technology's performance benefited from a number of strategic acquisitions and Scandlines' valuation increased due to both strong trading and the expectation of further delays in the proposed competing fixed tunnel link.

In addition to the resilient performance of our existing investments, the flow of realisations has continued. A generally constructive market in the first quarter allowed us to dispose of some of our older, more challenged assets; this included the completion of some significant turnarounds. At their valuation low points, Azelis and Labco were held at £14 million and £24 million respectively; we received proceeds of £63 million and £42 million for each and freed up valuable investment team time to focus on origination and our newer investments. We achieved 9 complete exits and, in total, received proceeds of £307 million (September 2014: £316 million) from a combination of asset sales and an IPO. We recorded profits of £26 million, at an uplift of 9%. This uplift reflects the weight of realisations early in the first half. £71 million of the proceeds came from the quoted portfolio, where we have taken advantage of opportunities to sell down tranches of Quintiles.

We are making good progress with new investments. We completed two new transactions, Weener Plastic Packaging Group ("Weener Plastic") and Euro-Diesel, in our core industrials sector at sensible prices, as well as a further investment in GIF through the buyout of the founding family. At 30 September 2015, we had reduced the portfolio to 53 companies and 5 quoted holdings and the team continues to work on a busy pipeline of promising investment opportunities.

Our sector and geographic focus since the 2012 restructuring has limited the negative impact from the current broader geo-political and economic conditions. The impact of the lower oil price on the wider energy sector has had the most notable impact on JMJ, a leading safety management consultancy with a particular focus on major capital projects for the oil and gas industry. It has been very proactive in reducing its cost base to counter the impact of the falling oil price. Currency volatility created pressures in a small number of our portfolio companies, but the impact is limited to date.

Notwithstanding the volatility in the global equity markets in the first half, and in our second quarter in particular, the weighted average post discount EBITDA multiple increased to 10.7x (31 March 2015: 10.5x) reflecting the increased weighting of our higher rated assets. There was no change to the multiple used to value Action (post discount 13.5x) and, excluding Action, the average increased marginally to 9.4x (31 March 2015: 9.3x). Notably, we increased the multiple used to value Basic-Fit from 9.5x to 10.5x post discount to recognise the growth potential of this asset, as it upgrades its existing gyms and opens new ones. More generally, our policy of adjusting multiples as equity markets increased throughout the prior year, to reflect both our longer term view of cross-cycle sector values and our exit plans, meant our portfolio valuation was less impacted by the recent volatility than it might otherwise have been. The net effect of all the multiple changes was a value reduction of £24 million (September 2014: £13 million gain) and this was more than compensated for by the £171 million improvement in performance (September 2014: £209 million). Overall, our Private Equity portfolio companies remain well positioned in their chosen markets. This reflects our methodical and disciplined investment approach and the increased weight of our portfolio towards its stronger assets.

The **Infrastructure** team has been proactive in the origination of new investment opportunities. Against a backdrop of intense competition for infrastructure assets, and particularly for large core economic infrastructure businesses, the team has also shaped its investment focus towards mid-market economic infrastructure businesses and primary PPP and low-risk energy projects, which offer more attractive risk-adjusted returns in line with 3iN’s target. The team is focused on sourcing opportunities in these areas and the early signs are encouraging.

Infrastructure had a good first half and contributed a gross investment return of £23 million, or 4% (September 2014: £22 million, 5%). The European portfolio continues to perform well and underpins the good levels of cash income for 3i.

3iN performed well in the period and reported a 7% total shareholder return for the six months to 30 September 2015 following a well received annual results announcement which included updated return targets. In line with its focus on mid-market infrastructure, PPP and low-risk energy sectors, the team announced the completion of three new investments (two further terminals alongside Oiltanking, ESVAGT and the West of Duddon Sands Offshore Transmission Owner) totalling £187 million. In its recent interim announcement, 3iN also recorded a good unrealised value uplift from its attractive portfolio of economic European assets with a notable increase in the valuation of its investment in Elenia, a Finnish energy distribution company.

3iN’s positive performance was partially offset by the weaker performance of the India Infrastructure Fund, in which 3i also has a direct interest, which was valued at £54 million at 30 September 2015 (31 March 2015: £64 million). The valuation of this portfolio remains subject to rupee weakness as well as specific macro-economic issues impacting assets with exposure to the road and power sectors in India.

We continue to see good levels of fundraising activity in our **Debt Management** business although recent market volatility, particularly in the US, has resulted in a general reduction in investor appetite for CLOs. However, as a result of our strong investor relationships we had an active six months and grew AUM in our core CLO offering, closing one €413 million CLO in Europe and a US$511 million CLO in the US. Our investment in CLOs generated strong cash distributions (£14 million, September 2014: £6 million). The effect of these distributions, together with some market volatility, particularly in the US, reduced the mark to market valuation of our existing CLOs (£18 million reduction in the first half, September 2014: £10 million).

The team also made important progress in diversifying the business and launched an open ended senior debt fund, the Global Income Fund, with US$75 million of seed money from 3i. The US Senior Loan Fund outperformed its benchmarks in the period, helping to attract investors. In total, Debt Management generated £17 million of fee income, a slight decrease on the prior period’s income of £18 million due to the timing of the new AUM raising, and increased assets under management to £7.5 billion (31 March 2015: £7.2 billion).

We remain focused on fund management profitability and **operating cash profit** as measures to ensure cost discipline and operating expenses remained stable at £63 million in the first half (September 2014: £63 million). Due to improved distributions from CLO equity and a dividend from Scandlines, cash income increased by 1% to £80 million (September 2014: £79 million) and, as a result, operating cash profit increased in the period to £17 million (September 2014: £16 million). This focus is all the more important as Private Equity management fee income will continue to decline as we realise investments made in Eurofund V (“EFV”) and fund new Private Equity investments with proprietary capital, rather than initiating a new Private Equity fundraising, in the short to medium term.

As well as selective recruitment of experienced investment professionals across the business, we launched a graduate recruitment programme in 2014 to start developing our own investment professionals and business leaders. A number of exceptional candidates applied and our first cohort joined the Group in September 2015.

CONTINUING TO DELIVER VALUE FOR INVESTORS

Our three-year transformation programme, which completed in March 2015, created a more resilient business both commercially and financially. The cornerstones of that programme, namely our emphasis on disciplined asset management, cash generation, cost control and fund management margins remain as relevant now as they were in June 2012. We remain committed to executing this strategy through our three diverse, yet complementary, business lines, as we believe this represents a differentiated and attractive value proposition that generates capital return and fund management income.

In **Private Equity**, we have an investment team with a proven ability to develop businesses internationally and drive operational efficiencies. Monetary policy over the last few years has contributed to large amounts of both equity and debt capital chasing a limited supply of investment opportunities and, in this environment, our principal constraint is our ability to source assets at appropriate prices. We intend to commit €500 million **-** €750 million of proprietary capital in four to seven investments per year subject to available opportunity and attractive pricing. However, as we start to observe a change in the cycle, we are finding more investment opportunities to consider and in the first half we announced and completed two investments totalling €272 million.

As we reduce the number of more challenged assets in our portfolio, the contribution to realisations from our stronger, core assets will increase in significance. High quality assets are less dependent on general market sentiment to generate good realisation proceeds but are necessarily less frequent and individually more material. The structured approach to exit plans implemented in 2012 allows us to anticipate this and plan accordingly.

Our Fund Management profitability objectives are driven by Infrastructure and Debt Management. In line with our strategy to grow **Infrastructure's** contribution to our Fund Management profits, we continue to leverage 3i's partnerships and broader investor network to originate new investments. Since the sale of Eversholt Rail, the team has made new investments of £187 million. In addition, the team's engaged asset management approach is driving increased value in 3iN's existing European portfolio.

Debt Management is well placed to manage regulatory changes in Europe and the US, as our proprietary capital allows us to support the establishment of our CLO vehicles and the team continues to have success in its fundraising activities. The changing regulatory landscape is having an impact on business models and the structure of vehicles that support CLOs, and 3i continues to monitor and adapt to these changes where appropriate. We are also continuing to diversify our product offering to address investor appetite for alternative debt products.

Our clear and consistent strategy is designed to deliver a robust performance across all three of our business lines. This is underpinned by our core investment capabilities across our chosen geographic and business sectors which allow us to evaluate and take risk-based decisions. Our **strong balance sheet** and **efficient investment platform** ensure this value creation is not diluted and returns can be distributed to shareholders or reinvested into new assets.

OUTLOOK

The second quarter of our first half was noted as one of the most volatile in markets since the financial crisis. Against that backdrop, the steps that 3i has taken since 2012 to create a significantly more resilient business are proving their value.

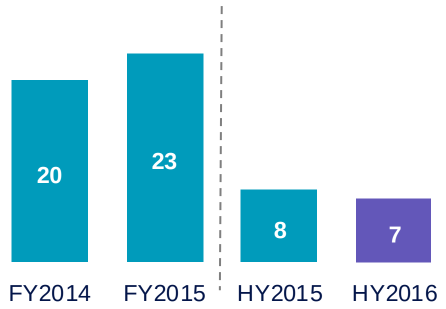
We currently enjoy good momentum across 3i and anticipate that the current environment will, over time, create attractive opportunities for the Group and we now have the people, financial resources and agility to take advantage of them.

Key Performance Indicators

GROSS INVESTMENT RETURN (“GIR”)

% of opening portfolio value

Financial year/Half year



GIR is how we measure the performance of our portfolio of proprietary investments

HY2016 progress

- GIR of 7% demonstrates the resilience of the portfolio despite the impact of wider macro-economic conditions on equity markets and our own portfolio
- Strong value weighted earnings growth of 19%, including acquisitions, in Private Equity
- Good contribution to value growth and portfolio income from 3iN, partially offset by further value loss in the India fund in light of the macro-economic challenges in the sector
- Good portfolio income contribution from Debt Management was offset by negative mark to market movements on the portfolio

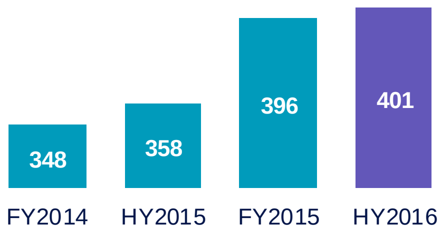
Key risks

- Investment rate or quality of investments is lower than expected
- Subdued M&A activity or high pricing in 3i’s core markets could impact the timing of exits, cash returns and investments
- Operational underperformance of portfolio companies impacting earnings growth and valuations
- Failure to invest in people to support our activities

NET ASSET VALUE (“NAV”)

NAV per share (pence)

Financial year/Half year



NAV is a measure of the fair value of our proprietary investments after the net costs of operating the business

HY2016 progress

- Good progression of NAV per share to 401p after paying the FY2015 final dividend of 14p per share
- The direct valuation impact from exposure to the energy and commodity sectors, China and emerging markets and currency volatility limited to a small number of Private Equity portfolio companies and the US CLOs in Debt Management
- Significant currency volatility intra-period but the period end NAV impact was flat

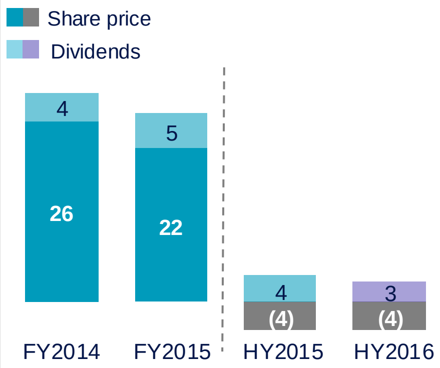
Key risks

- G20 political and economic uncertainty affects 3i’s core markets, impacts valuations and increases foreign exchange volatility
- Unplanned increase in cost base, eg due to regulatory changes

TOTAL SHAREHOLDER RETURN (“TSR”)

%

Financial year/Half year



TSR measures the return to our shareholders through the change in share price and dividends paid during the period

HY2016 progress

- TSR reflects the decrease in the share price from 482p at 31 March 2015 to 466p at 30 September 2015, following the general softening of markets and the final FY2015 dividend of 14p paid in July 2015
- Good progress on realisations and continued earnings momentum in the proprietary capital portfolio
- Expect to pay a dividend of at least 15.0p in total and are paying an interim dividend of 6.0p per share

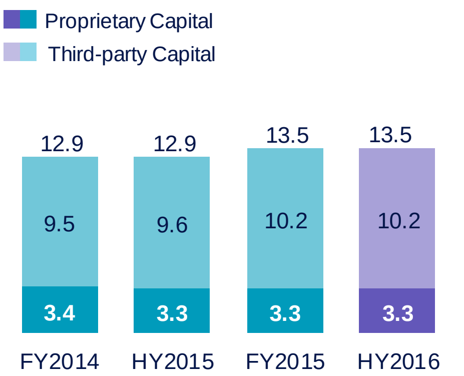
Key risks

- Lower NAV due to investment under-performance or political and economic uncertainty
- Volatility in equity markets
- Appeal of our business model
- Regulatory or legal change materially affecting one or more of the Group’s businesses

ASSETS UNDER MANAGEMENT ("AUM")

£bn

Financial year/Half year



AUM forms the basis on which management fee income is generated. For funds out of their re-investment period, this is measured at residual cost

HY2016 progress

- Debt Management raised two new CLOs, as well as a US$150 million Global Income Fund which contributed to the new AUM of £0.8 billion
- Total AUM was flat at £13.5 billion following net divestment in Private Equity and Infrastructure
- Proprietary Capital AUM was flat at £3.3 billion, as the good flow of Private Equity realisations was largely replaced with new investments

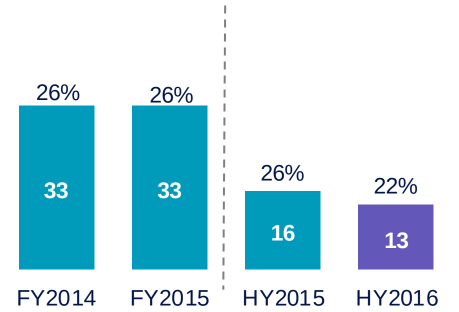
Key risks

- Portfolio performance is weak or impacted by a legal, macro-economic/political and/or regulatory event
- Regulatory change limits 3i's ability to raise third-party capital

UNDERLYING FUND MANAGEMENT PROFIT

Profit (£m) and Margin (%)

Financial year/Half year



Underlying Fund Management profit allows us to assess the performance of our Fund Management business

HY2016 progress

- Underlying Fund Management profit and margin movement reflects Private Equity divestment in managed funds and our decision to focus on proprietary capital rather than third-party funds in Private Equity
- Operating expenses continue to be well managed and were less than 1% of AUM

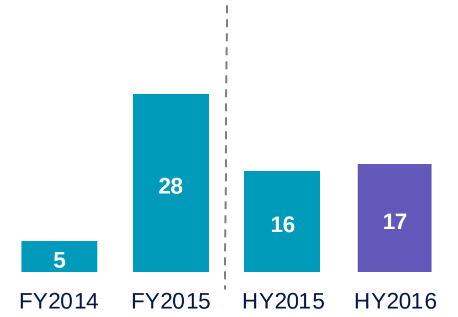
Key risks

- G20 political and economic uncertainty affects investment opportunity or fundraising appetite
- Adverse fluctuations in financial markets impact our fee-based businesses
- Regulatory change adds to 3i's cost base

OPERATING CASH PROFIT

£m

Financial year/Half year



Covering the annual cost of running our business with the annual cash income eliminates capital return dilution

HY2016 progress

- Good progress in maintaining a positive operating cash profit
- All three business lines contributed to cash income, which increased to £80 million due to CLO equity distributions and dividends from the Private Equity portfolio
- 3iN special dividend treated as a realisation and not included in operating cash income
- We remain disciplined on operating expenses, which were flat at £63 million

Key risks

- Portfolio performance, and therefore portfolio income, is weak due to operational underperformance
- Unplanned increase in cost base eg due to regulatory changes

INTERIM MANAGEMENT REPORT

Business review

PRIVATE EQUITY

Private Equity delivered a good performance in the first half. Although market volatility was a feature of the period, its direct impact was limited to a small number of assets and the underlying strength and performance of our larger assets is demonstrated by the 19% increase in weighted average earnings (including the benefit of portfolio acquisitions) in the last twelve months. The gross investment return for the period was £246 million, or 8% on the opening portfolio (September 2014: £282 million, 10%).

