The PFI Infrastructure Company plc

Interim Report
for the six months
ended 31 December 2004

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Chairman's Statement

I am pleased to present my first statement for The PFI Infrastructure Company plc (PFI Co).

PFI Co was established in July 2004 and dealings on AIM commenced on 20 July 2004, having raised £43 million net of expenses through a placing of ordinary shares. PFI Co invests in the equity of special purpose companies formed to undertake projects under the UK government's Private Finance Initiative (PFI). Investments may be made either at the outset of projects, when project companies are first established (primary investments) or later in the life of projects (secondary investments). An initial portfolio of PFI equity investments was acquired at the time of the placing for a total consideration of £21.7 million including acquisition costs.

In the half year ended 31 December 2004, earnings per share were 3.6 pence and the revalued net asset value at the period end was 135.8 pence per share.

The directors have declared an interim dividend of 2.34 pence per share in respect of the half year, representing a yield of 1.67% on the placing price of 140 pence. The interim dividend will be paid on 28 April to members on the register as at 1 April 2005.

THE PORTFOLIO

Over the last six months the project companies in the portfolio have performed in line with expectations at the time the portfolio was acquired. During the six months under review, a further 8.8% shareholding was acquired in three existing portfolio investments – Aberdeenshire Schools, Chester-le-Street Community Hospital and Ingleby Barwick Schools near Stockton-on-Tees. This has increased PFI Co's shareholding from 20% to 28.8% in each case, at a total cost of £0.6 million.

In December the opportunity was taken to realise our holding of 2.6% in the Falkirk Schools project company for £0.8 million, representing a profit of £0.24 million over the acquisition price in July.

Following these changes, the portfolio as at 31 December 2004 comprised investments in the ordinary shares and subordinated debt of 13 PFI project companies, of which four are accounted for as subsidiaries (with shareholdings of 80%-97%) and the remainder as investments (with shareholdings below 50%). The majority of the projects are in the health and education sectors, together with a defence housing project and a street lighting project. In none of the projects is the income from the public authority dependent on demand for the services.

EARNINGS

The Group profit before tax for the period from incorporation to 31 December 2004 was £1.4 million. This is the consolidated profit for PFI Co, including the attributable profits (net of minority interests) of our four project companies which are subsidiaries. The Group tax charge relates wholly to these subsidiaries. Other project companies, in which less than 50% is held, are accounted for as investments and the Group profit and loss account only includes PFI Co's income from them by way of dividends and subordinated debt interest paid or accrued. In general such distributions by project companies, whether or not they are accounted for as subsidiaries, are constrained by the covenants associated with their non-recourse borrowing, as well as by the availability of cash and distributable reserves. On this basis, PFI Co's income from investments, representing only dividends received plus subordinated debt interest paid or accrued, amounted to £1.15 million during the period under review.

The other main component of PFI Co's income during the half year was interest on cash deposits amounting in total to £0.52 million. Funds were held on deposit with HBoS and Royal Bank of Scotland in the UK and the Isle of Man.

PFI Co's operating costs are substantially in line with the expectations at the time of issue of the prospectus. Start up costs of £2.5 million have been written off to share premium account while running costs comprise mainly the fees and expenses associated with our management contract with Quayle Munro Limited.

Chairman's Statement

BALANCE SHEET

The major feature of note in the 31 December 2004 balance sheet is the revaluation of the portfolio. The basis for the valuation of PFI investments is to apply a suitable annual discount rate to the anticipated cashflows from each investment by way of dividends and subordinated debt interest. The Directors' view of the discount rate for each investment takes account of the market in PFI equity generally in the relevant sector, plus factors relevant to that project such as the stage it has reached in construction or operation and any particular risks. The annual discount rates range from 8.5% to 13.0% and the weighted average is 9.6%.

The portfolio was purchased on the basis of a weighted average discount rate, excluding acquisition costs, of 10.2%. The reduction of 0.6% reflects the strengthening market for secondary PFI investments, as there is an increasingly active and competitive market between the vendors of such investments, typically consortium members which invested in project companies at the outset, and the purchasers of secondary investments, typically specialist financial investors like PFI Co.

