

## Basis of preparation

The accounting policies used in the preparation of this Interim report are the same as those used in the statutory accounts for the year to 31 March 2003 and those expected to be used for the year to 31 March 2004.

The six month period is treated as a discrete period except in so far as tax in the revenue account is charged on the basis of an estimated annual effective rate.

The figures for the year to 31 March 2003 have been extracted from the accounts filed with the Registrar of Companies on which the auditors issued an unqualified report. This Interim report does not constitute statutory accounts.

In the year to 31 March 2003, the Group adopted the recommendations contained in the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies, issued in January 2003. Fee income and costs earned or incurred as an intrinsic part of an intention to acquire or dispose of an investment have been accounted for in full as part of capital return. To the extent taxation losses have been transferred between capital and revenue in order to be utilised against excess taxable profits, the transfer is reflected in the Statement of total return and Revenue statement. In the year to 31 March 2003, the methodology used to identify the administrative expenses available for allocation to the capital reserve was modified. The methodology for allocation of finance costs has also been revised to allocate all finance costs less interest income between capital and revenue. The proportion of costs allocated to the capital reserve was decreased from 80% to 70%. Consequently, to aid comparability, a pro forma of the Revenue statement has been presented to show the results as if these changes had been adopted for the six months to 30 September 2002.

## Independent review report to 3i Group plc

**Introduction** We have been instructed by the Company to review the financial information for the six months ended 30 September 2003 which comprises Consolidated statement of total return, Movement in shareholders' funds, Consolidated revenue statement, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 3 and the Basis of preparation. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

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

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

**Review conclusion** On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

**Ernst & Young LLP**

London

5 November 2003