INVESTMENT ACTIVITY

The momentum seen in FY2015 continued, as the disposal of a number of our more challenging assets over the last three years allowed the investment teams to focus more of their activity on origination.

The Private Equity team invested in two new businesses in our core industrial sector in the period: Weener Plastic and Euro-Diesel. Headquartered in Germany, Weener Plastic designs, develops and manufactures added value caps, closures, roll-on balls, jars and bottles for a number of markets. We initially invested €251 million of proprietary capital and then set up a co-investment arrangement with a third-party investor to fund €50 million of our commitment. Euro-Diesel is a leading provider of diesel rotary uninterruptable power supply systems, based in Belgium, in which we invested €71 million of proprietary capital.

In both cases we had been working with the management teams and our Business Leaders Network for a significant amount of time before the respective sales processes started. Having stepped back from both processes, we were able to re-join after they failed to complete and secured the investments at good prices. 3i will use its network to support both businesses in the acceleration of their international expansion plans and maximise their operational efficiency. In addition to these new investments, we also took the opportunity to purchase a minority stake in GIF (2013 investment) from the founding family.

Table 1: Cash investment in the six months to 30 September 2015

Investment	Type	Business description	Date	Total investment £m	Proprietary Capital investment £m
Weener Plastic	New	Manufacturer of innovative plastic packaging systems	Aug 15	183	144
Euro-Diesel	New	Manufacturer of uninterruptible power supply systems	Sep 15	53	52
GIF	Further	International transmission testing specialist	Aug 15	12	11
Other	Further	n/a	n/a	(1)	1
Total Private Equity investment				**247**	**208**

REALISATIONS ACTIVITY

Market conditions were favourable in the first half of the 2015 calendar year, enabling us to continue to dispose of a number of smaller non-core assets through both sales and an IPO.

We took advantage of opportunities to sell down one of our quoted investments. We disposed of two tranches of our holding in Quintiles, realising proceeds of £53 million. We also completed a successful IPO of UFO Moviez, realising £17 million. In total we received cash proceeds of £307 million (September 2014: £316 million) at an uplift of 9% over opening portfolio value (September 2014: 15%). The relatively small uplift reflects the fact that a number of assets were held on an imminent sales basis at 31 March 2015, or were from the quoted portfolio.

At 30 September 2015, there were 53 assets in the portfolio and 5 stakes in listed companies, down from 61 assets and 4 quoted stakes at 31 March 2015, and we remain on track to meet our longer term objective of holding fewer than 40 Private Equity investments.

Table 2: Realisations in the six months to 30 September 2015

Investment	Country/ region	Calendar year invested	31 March 2015 value[1] £m	3i realised proceeds £m	Profit/(loss) in the period[2] £m	Uplift on opening value[2] %	Residual value £m	Money multiple over cost[3]	IRR
Full realisations									
Azelis	Benelux	2007	62	63	1	2%	-	1.1x	1%
Labco	France	2008	36	42	6	17%	-	0.7x	(6)%
Touchtunes	USA	2011	39	38	1	3%	2	2.2x	23%
Soyaconcept	Nordic	2007	16	17	nil	-%	-	2.0x	13%
Boomerang	Spain	2008	7	11	4	57%	-	0.6x	(8)%
Inspecta	Nordic	2007	6	6	1	20%	-	0.1x	(40)%
Other investments	n/a	n/a	4	7	3	n/a	-	n/a	n/a
Partial realisations[1,3]									
Quintiles	USA	2008	50	53	3	6%	93	3.1x	24%
Scandlines	Denmark/ Germany	2007	38	38	nil	-%	257	2.4x	25%
UFO Moviez	India	2007	14	17	3	21%	16	2.8x	16%
Other investments	n/a	n/a	9	11	2	n/a	104	n/a	n/a
Deferred consideration									
Other investments	n/a	n/a	2	4	2	n/a	n/a	n/a	n/a
Total Private Equity realisations			**283**	**307**	**26**	**9%**	**472**	**1.6x**	**n/a**

1 For partial realisations, 31 March 2015 value represents value of stake sold.
2 Cash proceeds in the period over opening value realised.
3 Cash proceeds over cash invested. For partial realisations and recapitalisations, valuations of any remaining investment are included in the multiple.

ASSETS UNDER MANAGEMENT

Total AUM decreased to £3.6 billion during the period (31 March 2015: £3.8 billion). The performance of EFV and the Growth Capital Fund continued to improve, with money multiples at 30 September 2015 of 1.5x and 1.8x respectively (31 March 2015: 1.4x, 1.7x). The Growth Capital Fund in particular benefited from the realisation of Labco and further quoted disposals of Quintiles. The investments made in EFV's 2010-2012 investment period, continue to show a particularly strong performance, with a money multiple of 2.8x at 30 September 2015 (31 March 2015: 2.6x), driven by the strong performance of Action, Element and Amor/Christ in particular.

Table 3: **Assets under management** at 30 September 2015

Private Equity	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment[1] September 2015	% invested September 2015	Gross money multiple[2] September 2015	AUM	Fee income received in the period £m
3i Growth Capital Fund	Mar 10	€1,192m	€800m	€346m	53%	1.8x	€277m	1
3i Eurofund V	Nov 06	€5,000m	€2,780m	€114m	94%	1.5x	€1,968m	5
3i Eurofund IV	Jun 04	€3,067m	€1,941m	€82m	95%	2.3x	€487m	-
Other	Various	Various	Various	n/a	n/a	n/a	£1,332m	-
Total Private Equity AUM							**£3,598m**	**6**

1 All funds are beyond their investment period.
2 Gross money multiple is the cash returned to the fund plus remaining value as at 30 September 2015, as a multiple of cash invested.

OUTLOOK

The team made good progress in sourcing and completing new investment opportunities in the first half but will remain disciplined and selective in their approach. On the divestment side, it is likely that more realisations will come from our stronger investments, given the significant progress we have made to date in reshaping and streamlining the portfolio.

INFRASTRUCTURE

Infrastructure continued to make good progress and contributed a gross investment return of £23 million, or 4% on the opening portfolio (September 2014: £22 million, 5%). The performance of the underlying assets underpinned a good level of cash income to 3i, from both dividends and fee income from 3iN and other infrastructure funds managed by the team.

INVESTMENT ADVISER

In its capacity as investment adviser to 3iN, the team advised on three new investments totalling £187 million in the mid-market economic infrastructure and low-risk energy sectors. There is a good pipeline of investment opportunities but, given the competition in the sector, the team remains focused on sourcing assets that can generate returns for 3iN in line with its return targets.

3iN's underlying European portfolio continues to perform well and it has an attractive collection of economic infrastructure assets. In particular, the portfolio valuation has benefited from an improved regulatory environment and performance in Elenia, an electricity distribution and heating company based in Finland.

Under the terms of the advisory agreements, we received an advisory fee of £8 million (September 2014: £7 million).

3iN PERFORMANCE

In addition to its role as investment adviser, 3i holds a 34% (31 March 2015: 34%) stake in 3iN. 3iN continued to perform well in the period and the share price increased by a respectable 4% to 167 pence at 30 September 2015 (31 March 2015: 160 pence). The underlying uplift in 3iN's performance was driven by value growth across its core economic infrastructure portfolio, supported by the continued returns compression and the competitive market environment for large economic infrastructure.

3i's investment in 3iN contributed £19 million of value growth (September 2014: £17 million) and £11 million of dividend income (September 2014: £10 million). In July 2015, 3iN also paid a £150 million special dividend to shareholders, generated from its sale of Eversholt Rail. 3i's share of the special dividend, £51 million, was treated as realised proceeds.

ASSETS UNDER MANAGEMENT

The Infrastructure AUM decreased to £2.4 billion (31 March 2015: £2.5 billion) principally due to the payment of the special dividend from 3iN. In addition, the performance of the assets in the India Infrastructure Fund remains subject to economic pressures, with the power and road assets particularly affected. This, together with the ongoing depreciation in the value of the rupee resulted in a £9 million reduction in the value of 3i's share of the Indian portfolio to £54 million (31 March 2015: £64 million).

Table 4: **Assets under management** at 30 September 2015

	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment September 2015	% invested September 2015	Gross money multiple[1] September 2015	AUM	Fee income received in the period £m
3iN	Mar 07	n/a	n/a	n/a	n/a	n/a	£1,192m[2]	8
India fund	Mar 08	US$1,195m	US$250m	US$36m	73%	0.5x	US$584m[3]	2
BIIF	May 08	£680m	n/a	n/a	90%	n/a	£592m	2
BEIF II	July 06	£280m	n/a	n/a	97%	1.1x	£98m	1
Other	Various	Various	Various	n/a	n/a	n/a	£143m	1
Total Infrastructure AUM							**£2,377m**	**14**

1 Gross money multiple is the cash returned to the fund plus remaining value as at 30 September 2015, as a multiple of cash invested.
2 Based on latest published NAV (ex-dividend).
3 Adjusted to reflect 3iN's US$250 million share of the fund.

OUTLOOK

The team remains busy as it focuses on new investment opportunities in mid-market infrastructure, greenfield PPP and low-risk energy projects. We have made a number of senior hires, including a new origination partner, to support the strategic development and momentum of the business.

DEBT MANAGEMENT

We had another good period of fund-raising, closing two new CLOs and launching a new US$150 million Global Income Fund. AUM increased to £7.5 billion at 30 September 2015 (31 March 2015: £7.2 billion) as the £773 million of new AUM raised and favourable foreign exchange movements more than offset the run-off of older funds.

FUNDRAISING ACTIVITY

Debt Management has made good progress in generating AUM in the first half as the cash yield generated by CLO funds remained attractive. The team closed one CLO in Europe, Harvest XII, and one in the US, Jamestown VII, raising a total of £625 million new CLO AUM in the first half. In addition, we continue to operate CLO warehouse vehicles in both Europe and the US ahead of establishing new CLOs. There was significant volatility in August and September 2015 and, overall, the CLO market activity is below the peak seen in 2014 in the US in particular and transactions are taking longer to close in Europe.

In addition to our CLO offerings and following on from the successful launch of the European Middle Market Loan Fund, we continued to diversify our product offering and launched a new Global Income Fund with US$75 million of seed capital from 3i. The fund is an open ended senior debt fund that invests across the US and Europe and, as at 30 September 2015, had US$171 million under management. The US Senior Loan Fund also continued to perform strongly, outperforming its benchmarks, and AUM increased to US$199 million (31 March 2015: US$157 million).

Table 6 details Debt Management AUM.

PROPRIETARY CAPITAL INVESTMENT

For regulatory reasons, 3i is required to hold a minimum 5% stake in the European CLOs it manages. We also structure our US CLOs in anticipation of the implementation of similar risk retention rules in the US in December 2016. Our ability to comply with the European risk retention rules, and future US rules, is important as managers who can provide most or all of the equity to a new CLO, and demonstrate the ability to comply with the regulatory rules, are increasingly at a competitive advantage.

As long-term holders of CLO equity positions, our returns are driven by the cash flows to maturity. CLO equity distributions contributed £14 million (September 2014: £6 million) to operating cash profit and the IRRs are attractive. However, in the interim, our valuations were subject to the market volatility and we recognised a mark to market loss of £18 million (September 2014: £10 million) in the first half. This was due, in part, to the distributions but also a number of other factors, such as concerns about interest rate rises and the oil and gas sector.

In addition to the investments 3i makes in the CLOs for regulatory reasons, 3i is also the first loss investor in the warehouse facilities used to accumulate loans prior to the launch of a CLO. At 30 September 2015 the total invested by 3i in these facilities was £51 million.

Table 5: **Cash investment** in the six months to 30 September 2015

Investment	Type	Date	Total 3i investment £m
Harvest XII	New European CLO	Aug 15	15
Jamestown VII	New US CLO	Aug 15	15
Global Income Fund	Open ended senior debt fund	Jun 15	48
European warehouses[1]	Warehouse	Various	6
Other	n/a	Various	2
Total Debt Management investment			**86**

1 Net of cash received back from warehouses on the successful close of a CLO.

Including the US$75 million seed capital contributed to the Global Income Fund, we had £249 million (31 March 2015: £176 million) of proprietary capital invested in the Debt Management business at 30 September 2015.

OUTLOOK

In general, current market volatility is impacting investor appetite for new CLOs. However, our strong relationships mean we expect to close at least one US CLO and one European CLO before the end of the financial year.

Table 6: **Assets under management** at 30 September 2015

	Closing date	Reinvestment period end	Maturity date	Par value of fund at launch	Realised equity money multiple[1]	Annualised equity cash Yield[2,3,4]	AUM[5]	Fee income received in the period
European CLO funds								
Harvest CLO XII	Aug 15	Aug 19	Aug 29	€413m	n/a	n/a	€401m	
Harvest CLO XI	Mar 15	Mar 19	Mar 29	€415m	0.0x	9.2%	€400m	
Harvest CLO X	Nov 14	Nov 18	Nov 28	€467m	0.1x	17.2%	€451m	
Harvest CLO IX	Jul 14	Aug 18	Aug 26	€525m	0.2x	19.8%	€508m	
Harvest CLO VIII	Mar 14	Apr 18	Apr 26	€425m	0.2x	16.5%	€413m	
Harvest CLO VII	Sep 13	Oct 17	Oct 25	€310m	0.2x	10.2%	€301m	
Windmill CLO I	Oct 07	Dec 14	Dec 29	€500m	0.7x	9.3%	€433m	
Axius CLO	Oct 07	Nov 13	Nov 23	€350m	0.7x	8.7%	€202m	
Coniston CLO	Aug 07	Jun 13	Jul 24	€409m	1.0x	12.7%	€197m	
Harvest CLO V	Apr 07	May 14	May 24	€632m	0.7x	8.8%	€477m	
Garda CLO	Feb 07	Apr 13	Apr 22	€358m	1.4x	16.8%	€134m	
Pre 2007 CLOs	n/a	n/a	n/a	€3,111m	n/a	n/a	€640m	
							£3,359m	**£9m**
US CLO funds								
Jamestown CLO VII	Aug 15	Jul 19	Jul 27	US$511m	n/a	n/a	US$500m	
Jamestown CLO VI	Feb 15	Feb 19	Feb 27	US$750m	0.1x	13.6%	US$749m	
Jamestown CLO V	Dec 14	Jan 19	Jan 27	US$411m	0.1x	19.6%	US$392m	
Jamestown CLO IV	Jun 14	Jul 18	Jul 26	US$618m	0.3x	20.4%	US$589m	
COA Summit CLO	Mar 14	Apr 15	Apr 23	US$416m	0.4x	27.0%	US$362m	
Jamestown CLO III	Dec 13	Jan 18	Jan 26	US$516m	0.3x	16.8%	US$495m	
Jamestown CLO II	Feb 13	Jan 17	Jan 25	US$510m	0.5x	19.6%	US$497m	
Jamestown CLO I	Nov 12	Nov 16	Nov 24	US$461m	0.5x	19.0%	US$444m	
Fraser Sullivan CLO VII	Apr 12	Apr 15	Apr 23	US$459m	0.7x	20.3%	US$442m	
COA Caerus CLO	Dec 07	Jan 15	Dec 19	US$240m	1.8x	23.8%	US$182m	
Pre 2007 CLOs	n/a	n/a	n/a	US$500m	n/a	n/a	US$136m	
							£3,158m	**£6m**
Other funds								
Global Income Fund	Jul 15	n/a	n/a	n/a	n/a	n/a	US$171m	
EMMF	Nov 14	Nov 17	Nov 22	n/a	n/a	n/a	€259m	
Vintage II	Nov 11	Sep 13	n/a	US$400m	0.4x	1.6x	US$192m	
Palace Street I	Aug 11	n/a	n/a	n/a	n/a	n/a	€15m	
Senior Loan Fund	Jul 09	n/a	n/a	n/a	n/a	7.3%	US$199m	
COA Fund[6]	Nov 07	n/a	n/a	n/a	n/a	(0.1)%	US$46m	
Vintage I	Mar 07	Mar 09	Jan 22	€500m	4.2x	6.7x	€282m	
European warehouse vehicles	n/a	n/a	n/a	n/a	n/a	n/a	€223m	
							£977m	**£2m**
Total Debt Management AUM							**£7,494m**	**£17m**

1 Multiple of total equity distributions over par value of equity at launch.

2 Average annualised returns since inception of CLOs calculated as annualised cash distributions over par value of equity. Excludes unrealised equity remaining in CLO.