The consolidated balance sheet of PFI Co in the financial statements includes the assets and liabilities of our four subsidiaries KE Project Limited, LH Project Limited, CH Bolton (Holdings) Limited and Bannockburn Holdings Limited together with minority investments in nine further project companies, at Directors' valuation as described above. If the interests in the subsidiaries are also valued on that basis (as opposed to net asset value) the aggregate net assets of PFI Co amount to £45.58 million, or 135.8 pence per share, an increase of 2.34% over the NAV on listing of 132.7 pence, after allowing for expenses of 7.3 pence per share.

PFICo's subsidiaries and investments are held through its wholly owned subsidiary PFI Infrastructure Finance Ltd (Finco). Finco is partly financed through a Eurobond, listed on the Channel Islands Stock Exchange, which is held 100% by PFI Co.

PROSPECTIVE INVESTMENTS

PFI Co has a substantial pipeline of prospective primary investments, being investments where it is a member of a consortium which is preferred or sole bidder for a PFI project and which therefore has a strong likelihood of being translated into an actual investment. The first such investment was completed shortly after the period end. It is an investment of £0.9 million for 50% of the share capital and subordinated debt in the project company formed to undertake the construction and operation of four schools for City of York Council. Our consortium partner is Sewell Construction Limited and the construction cost is £15 million.

There is also a good pipeline of primary projects at an earlier stage, where PFI Co is a member of consortia still in competition with other consortia in the bidding for new PFI projects, and where the probability of success is therefore lower. The bidding process for PFI projects is very extended, typically taking at least a year between issue of bid documents to the competing consortia and financial close with the preferred bidder – and often very much longer.

PFI Co has made commitments to share bid costs as a member of four consortia bidding competitively to public sector bodies for new PFI projects. The aggregate maximum commitment is £140,000, which is being provided for as incurred. If successful, these bids will result in primary PFI investments for PFI Co, at which stage bid costs would be recovered together with a risk premium.

Through the Managers, PFI Co is also actively pursuing secondary investment opportunities. In this area, there is evidence of yields being competitively bid downwards (and the current valuation of PFI Co's existing portfolio is a reflection of this yield shift) but PFI Co continues to seek investments where the returns available, on optimised capital structures, represent a satisfactory reward for risk, both in terms of initial yield and in terms of return over the remaining project life.

Both primary and secondary investments should be earnings enhancing from day one: in the case of primary investments, through investment fees, over-recovery of bid costs, and accrual of subordinated debt interest; and in the case of secondary investments, through the running yield.

PROSPECTS

On the basis of continuation of current trends within our investment portfolio, we anticipate a satisfactory result for the year as a whole, which should be enhanced according to the volume of new investment activity.

Richard Jewson
Chairman

18 March 2005

Group Profit and Loss Account

For the six months ending 31 December 2004

	Notes	Half Year ended 31 December 2004 £'000
GROUP TURNOVER		**3,564**
Cost of sales		**(477)**
GROSS PROFIT		**3,087**
Operating and administrative expenses		**(1,068)**
GROUP OPERATING PROFIT		**2,019**
Amortisation of goodwill arising on acquisition of subsidiaries		**(251)**
Profit on disposal of investments		**242**
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		**2,010**
Income from investments		**429**
Interest receivable – cash deposits	3	**604**
Net interest and other finance costs	3	**(1,641)**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,402**
Taxation	2	**(172)**
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**1,230**
Minority interests		**(27)**
Profit attributable to shareholders		**1,203**
Dividends	4	**(785)**
RETAINED PROFIT FOR THE FINANCIAL PERIOD		**418**
Earnings per share	6	**3.6p**
Dividends per share	4	**2.3p**

Group Statement of Total Recognised Gains and Losses

For the six months ending 31 December 2004

	Half Year ended 31 December 2004 £'000
Profit attributable to shareholders	**1,203**
Unrealised revaluation gains during the period	**652**
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	**1,855**

Reconciliation of Movements in Group Shareholders' Funds

For the six months ending 31 December 2004

	Half Year ended 31 December 2004 £'000
Total recognised gains relating to the period	**1,855**
Dividends	**(785)**
Net proceeds from the issue of share capital (after issue costs)	**44,537**
CLOSING SHAREHOLDERS' FUNDS	**45,607**

Group Balance Sheet

	Notes	At 31 December 2004 £'000
FIXED ASSETS		
Intangible assets	5	**9,032**
Tangible assets		**51,541**
Investments		**8,527**
		69,100
CURRENT ASSETS		
Debtors – due within one year		**1,278**
Cash at bank and on deposit	8	**27,993**
		29,271
CREDITORS: amounts falling due within one year		
Bank and other loans	9	**768**
Other creditors		**3,720**
		4,488
NET CURRENT ASSETS		**24,783**
TOTAL ASSETS LESS CURRENT LIABILITIES		**93,883**
CREDITORS: amounts falling due after more than one year		
Bank and other loans	9	**45,177**
PROVISIONS FOR LIABILITIES AND CHARGES	10	**568**
ACCRUALS AND DEFERRED INCOME		
Deferred government grants		**1,443**
Other deferred income		**1,007**
		2,450
Minority interests		**81**
NET ASSETS		**45,607**
FINANCED BY		
CAPITAL AND RESERVES		
Called up share capital		**3,357**
Share premium account		**41,179**
Revaluation reserve		**653**
Profit and loss account		**418**
SHAREHOLDERS' FUNDS – Equity		**45,607**

Company Balance Sheet

	At 31 December 2004 £'000
FIXED ASSETS	
Investments	**43,240**
	43,240
CURRENT ASSETS	
Debtors – due within one year	**62**
Cash at bank and on deposit	**8,374**
	8,436
CREDITORS: amounts falling due within one year	
Other creditors	**6,175**
	6,175
NET CURRENT ASSETS	**2,261**
TOTAL ASSETS LESS CURRENT LIABILITIES	**45,501**
NET ASSETS	**45,501**
FINANCED BY	
CAPITAL AND RESERVES	
Called up share capital	**3,357**
Share premium account	**41,179**
Profit and loss account	**965**
SHAREHOLDERS' FUNDS – Equity	**45,501**

Group Cash Flow

For the six months ending 31 December 2004

	Notes	Half year ended 31 December 2004 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	**2,443**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		**598**
Interest paid		**(1,683)**
Loan stock interest received		**210**
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(875)**
TAXATION		
UK corporation tax paid		**(188)**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchases of fixed asset investments		**(22,392)**
Sales of fixed asset investments		**800**
Purchase of tangible fixed assets		**(386)**
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		**(21,978)**
EQUITY DIVIDENDS PAID – MINORITY INTERESTS		**(26)**
NET CASH OUTFLOW BEFORE THE USE OF LIQUID RESOURCES AND FINANCING		**(20,624)**
MANAGEMENT OF LIQUID RESOURCES		
Net cash (withdrawn)/deposited – bank deposits		**(22,515)**
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES		**(22,515)**
FINANCING		
Issue of ordinary share capital		**44,536**
Repayment of long term loans		**(325)**
NET CASH INFLOW FROM FINANCING		**44,211**
INCREASE IN CASH IN THE PERIOD		**1,072**

The Group includes term deposits of less than a year as liquid resources.

Reconciliation of Net Cash Flow to Movements in Net Funds

For the six months ending 31 December 2004

	Half year ended 31 December 2004 £'000
Increase in cash in the period	**1,072**
Net cash flow to management of liquid resources	**22,515**
Repayment of long term loans	**325**
MOVEMENT IN NET DEBT IN THE PERIOD	**23,912**
NET DEBT AT 1 JULY	**(41,864)**
NET DEBT AT PERIOD END	**17,952**

1 ACCOUNTING POLICIES

The interim report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The results for the six months ended 31 December 2004 are unaudited but have been reviewed by the auditors Ernst & Young LLP: the scope of this audit was substantially less than an audit in accordance with Auditing Standards.