3 Vintage I & II returns are shown as gross money multiple which is cash returned to the Fund plus residual value as at 30 September 2015, as a multiple of cash invested.

4 The annualised returns for the COA Fund and Senior Loan Fund are the annualised net returns of the Funds since inception.

5 Includes par value of assets and principal cash amount.

6 The COA Fund AUM excludes the market value of investments the fund has made in 3i US Debt Management CLO funds (US$39 million as at 30 September 2015).

Financial review

Against a volatile market backdrop, the Group delivered a solid result in the first half.

Table 7: Summary financial data under the Investment basis

Investment basis	**Six months to/as at 30 September 2015**	Six months to/as at 30 September 2014	12 months to/as at 31 March 2015
Total return	**£168m**	£234m	£659m
Total return on opening shareholders' funds	**4.4%**	7.1%	19.9%
Dividend per ordinary share	**6.0p**	6.0p	20.0p
Operating expenses	**£63m**	£63m	£131m
As a percentage of assets under management[1]	**0.9%**	1.0%	1.0%
Operating cash profit	**£17m**	£16m	£28m
Proprietary Capital			
Realisation proceeds	**£359m**	£324m	£841m
Uplift over opening book value[2]	**£29m/9%**	£36m/15%	£145m/27%
Money multiple	**1.7x**	1.8x	2.0x
Gross investment return	**£272m**	£297m	£805m
As a percentage of opening 3i portfolio value	**7.0%**	8.3%	22.6%
Operating profit[3]	**£204m**	£262m	£721m
Cash investment	**£294m**	£199m	£474m
3i Portfolio value	**£4,037m**	£3,672m	£3,877m
Gross debt	**£819m**	£831m	£815m
Net (debt)/cash	**£(12)m**	£(161)m	£49m
Gearing	**0.3%**	5%	nil
Liquidity	**£1,157m**	£1,020m	£1,214m
Net asset value	**£3,851m**	£3,426m	£3,806m
Diluted net asset value per ordinary share	**401p**	358p	396p
Fund Management			
Total assets under management	**£13,469m**	£12,923m	£13,474m
Third-party capital	**£10,143m**	£9,566m	£10,140m
Proportion of third-party capital	**75%**	74%	75%
Total fee income	**£58m**	£63m	£125m
Third-party fee income	**£37m**	£41m	£80m
Operating profit[3]	**£10m**	£13m	£26m
Underlying Fund Management profit[3,4]	**£13m**	£16m	£33m
Underlying Fund Management margin	**22%**	26%	26%

1 Annualised actual operating expenses, excluding restructuring costs of nil (September 2014: nil, March 2015: £1 million), as a percentage of weighted average assets under management.

2 Uplift over opening book value excludes refinancings. The September 2014 balance has been restated from £35 million to £36 million to exclude refinancings.

3 Operating profit for the Proprietary Capital and Fund Management activities excludes carried interest and performance fees payable/receivable, which is not allocated between these activities.

4 Excludes Fund Management restructuring costs of nil (September 2014: nil, March 2015: £1 million) and amortisation costs of £3 million (September 2014: £3 million, March 2015: £6 million).

BASIS

3i prepares its statutory financial statements in accordance with IFRS. The introduction of IFRS 10 in 2014 was important for investment companies, such as 3i, as the investment entity exception eliminated the risk of having to consolidate portfolio investments. However, as described in our *Annual report and accounts 2015*, we also report using a non-GAAP "Investment basis" as we believe it aids users of our report to assess the Group's underlying operating performance. Total return and net assets are the same under the Investment basis and IFRS and we provide more detail on IFRS 10, as well as a reconciliation of our Investment basis financial statements to the IFRS statements, from page 23.

Total return

3i generated a total return of £168 million, or a profit on opening shareholders' funds of 4.4% (September 2014: £234 million or 7.1%) in the first half, despite challenging market conditions, demonstrating the financial and commercial resilience of the business after the completion of its three-year transformation programme. The Proprietary Capital business delivered a gross investment return of £272 million (September 2014: £297 million) and an operating profit before carry of £204 million (September 2014: £262 million) due to a robust performance in the underlying portfolio companies. Underlying Fund Management operating profit before carry was £13 million (September 2014: £16 million).

Table 8: Total return for the six months to 30 September 2015

Investment basis	**Six months to 30 September 2015 £m**	Six months to 30 September 2014 £m	12 months to 31 March 2015 £m
Realised profits over value on disposal of investments	**29**	35	162
Unrealised profits on revaluation of investments	**167**	307	684
Portfolio income			
Dividends	**36**	21	45
Income from loans and receivables	**28**	30	62
Fees receivable	**5**	2	6
Foreign exchange on investments	**7**	(98)	(154)
Gross investment return	**272**	297	805
Fees receivable from external funds	**37**	41	80
Operating expenses	**(63)**	(63)	(131)
Interest receivable	**2**	1	3
Interest payable	**(24)**	(26)	(49)
Movement in the fair value of derivatives	**-**	(1)	(1)
Exchange movements	**(10)**	25	40
Other income	**-**	1	-
Operating profit before carry	**214**	275	747
Carried interest			
Carried interest and performance fees receivable from external funds	**(3)**	19	80
Carried interest and performance fees payable	**(39)**	(45)	(142)
Acquisition related earn-out charges	**(4)**	(5)	(8)
Operating profit	**168**	244	677
Income taxes	**1**	(3)	(4)
Re-measurements of defined benefit plans	**(1)**	(7)	(14)
Total comprehensive income ("Total return")	**168**	234	659
Total return on opening shareholders' funds	**4.4%**	7.1%	19.9%

PROPRIETARY CAPITAL RETURNS

The Proprietary Capital business delivered an operating profit before carry of £204 million (September 2014: £262 million) principally due to strong weighted average earnings growth, including portfolio acquisitions, of 19% (31 March 2015: 19%) in the Private Equity portfolio and positive contributions from the Infrastructure and Debt Management businesses.

By business line, the gross investment return on the opening portfolio was 8% from Private Equity (September 2014: 10%), 4% from Infrastructure (September 2014: 5%) and 2% from Debt Management (September 2014: loss of 5%). Private Equity accounted for 81% of the proprietary capital portfolio at 30 September 2015 (31 March 2015: 81%) and remains the primary driver of Proprietary Capital returns.

Realised profits

Continued exit momentum in the first half resulted in 3i realising profits on disposal of £29 million (September 2014: £35 million) and proceeds totalling £359 million (September 2014: £324 million). Realisations were achieved at an uplift over opening value of 9%, which was lower than prior periods due to a number of assets being valued on an imminent sales basis at the beginning of the year.

As in previous periods, the majority of the realisations were from the Private Equity portfolio, which contributed proceeds of £307 million (September 2014: £316 million), including £71 million from the sale of quoted assets (September 2014: £68 million). The Private Equity realisations completed in the period generated an average money multiple of 1.6x over their investment life. Further detail is provided in Table 2 of the Private Equity section.

3iN returned £51 million via a special dividend during the period, following the completion of its sale of Eversholt Rail, and this was treated as realised proceeds. This generated a realised profit of £3 million due to the increase in the 3iN share price up until the date the dividend was paid.

Unrealised value movements

The unrealised value movement of £167 million (September 2014: £307 million) was due predominantly to strong earnings growth in a number of our key Private Equity assets.

Table 9: Unrealised profits/(losses) on revaluation of investments for the six months to 30 September

	2015 £m	2014 £m
Private Equity		
Earnings based valuations		
Performance	**171**	209
Multiple movements	**(24)**	13
Other bases		
Uplift to imminent sale	**-**	34
Discounted Cash Flow	**28**	33
Other movements on unquoted investments	**1**	7
Quoted portfolio	**(2)**	12
Infrastructure		
Quoted portfolio	**15**	15
Discounted Cash Flow	**(4)**	(6)
Debt Management[1]	**(18)**	(10)
Total	**167**	307

1 Debt Management includes value movements on the subordinated debt stakes in CLOs and our fund vehicles.

Private Equity unrealised value growth

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 September valuations are the last 12 months' management accounts data to June, 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. In the case of Action, which is continuing to experience significant growth due to its store roll-out programme, a run-rate adjustment is made to its earnings for valuation purposes to reflect the profitability of recently opened stores.

Improvements in the performance of the portfolio valued on an earnings basis resulted in an increase in value of £171 million (September 2014: £209 million). Value weighted last 12 months earnings, including portfolio acquisitions, increased by 19% (31 March 2015: 19%), demonstrating that the portfolio's largest assets are delivering strong improvements in performance. Excluding Action, value weighted last 12 months earnings grew by 14% (31 March 2015: 16%).

The number of investments valued using forecast earnings increased to five at 30 September 2015 from two at 31 March 2015, representing 10% of the portfolio by value (31 March 2015: 3%).

Table 10: Portfolio earnings growth weighted by September 2015 carrying values[1]

Last 12 months' (LTM) earnings growth	**3i carrying value at 30 September 2015 £m**	3i carrying value at 31 March 2015 £m
<(20)%	**9**	32
(20) - (11)%	**46**	-
(10) - (1)%	**87**	131
0 - 9%	**755**	753
10 - 19%	**292**	88
20 - 30%	**995**	387
>30%	**194**	868

1 Includes all companies valued on an earnings basis where comparable earnings data is available. This represents 73% of the Private Equity portfolio by value (31 March 2015: 72%).

Net debt in the portfolio decreased to 2.8x EBITDA (31 March 2015: 3.1x).

Table 11: Ratio of debt to EBITDA weighted by September 2015 carrying values[1]

Ratio of net debt to EBITDA	**3i carrying value at 30 September 2015 £m**	3i carrying value at 31 March 2015 £m
<1x	**411**	490
1 - 2x	**193**	483
2 - 3x	**564**	86
3 - 4x	**1,136**	428
4 - 5x	**765**	1,450
5 - 6x	**-**	62
>6x	**-**	6

1 This represents 94% of the Private Equity portfolio by value (31 March 2015: 95%).

Multiple movements

The weighted average EBITDA multiple of the Private Equity portfolio assets valued on an earnings basis increased from 11.2x at 31 March 2015 to 11.4x at 30 September 2015 before marketability discount, and from 10.5x to 10.7x after marketability discount. The multiple used to value Action, the largest asset by value, remained unchanged at 13.5x post discount. Excluding Action, the weighted average EBITDA multiple remained flat at 10.1x before marketability discount (31 March 2015: 10.1x) and was 9.4x after marketability discount (31 March 2015: 9.3x).
We increased the multiple used to value Basic-Fit from 9.5x at 31 March 2015 to 10.5x post discount to recognise the growth potential of this asset as it both upgrades its existing gyms and opens new ones.

Multiple movements continued

Stock market multiples declined sharply in our second quarter but, as noted in the *Annual report and accounts 2015*, we consider other factors such as exit plans, relative performance and investment size when setting the multiples we use. As a result, we adjusted multiples down, when compared to the market, throughout 2014 as equity markets increased. In the first half we continued to adjust multiples in 19 out of the 30 companies (31 March 2015: 22 out of 33) valued on an earnings basis. However the valuation multiples declined for 10 companies and the net effect was a decrease in value of £24 million in the period (September 2014: £13 million increase).

Imminent sale

Portfolio companies which are well advanced in a negotiated sales process are valued on an imminent sale basis. No companies were valued on this basis at 30 September 2015.

Discounted Cash Flow

The Discounted Cash Flow (DCF) valuation basis is used to value portfolio companies with predictable and stable cash flows. As at 30 September 2015, the largest portfolio company valued on this basis was Scandlines, valued at £257 million. Its value increased by £30 million largely due to strong trading and the expectation of further delays in the opening of the proposed competing fixed link.

Quoted portfolio

The Private Equity quoted portfolio, including the UFO Moviez IPO that completed in the period, generated an unrealised value loss of £2 million (September 2014: £12 million gain) which is detailed in Table 12.

Table 12: Quoted portfolio movement for the six months to 30 September 2015

Investment	IPO date	Opening value at 1 April 2015[1] £m	Disposals at opening book value £m	Unrealised value movement £m	Other movements £m[2]	Closing value at 30 September 2015 £m	Total gross investment return during the period £m
Quintiles	May 13	144	(50)	3	(4)	93	1
Dphone	Jul 14	35	-	(11)	(2)	22	(13)
Eltel	Feb 15	47	-	4	-	51	4
Refresco	Mar 15	47	(1)	(1)	2	47	-
UFO Moviez	May 15	27	(15)	3	-	15	4
		300	(66)	(2)	(4)	228	(4)

1 For UFO which IPO'd during the period, this is the value pre-IPO.
2 Other movements includes foreign exchange.

Infrastructure unrealised value movement

The direct Infrastructure portfolio primarily consists of our 34% holding in 3iN. The 4% increase in 3iN's share price to 167 pence (31 March 2015: 160 pence) led to a value uplift of £19 million in the period (September 2014: £17 million). This positive performance was partially offset by a further decline in value of the India Infrastructure Fund which recorded an unrealised value reduction of £9 million (September 2014: £8 million reduction). The fund's investments continued to face a number of challenges together with the ongoing depreciation of the rupee.

Debt Management unrealised value movement

The Debt Management unrealised value reduction of £18 million in the first half (September 2014: £10 million) relates principally to the mark to market valuation of the CLO equity portfolio, and there are a number of factors that contribute to this movement. We received £14 million of cash distributions (September 2014: £6 million), included in portfolio income, that result in a corresponding value reduction. Broker quotes, which are used to support CLO valuations, also reflected general market concerns about liquidity and investor risk appetite. In the US in particular, potential interest rate rises and oil and gas sector concerns impacted this sentiment. The underlying cash flows of the CLOs remain sound, and our longer term view of returns remains positive.

Portfolio income

The portfolio generated income of £69 million in the period (September 2014: £53 million). The increase compared to the prior period was driven by dividends, with notable receipts including £14 million from Debt Management CLO distributions, £8 million from Scandlines and the £11 million ordinary distribution from 3iN. Income from loans and receivables was broadly stable at £28 million (September 2014: £30 million) and predominantly related to Private Equity assets.

A further £5 million in net fees from the new investments in Weener Plastic and Euro-Diesel, as well as portfolio monitoring fees, were also recognised in the period (September 2014: £2 million).

Net foreign exchange movements

The Group recorded a total net foreign exchange loss of £3 million (September 2014: £73 million) during the period with the strengthening of sterling against the US dollar (2.4%) being partially offset by the weakening of sterling against the euro (1.6%). The net foreign exchange loss also reflects the translation of non-portfolio net assets, including non-sterling cash held at the balance sheet date.

Based on the portfolio as at 30 September 2015, a 1% movement in the euro and US dollar would give rise to a £20 million and £7 million movement in total return respectively.

Proprietary Capital costs

A proportion of the Group's operating expenses that are assessed as having been incurred in running a regulated and listed investment trust are allocated to Proprietary Capital. These include 100% of costs in relation to the CEO and Group Finance Director and elements of finance, IT, property and compliance. Proprietary Capital operating expenses continued to be well managed and were £15 million (September 2014: £13 million).

Synthetic fees, which are calculated on cost rather than value of assets, were marginally lower at £21 million (September 2014: £22 million) and reflect the lower level of proprietary capital being managed as a result of net divestment during the period.

Net interest payable

Gross interest payable declined to £24 million (September 2014: £26 million) due to the reduced costs associated with the 2016 revolving credit facility which was refinanced in September 2014. This facility was extended by one year to September 2020 at no extra cost, following an agreement with the participating banks in September 2015. The current gross debt position is detailed further in this Financial review and in Note 9 of the accounts.

Interest receivable increased marginally to £2 million (September 2014: £1 million) and reflected the higher cash balances held throughout the period.

FUND MANAGEMENT RETURNS

Table 13: Fund Management operating profit for the six months to 30 September

	2015 £m	2014 £m
Fees receivable from external funds	**37**	41
Synthetic fee from Proprietary Capital	**21**	22
Operating expenses	**(48)**	(50)
Operating profit before carry	**10**	13
Amortisation costs	**3**	3
Underlying Fund Management profit	**13**	16

The Group's Fund Management income is driven by total AUM. At 30 September 2015, AUM was stable at £13.5 billion (31 March 2015: £13.5 billion) as the launch of two CLOs and the Global Income Fund within Debt Management were offset by a fall in AUM from the net divestment activity in Private Equity.

FUND MANAGEMENT RETURNS continued

The Fund Management business generated an operating profit before carry of £10 million for the period (September 2014: £13 million). The reduction in profitability was driven principally by lower third-party fee income, which declined by 10% to £37 million (September 2014: £41 million) as a result of the ongoing divestment of older Private Equity assets that were partially funded with external capital. This was partially offset by continued cost discipline but the operating profit margin decreased to 17% (September 2014: 21%). On an underlying basis, excluding amortisation costs, operating profit was £13 million (September 2014: £16 million) at a margin of 22% (September 2014: 26%).

TOTAL RETURN

Table 14: **Summarised total return** for the 6 months to 30 September

	2015 £m	2014 £m
Proprietary Capital operating profit before carry	204	262
Fund Management operating profit before carry	10	13
Operating profit before carry	**214**	275
Carried interest and performance fees receivable from external funds	(3)	19
Carried interest and performance fees payable	(39)	(45)
Acquisition related earn-out charges	(4)	(5)
Operating profit	**168**	244
Tax	1	(3)
Re-measurements of defined benefit plans	(1)	(7)
Total comprehensive income ("Total return")	**168**	234
Total return on opening shareholders' funds	**4.4%**	**7.1%**

NET CARRIED INTEREST AND PERFORMANCE FEES PAYABLE

We pay carried interest to our investment teams on proprietary capital invested and receive carried interest from third-party funds.

In Private Equity, we typically accrue carried interest at between 10 – 15% of gross investment return. The improved performance over the last 12 months means that the majority of assets by value are now held in schemes that would have met their performance hurdles, assuming that the portfolio was realised at the 30 September 2015 valuation. We accrued carried interest payable of £36 million (September 2014: £36 million) in the period.

We also accrued £3 million of carried interest payable to the Debt Management team (September 2014: £2 million) and nil to the Infrastructure team (September 2014: £7 million) as 3iN did not go through its performance hurdle in the first half. In total, we accrued for £39 million of carry payable in September 2015 (September 2014: £45 million).

The £(3) million carried interest receivable includes an £8 million one-off adjustment to the balance due from the Growth Capital Fund, which offsets the £5 million from Debt Management (September 2014: £4 million). Notwithstanding the recovery in fund performance, we are yet to accrue carried interest receivable from EFV, our largest third-party Private Equity fund.

PENSION

There was a re-measurement loss on the Group's pension scheme of £1 million (30 September 2014: £7 million loss) during the period. The liability of the Group's UK defined benefit pension scheme declined in the period following an increase in the discount rate. However, this was offset by a fall in asset valuations, which were impacted by volatile financial markets.

We have launched a programme to offer our members flexibility in how they take their pension benefits following the Government's "Freedom and choice in pensions" changes announced in April 2014. This includes the provision of independent financial advice and a range of options for deferred and pensioner members.

OPERATING CASH PROFIT

Table 15: Operating cash profit for the six months to 30 September

	2015 £m	2014 £m
Third-party capital fees	**37**	37
Cash portfolio fees	**4**	4
Cash portfolio dividends and interest	**39**	38
Cash income	**80**	79
Operating expenses[1]	**(63)**	(63)
Operating cash profit	**17**	16

1 Operating expenses are calculated on an accruals basis rather than cash.

3i made an operating cash profit of £17 million in the period (September 2014: £16 million). Cash income increased modestly to £80 million (September 2014: £79 million) principally due to increased dividends. Our Debt Management business generated good fund fee cash income of £18 million (September 2014: £17 million) which almost offset the reduced Private Equity fund management income. Cash fee income from our managed Private Equity funds and third parties decreased to £5 million (September 2014: £9 million).

Operating expenses incurred during the period were stable at £63 million (September 2014: £63 million), and decreased to 0.9% (September 2014: 1.0%) of AUM. We have recruited to support our investment teams, as detailed on page 4, but remain focused on costs being 1% of AUM as an appropriate benchmark.

INVESTMENT CASH FLOWS

Investment and realisations

Table 16: Investment activity – Proprietary Capital and Third-party Capital for the six months to 30 September

	Proprietary Capital		Proprietary and Third-party Capital[1]	
	September 2015 **£m**	September 2014 £m	**September 2015** **£m**	September 2014 £m
Realisations	**359**	324	**583**	463
Cash investment	**(294)**	(199)	**(333)**	(180)
Net cash divestment	**65**	125	**250**	283
Non-cash investment	**(44)**	(55)	**(57)**	(69)
Net divestment	**21**	70	**193**	214

1 Third-party capital relates to Private Equity activity only.

Further detail on investment and realisations is included in the relevant business line sections.

BALANCE SHEET

Table 17: Simplified balance sheet and gearing

	30 September 2015 £m	31 March 2015 £m
Investment portfolio value	**4,037**	3,877
Gross debt	(819)	(815)
Cash and deposits	807	864
Net (debt)/cash	**(12)**	49
Other net liabilities	(174)	(120)
Net assets	**3,851**	3,806
Gearing[1]	**0.3%**	nil

1 Gearing is net debt as a percentage of net assets.

BALANCE SHEET continued

The Proprietary Capital portfolio increased to £4,037 million at 30 September 2015 (31 March 2015: £3,877 million) as cash investment of £294 million and unrealised value growth of £167 million offset the realisations in the period.

The mix of the portfolio was broadly stable. Private Equity remained at 81% of the total portfolio (31 March 2015: 81%) while an increase in the Debt Management portfolio to 6% (31 March 2015: 5%) was offset by a fall in the Infrastructure portfolio to 13% (31 March 2015: 14%).The final FY2015 dividend payment, partially offset by operating cash inflows and net divestment, led to cash and deposits on the balance sheet decreasing to £807 million (31 March 2015: £864 million). We recognised a small increase in the sterling equivalent of the 2017 euro denominated bond and, as a result, the Group was in a net debt position of £12 million at 30 September 2015 (31 March 2015: £49 million net cash) and had gearing of 0.3% (31 March 2015: nil).

Liquidity

Liquidity remained strong at £1,157 million (31 March 2015: £1,214 million) and comprised cash and deposits of £807 million (31 March 2015: £864 million) and undrawn facilities of £350 million (31 March 2015: £350 million).

Foreign exchange

At 30 September 2015, 30% of the Group's net assets were denominated in sterling, 43% in euro, 25% in US dollar and 2% in other currencies. Although we do not implement structured hedging of the NAV, we may implement specific short-term hedging on entry or exit cash flows of an investment if appropriate.

Diluted NAV

The diluted NAV per share at 30 September 2015 was 401 pence (31 March 2015: 396 pence). The increase was driven by the total return in the period of £168 million (September 2014: £234 million), partially offset by the payment of the final FY2015 dividend of £133 million, or 14.0 pence per share (September 2014: £126 million, 13.3 pence per share).

Dividend

The Board has announced an interim dividend of 6.0p (September 2014: 6.0p). This comprises of a 2.7p base dividend and a 3.3p additional dividend and reflects our robust balance sheet and confidence in our longer term prospects. The interim dividend is expected to be paid on 6 January 2016 to those shareholders on the register at 11 December 2015.

Principal 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 2015* which can be accessed via the link on the Investor Relations home page of the Group's website at www.3i.com.

In delivering the Group's strategy we face a number of risks. These are monitored continuously and managed by:

- adhering to our clearly defined and established business model;
- following an integrated risk management approach; and
- maintaining our clearly defined risk appetites and key risk indicators.

During the six months to 30 September 2015, there was no significant change to our business model, risk management approach or risk appetite.

The principal risks and uncertainties for the remaining six months of the financial year are unchanged and summarised below. This is not a comprehensive list of all potential risks and uncertainties faced by the Group, but rather a summary of the risks which it currently believes may have a significant impact on its performance and future prospects.

External – Risks arising from external factors including political, legal, regulatory, economic and competitor changes which affect the Group's operations. There has been a significant amount of uncertainty in the Eurozone and the wider emerging markets' economies in 2015 and the Group continues to monitor these events closely. On 5 October 2015, the OECD published the final reports arising from its work on the Base Erosion and Profit Shifting ("BEPS") project. It is not clear which countries will implement these proposals and the timing and extent of implementation by those that do. The OECD has indicated that further detail on some of the proposals will be published during 2016. 3i will continue to monitor the impact of these proposals on its business and operations.

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. In the Group's ongoing assessment of operational risks in FY2016, which is informed by an analysis of its risk factors, the Group has paid particular attention to the increasingly sophisticated threat of cyber crime. We continue to review and improve our governance and controls to protect our information and infrastructure.

The Group Risk Committee meets 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 affecting the 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 included a review of cyber crime and a review of the changes to the UK Corporate Governance code.

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 as disclosed in the *Annual report and accounts 2015*.

Reconciliation of the Investment basis to IFRS

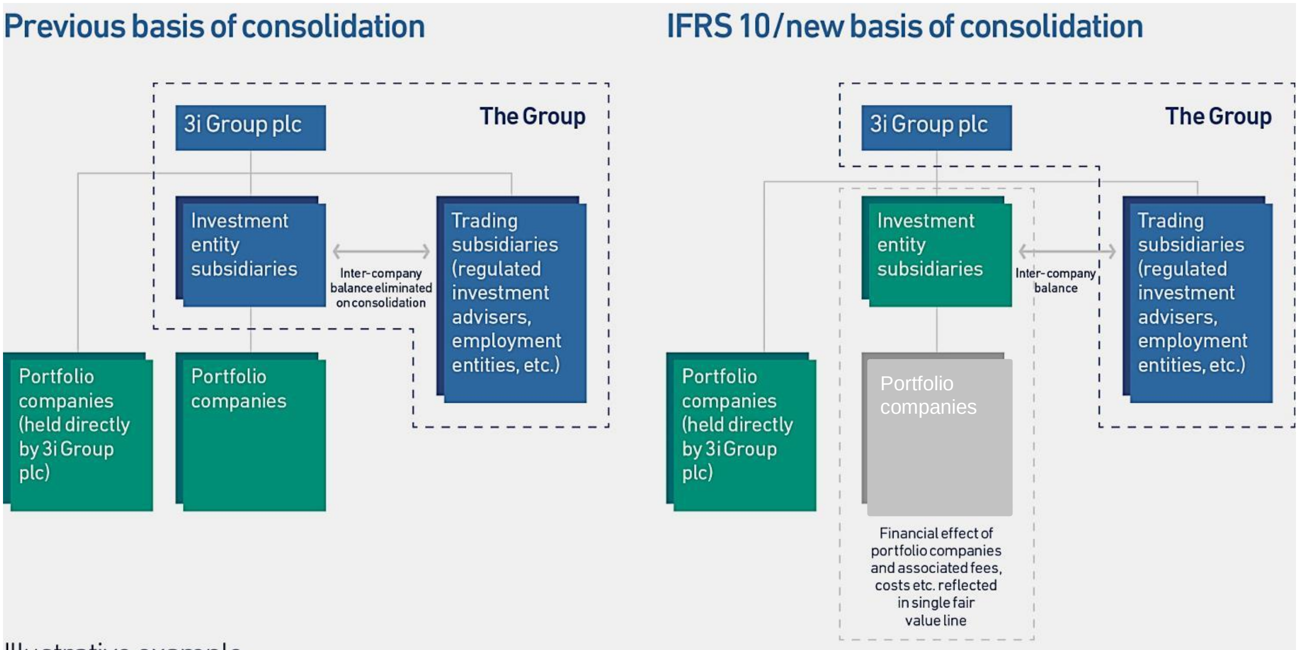
BACKGROUND TO INVESTMENT BASIS NUMBERS USED IN THE INTERIM MANAGEMENT REPORT

The Group makes investments in portfolio companies directly, held by 3i Group plc, and indirectly, held through intermediate holding company and partnership structures (“Investment entity subsidiaries”). It also has other operational subsidiaries which provide services and other activities such as employment, regulatory activities, management and advice (“Trading subsidiaries”). The application of IFRS 10 requires us to fair value a number of Investment entity subsidiaries that were previously consolidated line by line. This fair value approach, applied at the Investment entity subsidiary level, effectively obscures the performance of our proprietary capital investments and associated transactions occurring in the Investment entity subsidiaries. The financial effect of the underlying portfolio companies and fee income, operating expenses and carried interest transactions occurring in Investment entity subsidiaries are aggregated into a single value. Other items which were previously eliminated on consolidation are now included separately.

As a result we introduced separate non-GAAP “Investment basis” Statements of comprehensive income, financial position and cash flow in our *Annual report and accounts 2014* to aid understanding of our results. The Interim management report is also prepared using the Investment basis as we believe it provides a more understandable view of our performance. Total return and net assets are the same under the Investment basis and IFRS; the Investment basis is simply a “look through” of IFRS 10 to present the underlying performance. The two diagrams below illustrate these changes, together with an illustrative example to show how information can be aggregated.

RECONCILIATION BETWEEN INVESTMENT BASIS AND IFRS

A detailed reconciliation from the Investment basis to IFRS basis of the Statement of comprehensive income, Statement of financial position and Cash flow statement is shown on pages 24 to 27.



Illustrative example

	Previous basis of consolidation	IFRS 10 consolidation
Realised/unrealised investment returns	170	50
Fair value movements on Investment entity subsidiaries	–	90
Portfolio income	20	5
Operating expenses	(50)	(10)
Carry payable	(10)	(5)
	130	130

	Investment entity subsidiary activity
Realised/unrealised investment returns	120
Portfolio income	15
Operating expenses	(40)
Carry payable	(5)
	90

Reconciliation of Statement of comprehensive income

		Six months to 30 September 2015			Six months to 30 September 2014		
		Investment basis	IFRS adjustments	IFRS basis (unaudited)	**Investment basis**	IFRS adjustments	IFRS basis (unaudited) (restated)[1]
	Note	**£m**	£m	£m	**£m**	£m	£m
Realised profits over value on the disposal of investments	3	**29**	(17)	12	**35**	(29)	6
Unrealised profits on the revaluation of investments	3	**167**	(166)	1	**307**	(203)	104
Fair value movements on Investment entity subsidiaries	2	**-**	207	207	**-**	219	219
Portfolio income							
Dividends	2	**36**	(4)	32	**21**	(6)	15
Income from loans and receivables	2	**28**	(15)	13	**30**	(12)	18
Fees receivable		**5**	-	5	**2**	1	3
Foreign exchange on investments	5	**7**	(8)	(1)	**(98)**	67	(31)
Gross investment return		**272**	(3)	269	**297**	37	334
Fees receivable from external funds	4	**37**	-	37	**41**	1	42
Operating expenses	4	**(63)**	-	(63)	**(63)**	-	(63)
Interest receivable	4	**2**	-	2	**1**	-	1
Interest payable		**(24)**	-	(24)	**(26)**	-	(26)
Movement in the fair value of derivatives		**-**	-	-	**(1)**	-	(1)
Exchange movements	5	**(10)**	6	(4)	**25**	(58)	(33)
Income/(expense) from fair value subsidiaries		**-**	(31)	(31)	**-**	10	10
Other income		**-**	-	-	**1**	-	1
Operating profit before carry		**214**	(28)	186	**275**	(10)	265
Carried interest and performance fees							
Receivable from external funds	4	**(3)**	(7)	(10)	**19**	-	19
Payable	4	**(39)**	22	(17)	**(45)**	23	(22)
Acquisition related earn-out charges		**(4)**	-	(4)	**(5)**	-	(5)
Operating profit		**168**	(13)	155	**244**	13	257
Income taxes	4	**1**	(1)	-	**(3)**	-	(3)
Profit for the period		**169**	(14)	155	**241**	13	254
Other comprehensive income							
Exchange differences on translation of foreign operations	5	**-**	14	14	**-**	(13)	(13)
Re-measurements of defined benefit plans		**(1)**	-	(1)	**(7)**	-	(7)
Total comprehensive income for the period ("Total return")	2	**168**	-	168	**234**	-	234

Notes:

1 See Note 12 of the IFRS financial statements.

2 Applying IFRS 10 to the Statement of comprehensive income consolidates the line items of a number of previously consolidated subsidiaries into a single line item fair value movements on Investment entity subsidiaries. In the Investment basis accounts we have disaggregated these line items to analyse our total return as if these Investment entity subsidiaries were fully consolidated, consistent with prior periods. The adjustments simply reclassify the Statement of comprehensive income of the Group, and the total return is equal under the Investment basis and the IFRS basis.