(A) Basis of Preparation

The Accounts are prepared under the historical cost convention modified to include the revaluation of property, fixed asset investments and financial instruments held for trading in accordance with applicable UK GAAP accounting standards.

(B) Basis of Consolidation

The Group Accounts consolidate the accounts of The PFI Infrastructure Company plc (PFI Co) and all its subsidiary undertakings for the half year ended 31 December 2004. No Profit and Loss Account is presented for PFI Co as permitted by Section 230 of the Companies Act 1985.

The following accounting policies apply to the Group in general. For policies applied specifically to the Groups PFI/PPP project companies, refer to accounting policy (L).

(C) Turnover

Group Turnover in the continuing operations comprises 100% of the turnover for those PFI/PPP project companies which are subsidiaries. Depending on the method of accounting of the subsidiaries this comprises:

- The value of construction work in progress on PFI projects where the principal asset is to be accounted for as a finance debtor.
- Availability fees and usage fees on PFI projects where the principal asset is to be accounted for as a fixed asset.
- Third party revenues on PFI projects.

Turnover excludes the value of intra-group transactions and VAT.

(D) Taxation

Corporation tax payable is provided on the taxable profits at the current rate. Taxation on capital gains arising on the realisation of fixed asset investments, is charged or credited to the profit and loss Account and to retained profits in the same proportion as the accounting gains.

(E) Deferred Taxation

Deferred Taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that resulted in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date except that no deferred tax is provided on gains and losses arising on the revaluation of tangible fixed assets and investments. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results, as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

(F) Depreciation

The cost or valuation of tangible fixed assets is depreciated in equal instalments over their expected useful lives as follows:

- Property 50 years.
- Office equipment 3 to 4 years.
- Furniture and fittings 5 to 10 years.

Land is not depreciated. The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

(G) Intangible Assets

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised and classified as an asset on the balance sheet. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(H) Tangible Fixed Assets

Tangible fixed assets are initially recorded at cost and are depreciated in accordance with accounting policy (F). Subsequent expenditure on tangible fixed assets is capitalised to the extent that it provides an enhancement to the economic benefits of the asset above its previously assessed standard of performance. All other subsequent expenditure is charged to the profit and loss account as incurred.

(I) Investments

Fixed asset investments, excluding investment in subsidiaries, are stated at Directors' valuation. Income from investments is included in the Group profit and loss account as declared or accrued.

Interests in subsidiary undertakings are included in the parent company balance sheet as the assets and liabilities of these undertakings, less minority interests.

(J) Derivative Instruments

The Group uses interest rate swaps to hedge interest rate risk in its subsidiaries. Amounts payable or receivable in respect of interest rate swaps are recognised on an accruals basis and are shown as interest expense.

The Group does not enter into speculative derivative contracts.

(K) Cash and Liquid Resources

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand and includes amounts held by subsidiaries where availability to the remainder of the Group is restricted by the non-recourse borrowing arrangements of the subsidiaries.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year, other than cash and investments in money market managed funds.

(L) PFI/PPP Project Companies

The Group has adopted the provisions of FRS 5 'Reporting the substance of transactions' (Application Note F) in determining the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Where it can be demonstrated that the balance of risk and rewards derived from the underlying asset are not borne by the Group, the asset created and/or provided under the contract is accounted for as a finance lease receivable under SSAP 21 or as a financial asset under FRS 5; otherwise, it is classified as a fixed asset.

The results of all PFI/PPP project companies which are subsidiaries therefore conform to the following policies:

- **Finance debtors and amounts recoverable on contracts**

  Where risks and rewards derived from the underlying asset do not reside with the Group, these assets are disclosed in the balance sheet as amounts recoverable on contracts while in construction and reclassified to finance debtors when operational. In this case income is allocated to interest receivable and turnover using a constant margin on costs with the remainder allocated to the finance debtor.