3 Realised profits, unrealised profits and portfolio income shown in the IFRS accounts only relate to portfolio companies that are held directly by 3i Group plc and not those portfolio companies held through Investment entity subsidiaries. Realised profits, unrealised profits and portfolio income in relation to portfolio companies held through Investment entity subsidiaries are aggregated into the single fair value movement on Investment entity subsidiaries line. This is the most significant reduction of information in our IFRS accounts.

4 Other items also aggregated into the fair value movements on Investment entity subsidiaries line include fees receivable from external funds, audit fees, custodian fees, bank charges, other general and administration expenses, carried interest and tax.

5 On the Investment basis, the impact of the translation of foreign subsidiaries is included within the line items foreign exchange on investments and exchange movements rather than as a separate line item as required under IFRS. On an IFRS basis, the revaluation of assets and liabilities held by Investment entity subsidiaries is reflected in the fair value movements on Investment entity subsidiaries rather than being reflected as exchange movements.

Reconciliation of Statement of financial position

	Note	As at 30 September 2015 Investment basis £m	IFRS adjustments £m	IFRS basis (unaudited) £m	As at 31 March 2015 Investment basis £m	IFRS adjustments £m	IFRS basis (audited) £m
Assets							
Non-current assets							
Investments							
Quoted investments	1	**682**	(363)	319	**763**	(364)	399
Unquoted investments	1	**3,355**	(2,219)	1,136	**3,114**	(1,842)	1,272
Investments in Investment entities	1,3	**-**	2,417	2,417	**-**	2,079	2,079
Investment portfolio		**4,037**	(165)	3,872	**3,877**	(127)	3,750
Carried interest and performance fees receivable	1	**36**	(8)	28	**43**	-	43
Intangible assets		**16**	-	16	**19**	-	19
Retirement benefit surplus		**137**	-	137	**136**	-	136
Property, plant and equipment		**4**	-	4	**4**	-	4
Deferred income taxes	1	**3**	-	3	**3**	-	3
Total non-current assets		**4,233**	(173)	4,060	**4,082**	(127)	3,955
Current assets							
Carried interest and performance fees receivable		**-**	-	-	**45**	-	45
Other current assets	1	**64**	(5)	59	**85**	(31)	54
Deposits		**140**	-	140	**-**	-	-
Cash and cash equivalents	1,2	**667**	(5)	662	**864**	(3)	861
Total current assets		**871**	(10)	861	**994**	(34)	960
Total assets		**5,104**	(183)	4,921	**5,076**	(161)	4,915
Liabilities							
Non-current liabilities							
Carried interest and performance fees payable	1	**(224)**	152	(72)	**(214)**	142	(72)
Acquisition related earn-out charges payable		**-**	-	-	**(10)**	-	(10)
Loans and borrowings		**(819)**	-	(819)	**(815)**	-	(815)
Retirement benefit deficit		**(20)**	-	(20)	**(19)**	-	(19)
Deferred income taxes		**(1)**	1	-	**(3)**	2	(1)
Provisions	1	**(3)**	-	(3)	**(5)**	-	(5)
Total non-current liabilities		**(1,067)**	153	(914)	**(1,066)**	144	(922)
Current liabilities							
Trade and other payables	1	**(135)**	18	(117)	**(169)**	17	(152)
Carried interest and performance fees payable	1	**(22)**	12	(10)	**(13)**	-	(13)
Acquisition related earn-out charges payable		**(20)**	-	(20)	**(17)**	-	(17)
Current income taxes	1	**(4)**	-	(4)	**(2)**	-	(2)
Provisions	1	**(5)**	-	(5)	**(3)**	-	(3)
Total current liabilities		**(186)**	30	(156)	**(204)**	17	(187)
Total liabilities		**(1,253)**	183	(1,070)	**(1,270)**	161	(1,109)
Net assets		**3,851**	-	3,851	**3,806**	-	3,806
Equity							
Issued capital		**719**	-	719	**719**	-	719
Share premium		**784**	-	784	**784**	-	784
Other reserves	4	**2,401**	-	2,401	**2,382**	-	2,382
Own shares		**(53)**	-	(53)	**(79)**	-	(79)
Total equity		**3,851**	-	3,851	**3,806**	-	3,806

The notes relating to the table above are on the next page.

Notes:

1 Applying IFRS 10 to the Statement of financial position aggregates the line items of a number of previously consolidated subsidiaries into the single line item investments in investment entities. In the Investment basis we have disaggregated these items to analyse our net assets as if the Investment entity subsidiaries were consolidated, consistent with prior periods. The adjustment reclassifies items in the Statement of financial position. There is no change to the net assets, although for reasons explained below, gross assets and gross liabilities are different.

The disclosure relating to portfolio companies is significantly reduced by the aggregation, as the fair value of all investments held by Investment entity subsidiaries is aggregated into the investments in investment entities line. We have disaggregated this fair value and disclosed the underlying portfolio holding in the relevant line item, ie quoted investments or unquoted investments.

Other items which may be aggregated are carried interest and other payables, and the Investment basis presentation again disaggregates these items.

2 Cash balances held in Investment entity subsidiaries are also aggregated into the investment in investment entities line. At 30 September 2015, £5 million of cash was held in subsidiaries that are now classified as Investment entity subsidiaries and is therefore included in the investments in investment entities line.

3 Intercompany balances between Investment entity subsidiaries and trading subsidiaries also impact the transparency of our results under the IFRS basis. If an Investment entity subsidiary has an intercompany balance with a consolidated Trading subsidiary of the Group, then the asset or liability of the Investment entity subsidiary will be aggregated into its fair value, while the asset or liability of the consolidated Trading subsidiary will be disclosed as an asset or liability in the Statement of financial position of the Group. Prior to the adoption of IFRS 10, these balances would have been eliminated on consolidation.

4 Investment basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis.

Reconciliation of Cash flow statement

		6 months to 30 September 2015			6 months to 30 September 2014		
		Investment basis	IFRS adjustments	IFRS basis (unaudited)	**Investment basis**	IFRS adjustments	IFRS basis (unaudited) (restated)[1]
	Note	**£m**	£m	£m	**£m**	£m	£m
Cash flow from operating activities							
Purchase of investments	2	**(294)**	206	(88)	**(199)**	95	(104)
Proceeds from investments	2	**359**	(180)	179	**324**	(217)	107
Cash divestment from traded portfolio	2	**-**	-	-	**7**	(7)	-
Net cash flow (to)/from Investment entity subsidiaries	2	**-**	(24)	(24)	**-**	144	144
Portfolio interest received	2	**3**	-	3	**18**	(7)	11
Portfolio dividends received	2	**36**	(4)	32	**20**	(5)	15
Portfolio fees received		**4**	-	4	**4**	-	4
Fees received from external funds		**37**	-	37	**37**	-	37
Carried interest and performance fees received		**49**	-	49	**4**	-	4
Carried interest and performance fees paid	2	**(18)**	1	(17)	**(11)**	-	(11)
Acquisition related earn-out charges paid		**(11)**	-	(11)	**(10)**	-	(10)
Operating expenses	2	**(76)**	-	(76)	**(71)**	8	(63)
Interest received		**2**	-	2	**1**	-	1
Interest paid		**(11)**	-	(11)	**(15)**	-	(15)
Income taxes paid		**1**	-	1	**(3)**	-	(3)
Net cash flow from operating activities		**81**	(1)	80	**106**	11	117
Cash flow from financing activities							
Purchase of B shares		**-**	-	-	**(6)**	-	(6)
Dividend paid		**(133)**	-	(133)	**(126)**	-	(126)
Net cash flow from derivatives		**-**	-	-	**2**	-	2
Net cash flow from financing activities		**(133)**	-	(133)	**(130)**	-	(130)
Cash flow from investing activities							
Purchases of property, plant and equipment		**(1)**	-	(1)	**-**	-	-
Net cashflow to deposits		**(140)**	-	(140)	**-**	-	-
Net cash flow from investing activities		**(141)**	-	(141)	**-**	-	-
Change in cash and cash equivalents	3	**(193)**	(1)	(194)	**(24)**	11	(13)
Cash and cash equivalents at the start of the period	3	**864**	(3)	861	**697**	(23)	674
Effect of exchange rate fluctuations	2	**(4)**	(1)	(5)	**(3)**	1	(2)
Cash and cash equivalents at the end of the period	3	**667**	(5)	662	**670**	(11)	659

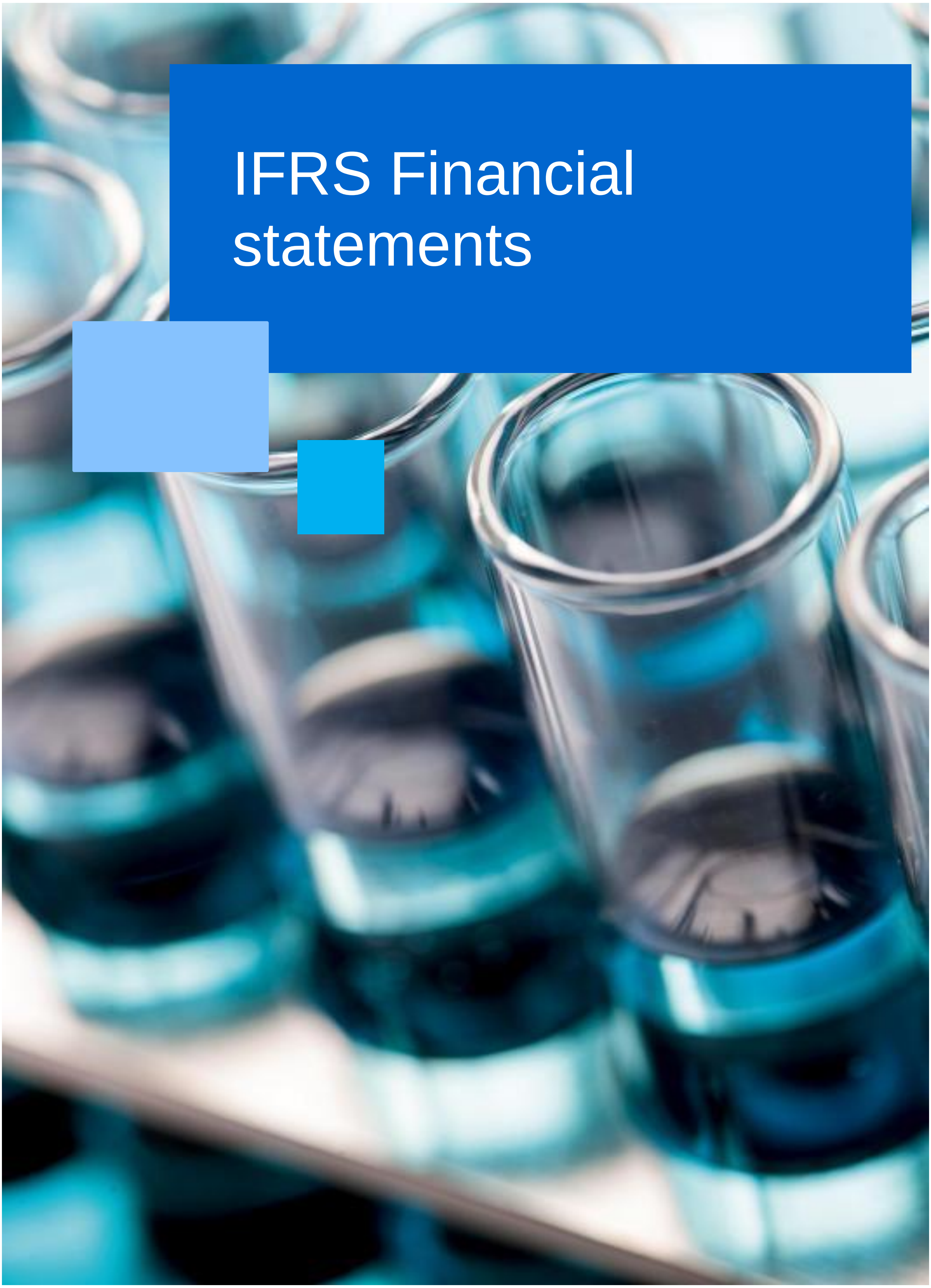
Notes:

1 Restated. See Note 12 of the IFRS financial statements.

2 The cash flow statement is impacted by the application of IFRS 10 as cash flows to and from Investment entity subsidiaries are disclosed, rather than the cash flows to and from the underlying portfolio.

Therefore in our Investment basis financial statements, we have disclosed our cash flow statement on a “look through” basis, in order to reflect the underlying sources and uses of cash flows and disclose the underlying investment activity.

3 There is a difference between the change in cash and cash equivalents of the Investment basis financial statements and the IFRS financial statements because there are cash balances held in Investment entity subsidiary vehicles. Cash held within Investment entity subsidiaries will not be shown in the IFRS statements but will be seen in the Investment basis statements.



IFRS Financial statements

IFRS FINANCIAL STATEMENTS

Condensed consolidated statement of comprehensive income

for the six months to 30 September 2015

	Notes	**Six months to 30 September 2015 (unaudited) £m**	Six months to 30 September 2014 (unaudited) (restated)[1] £m
Realised profits over value on the disposal of investments	2	**12**	6
Unrealised profits on the revaluation of investments	3	**1**	104
Fair value movements on Investment entity subsidiaries	7	**207**	219
		220	329
Portfolio income			
Dividends		**32**	15
Income from loans and receivables		**13**	18
Fees receivable		**5**	3
Foreign exchange on investments		**(1)**	(31)
Gross investment return		**269**	334
Fees receivable from external funds		**37**	42
Operating expenses		**(63)**	(63)
Interest received		**2**	1
Interest paid		**(24)**	(26)
Movement in the fair value of derivatives		**-**	(1)
Exchange movements		**(4)**	(33)
(Expense)/income from fair value subsidiaries		**(31)**	10
Other income		**-**	1
Carried interest			
Carried interest and performance fees receivable		**(10)**	19
Carried interest and performance fees payable		**(17)**	(22)
Acquisition related earn-out charges		**(4)**	(5)
Operating profit before tax		**155**	257
Income taxes		**-**	(3)
Profit for the period		**155**	254
Other comprehensive income that may be reclassified to the income statement:			
Exchange differences on translation of foreign operations		**14**	(13)
Other comprehensive income that will not be reclassified to the income statement:			
Re-measurements of defined benefit plans		**(1)**	(7)
Other comprehensive income for the period		**13**	(20)
Total comprehensive income for the period (“Total return”)		**168**	234

Earnings per share			
Basic (pence)	4	**16.3**	26.8
Diluted (pence)	4	**16.2**	26.6

1 Restated. See Note 12.

Condensed consolidated statement of financial position

as at 30 September 2015

	Notes	30 September 2015 (unaudited) £m	31 March 2015 (audited) £m
Assets			
Non-current assets			
Investments			
Quoted investments	6	**319**	399
Unquoted investments	6	**1,136**	1,272
Investments in Investment entities	7	**2,417**	2,079
Investment portfolio		**3,872**	3,750
Carried interest and performance fees receivable		**28**	43
Intangible assets		**16**	19
Retirement benefit surplus		**137**	136
Property, plant and equipment		**4**	4
Deferred income taxes		**3**	3
Total non-current assets		**4,060**	3,955
Current assets			
Carried interest and performance fees receivable		**-**	45
Other current assets		**59**	54
Deposits		**140**	-
Cash and cash equivalents		**662**	861
Total current assets		**861**	960
Total assets		**4,921**	4,915
Liabilities			
Non-current liabilities			
Carried interest and performance fees payable		**(72)**	(72)
Acquisition related earn-out charges payable		**-**	(10)
Loans and borrowings	9	**(819)**	(815)
Retirement benefit deficit		**(20)**	(19)
Deferred income taxes		**-**	(1)
Provisions		**(3)**	(5)
Total non-current liabilities		**(914)**	(922)
Current liabilities			
Trade and other payables		**(117)**	(152)
Carried interest and performance fees payable		**(10)**	(13)
Acquisition related earn-out charges payable		**(20)**	(17)
Current income taxes		**(4)**	(2)
Provisions		**(5)**	(3)
Total current liabilities		**(156)**	(187)
Total liabilities		**(1,070)**	(1,109)
Net assets		**3,851**	3,806
Equity			
Issued capital		**719**	719
Share premium		**784**	784
Capital redemption reserve		**43**	43
Share-based payment reserve		**27**	31
Translation reserve		**230**	216
Capital reserve		**1,518**	1,519
Revenue reserve		**583**	573
Own shares		**(53)**	(79)
Total equity		**3,851**	3,806

Condensed consolidated statement of changes in equity

For the six months to 30 September 2015 (unaudited)	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Share-based payment reserve £m**	**Translation reserve £m**	**Capital reserve £m**	**Revenue reserve £m**	**Own shares £m**	**Total Equity £m**
Total equity at the start of the period	**719**	**784**	**43**	**31**	**216**	**1,519**	**573**	**(79)**	**3,806**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**108**	**47**	**-**	**155**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**14**
Re-measurements of defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**14**	**107**	**47**	**-**	**168**
Share-based payments	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**10**
Release on exercise/forfeiture of share options	**-**	**-**	**-**	**(14)**	**-**	**-**	**14**	**-**	**-**
Loss on sale of own shares	**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**26**	**-**
Ordinary dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(51)**	**-**	**(51)**
Additional dividends	**-**	**-**	**-**	**-**	**-**	**(82)**	**-**	**-**	**(82)**
Issue of ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity at the end of the period	**719**	**784**	**43**	**27**	**230**	**1,518**	**583**	**(53)**	**3,851**

For the six months to 30 September 2014 (unaudited) (restated)[1]	Share capital £m	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Translation reserve £m	Capital reserve £m	Revenue reserve £m	Own shares £m	Total Equity £m
Total equity at the start of the period	718	782	43	19	243	1,050	542	(89)	**3,308**
Profit for the period[1]	-	-	-	-	-	195	59	-	**254**
Exchange differences on translation of foreign operations[1]	-	-	-	-	(13)	-	-	-	**(13)**
Re-measurements of defined benefit plans	-	-	-	-	-	(7)	-	-	**(7)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(13)**	**188**	**59**	**-**	**234**
Share-based payments	-	-	-	9	-	-	-	-	**9**
Release on exercise/forfeiture of share options	-	-	-	(4)	-	-	4	-	**-**
Loss on sale of own shares	-	-	-	-	-	(9)	-	9	**-**
Ordinary dividends	-	-	-	-	-	-	(51)	-	**(51)**
Additional dividends	-	-	-	-	-	(75)	-	-	**(75)**
Issue of ordinary shares	-	1	-	-	-	-	-	-	**1**
Total equity at the end of the period	**718**	**783**	**43**	**24**	**230**	**1,154**	**554**	**(80)**	**3,426**

1 In accordance with the restatement detailed in Note 12, the capital reserve at 1 April 2014 has been restated from £1,051 million to £1,050 million and the translation reserve has been restated from £242 million to £243 million. We have restated the capital reserve profit for the period from £197 million to £195 million and the exchange differences on translation of foreign operations from £(15) million to £(13) million.

Condensed consolidated cash flow statement

for the six months to 30 September 2015

	Six months to 30 September 2015 (unaudited) £m	Six months to 30 September 2014 (unaudited) (restated)[1] £m
Cash flow from operating activities		
Purchase of investments	**(88)**	(104)
Proceeds from investments	**179**	107
Net cash flow (to)/from Investment entity subsidiaries	**(24)**	144
Portfolio interest received	**3**	11
Portfolio dividends received	**32**	15
Portfolio fees received	**4**	4
Fees received from external funds	**37**	37
Carried interest and performance fees received	**49**	4
Carried interest and performance fees paid	**(17)**	(11)
Acquisition related earn-out charges	**(11)**	(10)
Operating expenses	**(76)**	(63)
Interest received	**2**	1
Interest paid	**(11)**	(15)
Income taxes paid	**1**	(3)
Net cash flow from operating activities	**80**	117
Cash flow from financing activities		
Dividend paid	**(133)**	(126)
Repurchase of B shares	**-**	(6)
Net cash flow from derivatives	**-**	2
Net cash flow from financing activities	**(133)**	(130)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(1)**	-
Net cash flow to deposits	**(140)**	-
Net cash flow from investing activities	**(141)**	-
Change in cash and cash equivalents	**(194)**	(13)
Cash and cash equivalents at the start of the period	**861**	674
Effect of exchange rate fluctuations	**(5)**	(2)
Cash and cash equivalents at the end of the period	**662**	659

1 Restated. See Note 12.

Notes to the financial statements

BASIS OF PREPARATION AND ACCOUNTING POLICIES

A Compliance with International Financial Reporting Standards ("IFRS")

The Half-yearly condensed consolidated financial statements of 3i Group plc have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU. These Half-yearly consolidated financial statements should be read in conjunction with the *Annual report and accounts 2015*.

Standards applied during the half year to 30 September 2015
There were no new standards applied during the half year to 30 September 2015. During the period, 3i Group plc applied a number of interpretations and amendments to standards as part of the IFRS lifecycle proposals which had an insignificant effect on these Half-yearly condensed consolidated financial statements.

The financial information for the year ended 31 March 2015 contained within this Half-yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year to 31 March 2015, prepared under IFRS, have been reported on by Ernst and Young LLP and delivered to the Registrar of Companies. The report of the Auditor on these statutory accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

B Use of estimates and judgements

The preparation of the Half-yearly report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 on pages 90 to 128 of the *Annual report and accounts 2015* and in "Portfolio valuation – an explanation" on pages 46 to 49. There was no change in the current period to the critical accounting estimates and judgements applied in 2015, which are stated on pages 91 to 92 of the *Annual report and accounts 2015*.

C Composition of Group

There were no material changes in the composition of the 3i Group in the half year to 30 September 2015.

D Future accounting developments

Information on future accounting developments and their potential effect on the financial statements of 3i are provided on page 90 of the *Annual report and accounts 2015*.

E Going concern

The financial statements are prepared on a going concern basis.

F Accounting policies

The accounting policies applied by 3i Group for these Half-yearly condensed consolidated financial statements are consistent with those described on pages 90 to 128 of the *Annual report and accounts 2015*, as are the methods of computation. Consistent with prior year, income on the most junior level of CLO capital is recognised as a dividend. £14 million (September 2014: £6 million) was received in the period.

1 Segmental analysis

The tables below are presented on the Investment basis which is the basis used by the chief-operating-decision-maker, the Chief Executive, to monitor the performance of the Group. A description of the Investment basis is provided in the Financial review and a reconciliation of the Investment basis to the IFRS financial statements is provided on pages 23 to 27. Further detail on the Group's segmental analysis can be found on pages 93-95 of the *Annual report and accounts 2015*. The remaining Notes are prepared on an IFRS basis.

Investment basis Six months to 30 September 2015	Private Equity £m	Infrastructure £m	Debt Management £m	Total £m	Proprietary Capital £m	Fund Management £m	Total £m
Realised profits over value on the disposal of investments	26	3	-	29	29	-	29
Unrealised profits/(losses) on the revaluation of investments	174	11	(18)	167	167	-	167
Portfolio income							
Dividends	11	11	14	36	36	-	36
Income from loans and receivables	26	-	2	28	28	-	28
Fees receivable/(payable)	6	-	(1)	5	5	-	5
Foreign exchange on investments	3	(2)	6	7	7	-	7
Gross investment return	246	23	3	272	272	-	272
Fees receivable from external funds	6	14	17	37	-	37	37
Synthetic fees	-	-	-	-	(21)	21	-
Operating expenses	(31)	(14)	(18)	(63)	(15)	(48)	(63)
Interest receivable				2	2	-	2
Interest payable				(24)	(24)	-	(24)
Exchange movements				(10)	(10)	-	(10)
Operating profit before carry				214	204	10	214
Carried interest and performance fees							
Receivable from external funds	(8)	-	5	(3)			(3)
Payable	(36)	-	(3)	(39)			(39)
Acquisition related earn-out charges	-	-	(4)	(4)			(4)
Operating profit				168			168
Income taxes				1			1
Other comprehensive income							
Re-measurements of defined benefit plans				(1)			(1)
Total return				168			168
Net divestment/ (investment)							
Realisations	307	51	1	359	359		359
Cash investment	(208)	-	(86)	(294)	(294)		(294)
	99	51	(85)	65	65		65
Balance sheet							
Opening portfolio value at 1 April 2015	3,148	553	176	3,877	3,877		3,877
Investment	252	-	86	338	338		338
Value disposed	(281)	(48)	(1)	(330)	(330)		(330)
Unrealised value movement	174	11	(18)	167	167		167
Other movement	(18)	(3)	6	(15)	(15)		(15)
Closing portfolio value at 30 September 2015	3,275	513	249	4,037	4,037		4,037

1 Segmental analysis continued

Investment basis Six months to 30 September 2014	Private Equity £m	Infrastructure £m	Debt Management £m	**Total £m**
Realised profits over value on the disposal of investments	34	1	-	**35**
Unrealised profits/(losses) on the revaluation of investments	308	9	(10)	**307**
Portfolio income				
Dividends	5	10	6	**21**
Income from loans and receivables	27	-	3	**30**
Fees receivable/(payable)	3	-	(1)	**2**
Foreign exchange on investments	(95)	2	(5)	**(98)**
Gross investment return	**282**	**22**	**(7)**	**297**
Fees receivable from external funds	9	14	18	**41**
Synthetic fees	-	-	-	**-**
Operating expenses	(31)	(14)	(18)	**(63)**
Interest receivable				**1**
Interest payable				**(26)**
Movement in the fair value of derivatives				**(1)**
Exchange movements				**25**
Other income				**1**
Operating profit before carry				**275**
Carried interest and performance fees				
Receivable from external funds	7	8	4	**19**
Payable	(36)	(7)	(2)	**(45)**
Acquisition related earn-out charges	-	-	(5)	**(5)**
Operating profit				**244**
Income taxes				**(3)**
Other comprehensive income				
Re-measurements of defined benefit plans				**(7)**
Total return				**234**
Net divestment/ (investment)				
Realisations	316	8	-	**324**
Cash investment	(104)	-	(95)	**(199)**
	212	**8**	**(95)**	**125**
Balance sheet				
Opening portfolio value at 1 April 2014	2,935	487	143	**3,565**
Investment	159	-	95	**254**
Value disposed	(282)	(7)	-	**(289)**
Unrealised value movement	308	9	(10)	**307**
Other movement	(136)	2	(31)	**(165)**
Closing portfolio value at 30 September 2014	**2,984**	**491**	**197**	**3,672**

Investment basis Six months to 30 September 2014	Proprietary Capital £m	Fund Management £m	**Total £m**
Realised profits over value on the disposal of investments	35	-	**35**
Unrealised profits/(losses) on the revaluation of investments	307	-	**307**
Portfolio income			
Dividends	21	-	**21**
Income from loans and receivables	30	-	**30**
Fees receivable/(payable)	2	-	**2**
Foreign exchange on investments	(98)	-	**(98)**
Gross investment return	**297**	**-**	**297**
Fees receivable from external funds	-	41	**41**
Synthetic fees	(22)	22	**-**
Operating expenses	(13)	(50)	**(63)**
Interest receivable	1	-	**1**
Interest payable	(26)	-	**(26)**
Movement in the fair value of derivatives	(1)	-	**(1)**
Exchange movements	25	-	**25**
Other income	1	-	**1**
Operating profit before carry	**262**	**13**	**275**
Carried interest and performance fees			
Receivable from external funds			**19**
Payable			**(45)**
Acquisition related earn-out charges			**(5)**
Operating profit			**244**
Income taxes			**(3)**
Other comprehensive income			
Re-measurements of defined benefit plans			**(7)**
Total return			**234**
Net divestment/ (investment)			
Realisations	324		**324**
Cash investment	(199)		**(199)**
	125		**125**
Balance sheet			
Opening portfolio value at 1 April 2014	3,565		**3,565**
Investment	254		**254**
Value disposed	(289)		**(289)**
Unrealised value movement	307		**307**
Other movement	(165)		**(165)**
Closing portfolio value at 30 September 2014	**3,672**		**3,672**

2 Realised profits over value on the disposal of investments

Six months to 30 September 2015	**Unquoted investments £m**	**Quoted investments £m**	**Total £m**
Realisations	**148**	**31**	**179**
Valuation of disposed investments	**(138)**	**(29)**	**(167)**
	10	**2**	**12**
Of which:			
- profit recognised on realisations	**10**	**2**	**12**
- losses recognised on realisations	**-**	**-**	**-**
	10	**2**	**12**

Six months to 30 September 2014	Unquoted investments (restated) £m	Quoted investments (restated) £m	Total (restated) £m
Realisations	107	-	107
Valuation of disposed investments	(101)	-	(101)
	6	-	6
Of which:			
- profit recognised on realisations	7	-	7
- losses recognised on realisations	(1)	-	(1)
	6	-	6

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

Six months to 30 September 2015	**Unquoted investments £m**	**Quoted investments £m**	**Total £m**
Movement in the fair value of investments	**(14)**	**15**	**1**
Of which:			
- unrealised gains	**46**	**15**	**61**
- unrealised losses	**(60)**	**-**	**(60)**
	(14)	**15**	**1**

Six months to 30 September 2014	Unquoted investments (restated) £m	Quoted investments (restated) £m	Total (restated) £m
Movement in the fair value of investments	93	11	104
Of which:			
- unrealised gains	142	11	153
- unrealised losses	(49)	-	(49)
	93	11	104

4 Per share information

The calculation of basic earnings per share is based on the profit attributable to shareholders and the number of basic average shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effect of all dilutive share options and awards.

	6 months to 30 September 2015	6 months to 30 September 2014 (restated)
Earnings per share (pence)		
Basic	**16.3**	26.8
Diluted	**16.2**	26.6
Earnings (£m)		
Profit for the period attributable to equity holders of the Company	**155**	254

	6 months to 30 September 2015 Number	6 months to 30 September 2014 Number
Weighted average number of shares in issue		
Ordinary shares	**972,524,749**	972,013,634
Own shares	**(20,757,426)**	(25,467,918)
Basic shares	**951,767,323**	946,545,716
Effect of dilutive potential ordinary shares		
Share options and awards	**3,987,648**	9,251,617
Diluted shares	**955,754,971**	955,797,333

	30 September 2015	30 September 2014
Net assets per share (pence)		
Basic	**403**	361
Diluted	**401**	358
Net assets (£m)		
Net assets attributable to equity holders of the Company	**3,851**	3,426

Basic NAV per share is calculated on 956,477,854 shares in issue at 30 September 2015 (30 September 2014: 947,926,954). Diluted NAV per share is calculated on diluted shares of 960,746,598 at 30 September 2015 (30 September 2014: 957,831,109).

5 Dividends

	6 months to 30 September 2015 pence per share	**6 months to 30 September 2015 £m**	6 months to 30 September 2014 pence per share	6 months to 30 September 2014 £m
Declared and paid during the period				
Final dividend	**14.0**	**133**	13.3	126
	14.0	**133**	13.3	126
Proposed interim dividend	**6.0**	**57**	6.0	57

6 Investment portfolio

The basis for measuring the fair value of the investment portfolio is explained on page 101 of the *Annual report and accounts 2015*.