- **PFI Fixed Assets**

  Where the benefits and risk associated with the asset reside with the PFI project company these assets are disclosed in the balance sheet as fixed assets at cost less depreciation. Straight-line depreciation is charged over the life of the concession or specific asset life if shorter.

- **Major Maintenance**
  For finance debtor accounted projects, the capital element of major maintenance is treated as part of the cost of project financing. For fixed asset accounted projects, the capital element of major maintenance is capitalised and depreciated over the shorter of the remaining concession or the asset's useful life.

- **Finance Costs**
  Project – specific finance costs are capitalised until the asset to which the finance relates becomes operational. Finance costs incurred on borrowings to fund the construction of PFI assets are included as part of the cost of those assets commencing at the start of construction and ceasing when the asset is complete and ready for use.

- **Debt**
  Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

- **Non-recourse Debt**
  Non-recourse loans are those which are secured solely on a specific asset and its future income (usually contained in a single entity). The terms of the finance agreements provide that the lender will not seek in any way to enforce repayment of either principal or interest from the rest of the Group and the Group is not obliged, nor does it intend, to support any losses.

(M) PFI Bid Costs

PFI bid costs are accounted for under UITF 34. PFI bid costs are charged to the profit and loss account until such time as the Group is virtually certain that it will enter into contracts for the relevant PFI project. Virtual certainty is generally achieved at the time the Group is selected as preferred bidder. From the point of virtual certainty, bid costs are held in the Group balance sheet as a debtor prior to achieving financial close. On financial close of PFI project and financing agreements, the Group recovers bid costs from the relevant Project Company. If the recovery of bid costs exceeds the amount by the Group to financial close, the over-recovery is credited to the profit and loss account.

(N) Debtors

Debtors are reviewed for recoverability on a regular basis, provision is made against debtors where recovery is uncertain.

2 TAXATION

The tax charge of £0.17 million for the six months to 31 December 2004 represents tax charges on those PFI/PPP project companies which are subsidiaries.

3 NET INTEREST AND OTHER FINANCE COSTS

	Half Year ended 31 December 2004 £'000
Group interest receivable/(payable) includes the following:	
– Group funds	**604**
– Non recourse debt (including swaps)	**(1,641)**
	(1,037)

4 DIVIDENDS

	Half Year ended 31 December 2004 £'000
The following dividends have been paid or are proposed:	
Interim – proposed 2.34 pence per share	**785**

The interim dividend of 2.34 pence per share will be paid on 28 April 2005 to members on the register at 1 April 2005.

5 INTANGIBLE FIXED ASSETS

	Half Year ended 31 December 2004 £'000
Cost:	
At 6 July 2004	**9,283**
Amortisation:	
Provided during the period	**(251)**
Net book value:	
At 31 December 2004	**9,032**

Goodwill is written off in equal annual instalments over its estimated economic life of between 18-20 years.

6 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months to 31 December 2004 is based on earnings of £1,203,000 and 33,571,429 ordinary shares, being the actual number of shares in issue throughout the period.

7 NET ASSETS PER SHARE

The net assets per share as at 31 December 2004 are based on 33,571,429 ordinary shares in issue as at that date.

8 CASH

	Half Year ended 31 December 2004 £'000
Non-restricted	
Cash	**23,758**
Restricted	
Cash	**4,235**
	27,993

A part of the Group's cash balances is held within PFI/PPP Project Companies and its availability to the Group is restricted by those Companies' banking covenants.

9 NET DEBT

	Half Year ended 31 December 2004 £'000
Bank and other loans falling due within one year	**768**
Bank and other loans falling due after more than one year	**45,177**
	45,945

Bank loans are stated net of finance costs of £1.69 million. These costs, together with the interest expense, are allocated to the profit and loss accounts over the terms of the facilities.