Non-current	**6 months to 30 September 2015 £m**	Year to 31 March 2015 £m
Opening book value	**1,671**	1,582
Additions	**106**	203
- of which loan notes with nil value	**(8)**	(48)
Disposals and repayments	**(167)**	(216)
Fair value movement	**1**	236
Other movements and net cash movements	**(148)**	(86)
Closing book value	**1,455**	1,671
Quoted investments	**319**	399
Unquoted investments	**1,136**	1,272
Closing book value	**1,455**	1,671

The holding period of 3i's investment portfolio is on average greater than one year. For this reason the portfolio is classified as non-current. It is not possible to identify with certainty investments that will be sold within one year.

Additions include £18 million (31 March 2015: £69 million) in capitalised interest received by way of loan notes, of which £8 million (31 March 2015: £48 million) has been written down in the period to nil.

Included within the statement of comprehensive income is £13 million (31 March 2015: £38 million) of interest income, which reflects the net additions after write downs noted above, £3 million (31 March 2015: £14 million) of cash income and the capitalisation of prior year accrued income and non-capitalised accrued income nil (31 March 2015: £3 million).

Other movements include the transfer of assets to Investment entity subsidiaries, foreign exchange and conversions from one instrument into another.

7 Investments in investment entities

The basis for measuring the fair value of the investments in investment entities is explained on page 102 of the *Annual report and accounts 2015*.

Non-current	**6 months to 30 September 2015 £m**	Year to 31 March 2015 £m
Opening book value	**2,079**	1,909
Net cash flow to/(from) Investment entity subsidiaries	**24**	(272)
Fair value movement on Investment entity subsidiaries	**207**	530
Transfer of assets to/(from) Investment entity subsidiaries	**107**	(88)
Closing book value	**2,417**	2,079

All investment entities are classified as Level 3 in the fair value hierarchy, see Note 8 for details.

Restrictions
3i Group plc, the ultimate parent company, receives dividend income from its subsidiaries.

Support
3i Group plc provides ongoing support to its Investment entity subsidiaries for the purchase of portfolio investments.

The Group has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiaries.

8 Fair values of assets and liabilities

This section should be read in conjunction with Note 12 on pages 103 to 105 of the *Annual report and accounts 2015* which provide more detail about accounting policies adopted, the definitions of the three levels of fair value hierarchy, valuation methods used in calculating fair value, and the valuation framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

Valuation

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)	No Level 2 financial instruments
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments and loan instruments

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 30 September 2015:

	As at 30 September 2015				As at 31 March 2015			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Quoted investments	**319**	**-**	**-**	**319**	399	-	-	399
Unquoted investments	**-**	**-**	**1,136**	**1,136**	-	-	1,272	1,272
Investment in investment entities	**-**	**-**	**2,417**	**2,417**	-	-	2,079	2,079
Total	**319**	**-**	**3,553**	**3,872**	399	-	3,351	3,750

This disclosure only relates to the investment portfolio and the investments in our investment entities. Investments in investment entities are fair valued at the entity's net asset value with the significant part being attributable to the underlying portfolio. The underlying portfolio is valued under the same methodology as directly held investments with any other assets or liabilities within investment entities fair valued in accordance with the Group's accounting policies.

The fair value hierarchy also applies to loans and borrowings, see Note 9 for details.

Level 3 fair value reconciliation

	Six months to 30 September 2015 £m	Year to 31 March 2015 £m
Opening book value	**1,272**	1,324
Additions	**106**	201
- of which loan notes with nil value	**(8)**	(48)
Disposals, repayments and write-offs	**(138)**	(136)
Fair value movement	**(14)**	117
Transfer of equity Level 3 to Level 1	**-**	(112)
Other movements[1]	**(82)**	(74)
Closing book value	**1,136**	1,272

1 Other includes transfer of assets to Investment entity subsidiaries.

Unquoted 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 £10 million (September 2014: £6 million), dividend income of £24 million (September 2014: £9 million) and foreign exchange impact of nil (September 2014: £38 million loss).

8 Fair values of assets and liabilities continued

Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in the Portfolio valuation – an explanation section on pages 46 to 49. There are a number of non-observable inputs and a change in one or more of the underlying assumptions could result in a significant change in fair value.

Valuation multiple – The valuation multiple is the main assumption applied to a multiple of earnings based valuation. The multiple is derived from comparable listed companies or relevant market transaction multiples. Companies in the same industry and geography and, where possible, with a similar business model and profile are selected and then adjusted for factors including liquidity risk, growth potential and relative performance. They are also adjusted to represent our longer term view of performance through the cycle or our exit assumptions. The value weighted average multiple used when valuing the portfolio at 30 September 2015 was 9.6x (31 March 2015: 9.7x).

If the multiple used to value each unquoted investment valued on an earnings multiple basis as at 30 September 2015 decreased by 5%, the investment portfolio would decrease by £27 million (31 March 2015: £35 million) or 2% (31 March 2015: 2%). If the same sensitivity was applied to the underlying portfolio held by Investment entities, this would have a negative impact of £136 million (31 March 2015: £121 million) or 5% (31 March 2015: 5%).

If the multiple increased by 5% then the investment portfolio would increase by £25 million (31 March 2015: £33 million) or 2% (31 March 2015: 2%). If the same sensitivity was applied to the underlying portfolio held by Investment entities, this would have a positive impact of £135 million (31 March 2015: £122 million) or 5% (31 March 2015: 6%).

Alternative valuation methodologies – There are a number of alternative investment valuation methodologies used by the Group, for reasons specific to individual assets. The details of such valuation methodologies, and the inputs that are used, are given in the Portfolio valuation – an explanation section. Each methodology is used for a proportion of assets by value, and at 30 September 2015 the following techniques were used: 23% DCF, nil% imminent sale, 11% industry metric, 20% broker quotes and 5% other. If the value of all of the investments under this methodology moved by 5%, this would have an impact on the investment portfolio of £34 million (31 March 2015: £35 million) or 2% (31 March 2015: 2%). If the same sensitivity was applied to the underlying portfolio held by Investment entities, this would have an impact of £14 million (31 March 2015: £6 million) or 1% (31 March 2015: 0.3%).

9 Loans and borrowings

The basis for measuring the loans and borrowings is explained on page 108 of the *Annual report and accounts 2015*.

	30 September 2015 £m	31 March 2015 £m
Loans and borrowings are repayable as follows:		
Within one year	**-**	-
In the second year	**244**	240
In the third year	**-**	-
In the fourth year	**-**	-
In the fifth year	**-**	-
After five years	**575**	575
	819	815

Principal borrowings include:

	Rate	Maturity	**30 September 2015 £m**	31 March 2015 £m
Issued under the £2,000 million note issuance programme				
Fixed rate				
£200 million notes (public issue)	6.875%	2023	**200**	200
£400 million notes (public issue)	5.750%	2032	**375**	375
€350 million notes (public issue)	5.625%	2017	**244**	240
			819	815
Committed multi-currency facilities				
£350 million	LIBOR+0.60%	2020	**-**	-
			-	-
Total loans and borrowings			**819**	815

9 Loans and borrowings continued

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 £953 million (31 March 2015: £997 million), determined with reference to their published market prices which are classified as Level 1 in the fair value hierarchy as described in Note 8.

10 Contingent liabilities

	30 September 2015 £m	31 March 2015 £m
Contingent liabilities relating to guarantees in respect of investee companies	**-**	14

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 2015 was £181 million (31 March 2015: £193 million).

3i has entered into warehouse arrangements in Europe to support the creation of senior secured debt portfolios ahead of future CLO fund launches. Whilst in the warehouse phase, 3i is subject to optional margin calls in the event of market falls. The current capital at risk is restricted to £26 million at 30 September 2015 (31 March 2015: £15 million).

At 30 September 2015, there was no material litigation outstanding against the Company or any of its subsidiary undertakings.

11 Related parties

All related party transactions that took place in the half year to 30 September 2015 are consistent with the disclosures in Note 29 on pages 122 - 125 of the *Annual report and accounts 2015*. Related party transactions which have taken place in the period and have materially affected performance or the financial position of the Group and any material changes in related party transactions described in the *Annual report and accounts 2015* that could materially affect the performance or the financial position of the Group are detailed below.

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 these limited partnerships:

Statement of comprehensive income	**Six months to 30 September 2015 £m**	Six months to 30 September 2014 (restated) £m
Carried interest receivable	**(15)**	7
Fees receivable from external funds	**14**	17

Statement of financial position	**30 September 2015 £m**	31 March 2015 £m
Carried interest receivable	**16**	33

11 Related parties continued

Investments

The Group makes investments in the equity of unquoted and quoted investments where it does not have control. This normally allows the Group to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the investment entity exception as permitted by IFRS 10 and has not equity accounted for these investments, in accordance with IAS 28, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	**Six months to 30 September 2015 £m**	Six months to 30 September 2014 (restated) £m
Realised profit over value on the disposal of investments	**3**	3
Unrealised (losses)/profits on the revaluation of investments	**(39)**	7
Portfolio income	**17**	13

Statement of financial position	**30 September 2015 £m**	31 March 2015 £m
Unquoted investments	**473**	560

From time to time, transactions occur between related parties within the investment portfolio that the Group influences to facilitate the reorganisation or recapitalisation of an investee company. These transactions are made on an arm's length basis.

Advisory arrangements

The Group acts as an 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	**Six months to 30 September 2015 £m**	Six months to 30 September 2014 (restated) £m
Realised profits over value on the disposal of investments	**2**	-
Unrealised profits on the revaluation of investments	**11**	10
Dividends	**6**	6
Fees receivable from external funds	**6**	5
Performance fees	**-**	8

Statement of financial position	**30 September 2015 £m**	31 March 2015 £m
Quoted equity investments	**269**	288
Performance fees	**-**	45

12 Restatement of prior period information

As explained in the significant accounting policies note on page 90 of the *Annual report and accounts 2015*, the Group had restated comparative information for the year ending 31 March 2014, following the early adoption of changes provided in the narrow scope amendment to IFRS 10. Similarly, the Condensed consolidated statement of comprehensive income and the Condensed consolidated cash flow statement, for the six months ending 30 September 2014 have been restated. The change has no effect on total return or net asset value as reported in the Group's prior year Half-yearly report.

The impact of this restatement on a line by line basis is presented on the next page:

12 Restatement of prior period information continued

Impact on Condensed consolidated statement of comprehensive income for the six months ended 30 September 2014

	As originally reported £m	Effect of restatement £m	Restated presentation £m
Unrealised profits on the revaluation of investments	108	(4)	104
Fair value movements on Investment entity subsidiaries	218	1	219
Income from loans and receivables	16	2	18
Foreign exchange on investments	(28)	(3)	(31)
Fees receivable from external funds	28	14	42
Operating expenses	(56)	(7)	(63)
Income from fair value subsidiaries	13	(3)	10
Carried interest and performance fees receivable	14	5	19
Carried interest and performance fees payable	(21)	(1)	(22)
Acquisition related earn-out charges	(1)	(4)	(5)
Income taxes	(1)	(2)	(3)
Exchange differences on translation of foreign operations	(15)	2	(13)
Other income statement items	(41)	-	(41)
Total comprehensive income for the year	**234**	**-**	**234**

Impact on Condensed consolidated cash flow statement for the six months ended 30 September 2014

	As originally reported £m	Effect of restatement £m	Restated presentation £m
Cash flow from operating activities			
Purchase of investments	(82)	(22)	(104)
Net cash flow from Investment entity subsidiaries	128	16	144
Portfolio interest received	8	3	11
Portfolio dividends received	14	1	15
Fees received from external funds	24	13	37
Carried interest and performance fees received	2	2	4
Carried interest and performance fees paid	(10)	(1)	(11)
Acquisition related earn-out charges paid	-	(10)	(10)
Operating expenses	(61)	(2)	(63)
Income taxes paid	(2)	(1)	(3)
Other cash flows	(33)	-	(33)
Change in cash and cash equivalents	**(12)**	**(1)**	**(13)**
Opening cash and cash equivalents	643	31	674
Effect of exchange rate fluctuations	(2)	-	(2)
Closing cash and cash equivalents	**629**	**30**	**659**

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 report for the six months ended 30 September 2015 which comprises the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement, and the related notes 1 to 12. We have read the other information contained in the Half-yearly 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 report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the Basis of preparation and accounting policies, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-yearly 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 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 report for the six months ended 30 September 2015 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
11 November 2015

Statement of Directors' responsibilities

The Directors, who are required to prepare the financial statements on a going concern basis unless it is not appropriate, are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered information relating to present and future conditions, including future projections of profitability and cash flows.

The Directors confirm that to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
b) the Interim Report includes a fair review of the information required by:

   i) DTR 4.2.7R of the Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year ending 31 March 2016 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
   ii) DTR 4.2.8R of the Disclosure Rules and Transparency Rules, being (i) related party transactions that have taken place in the first six months of the financial year ending 31 March 2016 which have materially affected the financial position or performance of 3i Group during that period; and (ii) any changes in the related parties transactions described in the *Annual report and accounts 2015* that could materially affect the financial position or performance of 3i Group during the first six months of the financial year ending 31 March 2016

The Directors of 3i Group plc and their functions are listed below.

The report is authorised for issue by order of the Board.

K J Dunn, Secretary
11 November 2015

BOARD OF DIRECTORS

Simon Thompson, Chairman
Simon Borrows, Chief Executive and Executive Director
Julia Wilson, Group Finance Director and Executive Director
Jonathan Asquith, Non-executive Director
Caroline Banszky, Non-executive Director
Peter Grosch, Non-executive Director
David Hutchison, Non-executive Director
Martine Verluyten, Non-executive Director

PORTFOLIO AND OTHER INFORMATION

Portfolio valuation – an explanation

POLICY

The valuation policy is the responsibility of the Board, with additional oversight and annual review from the Valuations Committee. Our policy is to value 3i's investment portfolio at fair value and we achieve this by valuing investments on an appropriate basis, applying a consistent approach across the portfolio. The policy ensures that the portfolio valuation is compliant with the fair value guidelines under IFRS and, in so doing, is also compliant with the guidelines issued by the International Private Equity and Venture Capital valuation board (the "IPEV guidelines"). The policy covers the Group's Private Equity, Infrastructure and Debt Management investment valuations. Valuations of the investment portfolio of the Group and its subsidiaries are performed at each quarter end.

Fair value is the underlying principle and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (IPEV guidelines, December 2012). Fair value is therefore an estimate and, as such, determining fair value requires the use of judgement.

The quoted assets in our portfolio are valued at their closing bid price at the balance sheet date. The majority of the portfolio, however, is represented by unquoted investments.

PRIVATE EQUITY UNQUOTED VALUATION

To arrive at the fair value of the Group's unquoted Private Equity investments, we first estimate the entire value of the company we have invested in – the enterprise value. We then apportion that enterprise value between 3i, other shareholders and lenders.

Determining enterprise value

This enterprise value is determined using one of a selection of methodologies depending on the nature, facts and circumstances of the investment.

Where possible, we use methodologies which draw heavily on observable market prices, whether listed equity markets or reported merger and acquisition transactions, and trading updates from our portfolio.

As unquoted investments are not traded on an active market, the Group adjusts the estimated enterprise value by a liquidity discount. The liquidity discount is applied to the total enterprise value and we apply a higher discount for investments where there are material restrictions on our ability to sell at a time of our choosing.

The table on pages 48 and 49 outlines in more detail the range of valuation methodologies available to us, as well as the inputs and adjustments necessary for each.

Apportioning the enterprise value between 3i, other shareholders and lenders

Once we have estimated the enterprise value, the following steps are taken:

1. We subtract the value of any claims, net of free cash balances, that are more senior to the most senior of our investments.

2. The resulting attributable enterprise value is apportioned to the Group's investment, and equal ranking investments by other parties, according to contractual terms and conditions, to arrive at a fair value of the entirety of the investment. The value is then distributed amongst the different loan, equity and other financial instruments accordingly.

3. If the value attributed to a specific shareholder loan investment in a company is less than its par or nominal value, a shortfall is implied, which is recognised in our valuation. In exceptional cases, we may judge that the shortfall is temporary; to recognise the shortfall in such a scenario would lead to unrepresentative volatility and hence we may choose not to recognise the shortfall.

Other factors

In applying this framework, there are additional considerations that are factored into the valuation of some assets.

Impacts from structuring

Structural rights are instruments convertible into equity or cash at specific points in time or linked to specific events. For example, where a majority shareholder chooses to sell, and we have a minority interest, we may have the right to a minimum return on our investment.

Debt instruments, in particular, may have structural rights. In the valuation, it is assumed that third parties, such as lenders or holders of convertible instruments, fully exercise any structural rights they might have if they are "in the money", and that the value to the Group may therefore be reduced by such rights held by third parties. The Group's own structural rights are valued on the basis they are exercisable on the reporting date.

Assets classified as "terminal"

If we believe an investment has more than a 50% probability of failing in the 12 months following the valuation date, we value the investment on the basis of its expected recoverable amount in the event of failure. It is important to distinguish between our investment failing and the business failing; the failure of our investment does not always mean that the business has failed, just that our recoverable value has dropped significantly. This would generally result in the equity and loan components of our investment being valued at nil. Value movements in the period relating to investments classified as terminal are classified as provisions in our value movement analysis.

INFRASTRUCTURE UNQUOTED VALUATION

The primary valuation methodology used for infrastructure investments is the discounted cash flow method ("DCF"). Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the investment or market sector.

DEBT MANAGEMENT VALUATION

The Group's Debt Management business line typically invests in traded debt instruments and the subordinated notes that it is required to hold in the debt funds which it manages. The traded debt instruments and the subordinated notes are valued using a range of data including broker quotes (if available), 3i internal forecasts and discounted cash flow models, trading data (where available), and data from third-party valuation providers. Broker quotes and trading data for more liquid holdings are preferred.

Methodology	Business line	Description	Inputs	Adjustments	% of portfolio valued on this basis
Earnings	Private Equity	Most commonly used Private Equity valuation methodology Used for investments which are profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics	Earnings multiples are applied to the earnings of the company to determine the enterprise value **Earnings** Reported earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings Most common measure is earnings before interest, tax, depreciation and amortisation (“EBITDA”) Earnings used are usually the management accounts for the 12 months to the quarter end preceding the reporting period, unless data from forecasts or the latest audited accounts provides a more reliable picture of maintainable earnings **Earnings multiples** The earnings multiple is derived from comparable listed companies or relevant market transaction multiples We select companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus We adjust for relative performance in the set of comparables, exit expectations and other company specific factors	A marketability or liquidity discount is applied to the enterprise value, typically between 5% and 15%, using factors such as our alignment with management and other investors and our investment rights in the deal structure	**59%**
Quoted	Infrastructure, Private Equity	Used for investments in listed companies	Closing bid price at balance sheet date	No adjustments or discounts applied	**17%**

Methodology	Business line	Description	Inputs	Adjustments	% of portfolio valued on this basis
Specific industry metrics	Private Equity	Used for investments in industries which have well defined metrics as bases for valuation – eg book value for insurance underwriters, or regulated asset bases for utilities	We create a set of comparable listed companies and derive the implied values of the relevant metric We track and adjust this metric for relative performance, as is the case of earnings multiples Comparable companies are selected using the same criteria as described for the earnings methodology	An appropriate discount is applied, depending on the valuation metric used	**3%**
Imminent sale	Infrastructure, Private Equity	Used where an asset is in a sales process, a price has been agreed but the transaction has not yet settled	Contracted proceeds for the transaction, or best estimate of the expected proceeds	A discount of typically 2.5% is applied to reflect any uncertain adjustments to expected proceeds	**0%**
Fund	Infrastructure, Private Equity	Used for investments in unlisted funds	Net asset value reported by the fund manager	Typically no further discount applied in addition to that applied by the fund manager	**0%**
Discounted cash flow ("DCF")	Infrastructure, Private Equity	Appropriate for businesses with long-term stable cash flows, typically in infrastructure	Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment	Discount already implicit in the discount rate applied to long-term cash flows – no further discounts applied	**8%**
Broker quotes	Debt Management	Used to value traded debt instruments	Broker quotes obtained from banks which trade the specific instruments concerned, benchmarked to a range of other data such as DCF, trade data and other quotes. Occasionally DCF, trade or other data may be used if available broker quotes are not considered to be representative of fair value	No discount is applied	**6%**
Other	Private Equity	Used where elements of a business are valued on different bases	Values of separate elements prepared on one of the methodologies listed above	Discounts applied to separate elements as above	**7%**

Equity shares are valued at the higher of an earnings or net assets methodology. Fixed income shares and loan investments are measured using amortised cost and any implied impairment, in line with IFRS.

Consistent with IPEV guidelines, all equity investments are held at fair value using the most appropriate methodology and no investments are held at historical cost.

Twenty five large investments

The 25 investments listed below account for 81% of the portfolio at 30 September 2015 (31 March 2015: 81%). This does not include the one investment that has been excluded for commercial reasons.

In accordance with Section 29 of the Alternative Investment Fund Manager Directive ("AIFMD"), 3i Investments plc, as Alternative Investment Fund Manager ("AIFM"), encourages all controlled portfolio companies to make available to employees and investors an Annual report which meets the disclosure requirements of the Directive. These are available either on the portfolio company's website or through filing with the relevant local authorities.

Investment Description of business	**Business line** Geography First invested in Valuation basis	Residual cost[1] March 2015 £m	**Residual cost[1] September 2015 £m**	Valuation March 2015 £m	**Valuation September 2015 £m**	**Relevant transactions in the period**
Action Non-food discount retailer	Private Equity Benelux 2011 Earnings	2	**1**	592	**712**	
3i Infrastructure plc Quoted investment company, investing in infrastructure	Infrastructure UK 2007 Quoted	302	**270**	481	**450**	£51m special dividend following the sale of Eversholt Rail
Scandlines Ferry operator between Denmark and Germany	Private Equity Denmark/ Germany 2007 DCF	114	**114**	262	**257**	£46m of proceeds and income, net of transaction fees, following sale of route between Helsingor and Helsingborg
Amor/Christ Distributor and retailer of jewellery	Private Equity Germany 2010/2014 Earnings	129	**129**	165	**174**	
Weener Plastic Supplier of plastic packaging solutions	Private Equity Germany 2015 Price of recent investment	-	**145**	-	**149**	New investment
Mayborn Manufacturer and distributor of baby products	Private Equity UK 2006 Earnings	129	**140**	133	**137**	
ACR Pan-Asian non life reinsurance	Private Equity Singapore 2006 Industry metric	105	**105**	120	**120**	
Basic-Fit Discount gyms operator	Private Equity Benelux 2013 Earnings	91	**95**	102	**119**	
Q Holding Precision engineered elastomeric components manufacturer	Private Equity US 2014 Earnings	100	**100**	109	**117**	
GIF International transmission testing specialist	Private Equity Germany 2013 Earnings	68	**81**	78	**106**	Further investment of £11m
Quintiles Clinical research outsourcing solutions	Private Equity US 2008 Quoted	41	**26**	144	**93**	Sold 36% and generated proceeds of £53m

1 Residual cost includes capitalised interest.

Investment Description of business	**Business line** Geography First invested in Valuation basis	Residual cost[1] March 2015 £m	**Residual cost[1] September 2015 £m**	Valuation March 2015 £m	**Valuation September 2015 £m**	**Relevant transactions in the period**
AES Engineering Manufacturer of mechanical seals and support systems	Private Equity UK 1996 Earnings	30	**30**	102	**85**	
Mémora Funeral service provider	Private Equity Spain 2008 Earnings	159	**159**	61	**80**	
Tato Manufacture and sale of speciality chemicals	Private Equity UK 1989 Earnings	2	**2**	80	**72**	
Geka Manufacturer of brushes, applicators and packaging systems for the cosmetics industry	Private Equity Germany 2012 Earnings	69	**69**	53	**63**	
Aspen Pumps Manufacturer of pumps and accessories for the air conditioning, heating and refrigeration industry	Private Equity UK 2015 Earnings	65	**64**	64	**62**	
Dynatect Manufacturer of engineered, mission critical protective equipment	Private Equity US 2014 Earnings	65	**65**	71	**61**	
Euro-Diesel Manufacturer of uninterruptible power supply systems	Private Equity Benelux 2015 Price of recent investment	-	**52**	-	**52**	New investment
Agent Provocateur Women's lingerie and associated products	Private Equity UK 2007 Earnings	53	**53**	53	**51**	
MKM Building materials supplier	Private Equity UK 2006 Earnings	22	**22**	43	**51**	
Eltel Networks Infrastructure services for electricity and telecoms networks	Private Equity Sweden 2007 Quoted	13	**13**	47	**51**	
OneMed Group Distributor of consumable medical products, devices and technology	Private Equity Sweden 2011 Earnings	117	**122**	47	**49**	
Global Income Fund Debt Management open ended fund with exposure to North American and western European issuers	Debt Management Europe/North America 2015 Broker quotes	-	**48**	-	**49**	New investment, launched in the first half
Refresco Gerber European bottler of soft drinks and fruit juices for retailers and branded customers	Private Equity Benelux 2010 Quoted	30	**29**	47	**47**	
JMJ Global Management Consultancy	Private Equity US 2013 Earnings	42	**42**	53	**44**	

1 Residual cost includes capitalised interest.

Glossary

Alternative Investment Funds ("AIFs") At 30 September 2015, 3i Investments plc as AIFM, managed five AIFs. These were 3i Group plc, 3i Growth Capital Fund, 3i Eurofund V, the European Middle Market Loan Fund and 3i Debt Management Global Income Fund.

Alternative Investment Fund Managers Directive ("AIFMD") became effective from July 2013. As a result, at 31 March 2015, 3i Investments plc is authorised as an Alternative Investment Fund Manager ("AIFM"), which in turn manages five AIFs.

Alternative Investment Fund Manager ("AIFM") is the regulated manager of AIFs. Within 3i, this is 3i Investments plc.

Assets under management ("AUM") A measure of the total assets that 3i has to invest or manages on behalf of shareholders and third-party investors for which it receives a fee.

Barclays Infrastructure Fund Management business ("BIFM") Acquired by 3i in November 2013 when it managed two active unlisted funds that invest in UK and European PPP and energy projects, with assets under management of over £700 million.

Board The Board of Directors of the Company.

Capital redemption reserve is established in respect of the redemption of the Company's ordinary shares.

Capital reserve recognises all profits that are capital in nature or have been allocated to capital. Following changes to the Companies Act the Company amended its Articles of Association at the 2012 Annual General Meeting to allow these profits to be distributable by way of a dividend.

Carried interest is accrued on the realised and unrealised profits generated taking relevant performance hurdles into consideration, assuming all investments were realised at the prevailing book value. Carry is only actually paid or received when the relevant performance hurdles are met, and the accrual is discounted to reflect expected payment periods.

Carry receivable is generated on third-party capital over the life of the relevant fund when relevant performance criteria are met.

We pay carry to our investment teams on proprietary capital invested and share a proportion of carry receivable from third-party funds. This total carry payable is provided through schemes which have been structured typically over two/three year vintages to maximise flexibility in resource planning.

Collateralised Loan Obligation ("CLO") is a form of securitisation where payments from multiple loans are pooled together and passed on to different classes of owners in various tranches.

Company 3i Group plc.

Discounting The reduction in present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

Dividend income from equity investments and CLO capital is recognised in the Statement of comprehensive income when the shareholders' rights to receive payment have been established.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is used as the typical measure of portfolio company performance.

EBITDA multiple Calculated as the enterprise value over EBITDA, it is used to determine the value of a company.

Executive Committee The Executive Committee is responsible for the day-to-day running of the Group and comprises: the Chief Executive, Group Finance Director, the Managing Partners of the Private Equity, Infrastructure and Debt Management businesses and the Group's General Counsel.

Fair value movements on Investment entity subsidiaries The movement in the carrying value of Group subsidiaries, classified as investment entities under IFRS 10, between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

Fair value through profit or loss ("FVTPL") FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains and losses on assets and liabilities measured as FVTPL are recognised directly in the Statement of comprehensive income.

Fee income is earned directly from investee companies when an investment is first made and through the life of the investment. Fees that are earned on a financing arrangement are considered to relate to a financial asset measured at fair value through profit or loss and are recognised when that investment is made. Fees that are earned on the basis of providing an ongoing service to the investee company are recognised as that service is provided.

Fees receivable from external funds are fees received by the Group, from third parties, for the management of private equity, infrastructure and debt management funds.

Foreign exchange on investments arises on investments made in currencies that are different from the functional currency of the Group. Investments are translated at the exchange rate ruling at the date of the transaction. At each subsequent reporting date investments are translated to sterling at the exchange rate ruling at that date.

Fund Management A segment of the business focused on generating profits from the management of private equity, infrastructure and debt management funds.

Fund Management Operating profit comprises fee income from third parties as well as a synthetic fee received from the Proprietary Capital business, less operating expenses incurred by the Fund Management business.

Gross investment return ("GIR") GIR includes profit and loss on realisations, increases and decreases in the value of the investments we hold at the end of a period, any income received from the investments such as interest, dividends and fee income and foreign exchange movements. GIR is measured as a percentage of the opening portfolio value and is the principal tool for assessing our Proprietary Capital business.

Income from loans and receivables is recognised as it accrues. When the fair value of an investment is assessed to be below the principal value of a loan the Group recognises a provision against any interest accrued from the date of the assessment going forward until the investment is assessed to have recovered in value.

International Financial Reporting Standards ("IFRS") IFRS are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are required to be prepared in accordance with IFRS.

Investment basis Accounts prepared assuming that IFRS 10 had not been introduced. Under this basis, we fair value portfolio companies at the level we believe provides the most comprehensive financial information. The commentary in the Interim Management Report refers to this basis as we believe it provides a more understandable view of our performance.

Key Performance Indicators ("KPI") This is a measure by reference to which the development, performance or position of the Group can be measured effectively.

Money multiple Calculated as the cumulative distributions plus any residual value divided by paid-in capital.

Net asset value ("NAV") NAV is a measure of the fair value of our proprietary investments and the net costs of operating the business.

Operating cash profit Defined as the difference between our cash income (cash fees from managing third-party funds and cash income from our proprietary capital portfolio) and our accrued operating expenses, excluding restructuring costs.

Operating profit includes gross investment return, management fee income generated from managing external funds, the costs of running our business, net interest payable, movements in the fair value of derivatives, other losses and carried interest.

Portfolio income is that which is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. It is comprised of dividend income, income from loans and receivables and fee income.

Proprietary Capital A segment of the business focused on generating profits from 3i capital which is available to invest.

Proprietary Capital operating profit The profit comprises gross investment return, operating expenses, a fee paid to the Fund Management business and balance sheet funding expenses such as interest payable.

Public Private Partnership ("PPP") A PPP is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

Realised profits or losses over value on the disposal of investments The difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period, converted into sterling using the exchange rates at the date of disposal.

Revenue reserve recognises all profits that are revenue in nature or have been allocated to revenue.

Segmental reporting Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive who is considered to be the Group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

Share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments.

Synthetic fee Internal fee payable to the Fund Management business for managing our proprietary capital.

Total return comprises operating profit less tax charge less movement in actuarial valuation of the historic defined benefit pension scheme.

Total shareholder return ("TSR") This is the measure of the overall return to shareholders and includes the movement in the share price and any dividends paid, assuming that all dividends are reinvested on their ex-dividend date.

Translation reserve comprises all exchange differences arising from the translation of the financial statements of international operations.

Underlying Fund Management profit Calculated as fee income minus operating expenses related to Fund Management activities, excluding restructuring and amortisation costs.

Unrealised profits or losses on the revaluation of investments The movement in the carrying value of investments between the start and end of the accounting period converted into sterling using the exchange rates at the date of the movement.

Value weighted earnings growth The growth in last 12 month earnings, when comparing to the preceding 12 months. This measure is the key driver of our private equity portfolio performance.

Information for shareholders

NOTE A

The Half-yearly report 2015 will be available as a pdf on our website at **www.3i.com**

NOTE B

The interim dividend is expected to be paid on 6 January 2016 to holders of ordinary shares on the register on 11 December 2015. The ex-dividend date will be 10 December 2015.

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
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA, UK
Telephone 0371 384 2031

Lines are open from 8.30am to 5.30pm, Monday to Friday.
(International callers +44 121 415 7183)

3i GROUP PLC

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

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