10 PROVISIONS

	Half Year ended 31 December 2004 £'000
Deferred tax	**568**

11 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Half Year ended 31 December 2004 £'000
Group operating profit	**2,019**
Changes in working capital and other non cash items	**424**
Net cash inflow from operating activities	**2,443**

12 PRO-FORMA INFORMATION

The pro-forma information has been prepared to illustrate the effect of not consolidating the results and net assets of the SPVs and therefore sets out the investment activity of PFI Co and its 100% subsidiary Finco (which holds the investments in the SPVs) as distinct from the trading of the SPVs.

The first column, headed PFI Co/Finco, represents a group consolidation only down to the level of Finco, excluding from this consolidation those four SPVs which are subsidiaries. This reconciles to the fully consolidated Group accounts with the addition of the four SPVs' results and adjustment on consolidation for items including investment income received by PFI Co/Finco (included in the first column), and the treatment of goodwill and minority interests.

Profit and loss

	PFI Co/ Finco £'000	SPVs £'000	Consolidation Adjustments £'000	Group Total £'000
Turnover		3,564		3,564
Cost of sales		(477)		(477)
Gross profit		3,087		3,087
Operating and administrative expenses	(605)	(463)		(1,068)
Operating profit	(605)	2,624		2,019
Amortisation of goodwill arising on acquisition of subsidiaries			(251)	(251)
Profit on disposal of investments	242			242
Profit on ordinary activities before interest	(363)	2,624	(251)	2,010
Interest on senior debt		(1,604)		(1,604)
Profit after senior debt interest	(363)	1,020	(251)	406
Subordinated debt interest payable		(638)	601	(37)
Income from investments	1,145		(716)	429
Interest on cash balances	518	86		604
Profit on ordinary activities before tax	1,300	468	(366)	1,402
Taxation		(172)		(172)
Profit on ordinary activities after tax	1,300	296	(366)	1,230
Minority interests			(27)	(27)
Profit attributable to shareholders	1,300	296	(393)	1,203
Dividends	(785)	(130)	130	(785)
Retained profit for the financial period	**515**	**166**	**(263)**	**418**
Earnings per share	**3.9p**			**3.6p**

Notes to Financial Statements

Balance sheet

	PFI Co/ Finco £'000	SPVs £'000	Consolidation Adjustments £'000	Group Total £'000
Fixed assets				
Intangible assets		4,814	4,218	9,032
Tangible assets		51,541		51,541
Investments	22,308		(13,781)	8,527
	22,308	56,355		69,100
Current assets				
Debtors – due within one year	471	1,056	(249)	1,278
Cash at bank and on deposit	23,758	4,235		27,993
	24,229	5,291		29,271
Creditors: amounts falling due within one year				
Bank and other loans		768		768
Other creditors	960	2,953	(193)	3,720
	960	3,721		4,488
Net current assets	23,269	1,570		24,783
Total assets less current liabilities	45,577	57,925		93,883
Creditors: amounts falling due after more than one year				
Bank and other loans		53,481	(8,304)	45,177
Provisions for liabilities and charges		568		568
Accruals and deferred income				
Deferred government grants		1,443		1,443
Other deferred income		1,007		1,007
	–	2,450		2,450
Minority interests			81	81
Net assets	45,577	1,426		45,607
Financed by				
Capital and reserves				
Called up share capital	3,357	4	(4)	3,357
Share premium account	41,179	273	(273)	41,179
Revaluation reserve	526	1,055	(928)	653
Profit and loss account	515	94	(191)	418
Shareholders funds	**45,577**	**1,426**		**45,607**
Net asset value per share	**135.8p**			**135.8p**

Independent Review Report

Introduction

We have been instructed by the Company to review the financial information set out on pages 3 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The AIM Rules issued by the London Stock Exchange 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. A review consists principally of making enquiries of 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 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 31 December 2004.

Ernst & Young LLP
Douglas
Isle of Man

18 March 2005

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Further copies of this statement are available from Barings (Isle of Man) Limited, or by visiting the Company's website.

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