

Notes to the financial statements

1 Segmental analysis

The Group carries on its private equity activities in four business segments. There are three distinct business lines (Buyouts, Growth Capital and Venture Capital), the activities of which are described on page 2. The fourth segment (SMI) contains the Group's smaller minority investments.

The Group allocates all items of income and expenditure within gross portfolio return to a business segment.

	6 months to 30 September 2005 (unaudited) £m	6 months to 30 September 2004 (as restated)* (unaudited) £m	12 months to 31 March 2005 (as restated)* (unaudited) £m
Gross portfolio return			
Buyouts			
Realised profits over value on the disposal of investments	62	22	103
Unrealised profits on the revaluation of investments	79	76	122
Portfolio income	58	47	76
	199	145	301
Growth Capital			
Realised profits over value on the disposal of investments	60	50	110
Unrealised profits on the revaluation of investments	86	(3)	109
Portfolio income	22	46	66
	168	93	285
Venture Capital			
Realised profits over value on the disposal of investments	36	10	35
Unrealised profits on the revaluation of investments	23	12	37
Portfolio income	2	1	4
	61	23	76
SMI			
Realised profits over value on the disposal of investments	31	7	2
Unrealised profits on the revaluation of investments	35	1	(23)
Portfolio income	27	32	86
	93	40	65
	521	301	727

2 Unrealised profits on the revaluation of investments

	6 months to 30 September 2005 (unaudited)			6 months to 30 September 2004 (as restated)* (unaudited)			12 months to 31 March 2005 (as restated)* (unaudited)		
	Equity £m	Loans and receivables £m	Total £m	Equity £m	Loans and receivables £m	Total £m	Equity £m	Loans and receivables £m	Total £m
Movement in the fair value of equity	313	–	313	174	–	174	440	–	440
Impairment of loans and receivables	–	(53)	(53)	–	(44)	(44)	–	(129)	(129)
Provisions	(24)	(13)	(37)	(16)	(28)	(44)	(28)	(38)	(66)
	289	(66)	223	158	(72)	86	412	(167)	245

Provisions have been recognised on investments where it is considered there is a significant risk of failure.

*As restated for the adoption of IFRS, as explained within the Basis of preparation on page 18.

3 Net interest payable

	6 months to 30 September 2005 (unaudited) £m	6 months to 30 September 2004 (as restated)* (unaudited) £m	12 months to 31 March 2005 (as restated)* (unaudited) £m
Treasury interest receivable			
Interest on bank deposits	25	21	46
Interest payable			
Interest on loans and borrowings	(29)	(38)	(73)
Interest on Convertible Bonds	(3)	(3)	(5)
Amortisation of Convertible Bonds	(4)	(4)	(8)
Interest on subordinated borrowings	(1)	(1)	(3)
	(37)	(46)	(89)
Net interest payable	(12)	(25)	(43)

4 Exchange movements

	6 months to 30 September 2005 (unaudited) £m	6 months to 30 September 2004 (as restated)* (unaudited) £m	12 months to 31 March 2005 (as restated)* (unaudited) £m
Exchange movements on assets and liabilities held at fair value	4	29	19
Other recognised exchange movements			
Exchange movements on loan investments	7	11	8
Exchange movements on borrowings	7	(29)	(17)
Exchange movements on other assets and liabilities	17	21	3
	31	3	(6)
Total exchange movements in the income statement	35	32	13
Exchange differences on translation of foreign operations	(9)	(2)	5
Net exchange movement	26	30	18

*As restated for the adoption of IFRS, as explained within the Basis of preparation on page 18.

Notes to the financial statements (continued)

5 Per share information

The earnings and net assets per share attributable to the equity shareholders of the Company is based on the following data:

Earnings per share

	6 months to 30 September 2005 (unaudited)	6 months to 30 September 2004 (as restated)* (unaudited)	12 months to 31 March 2005 (as restated)* (unaudited)
Basic	79.6p	36.9p	82.6p
Diluted	77.0p	36.3p	81.0p
Earnings (£m)			
Profit for the year attributable to equity holders of the Company	462	223	498
Effect of dilutive potential ordinary shares	5	5	11
	467	228	509

	6 months to 30 September 2005 (unaudited) Number	6 months to 30 September 2004 (unaudited) Number	12 months to 31 March 2005 (unaudited) Number
Number of shares			
Weighted average number of shares in issue	580,583,146	604,250,584	603,240,340
Effect of dilutive potential ordinary shares			
Share options	1,697,906	381,696	119,980
Convertible Bonds	24,750,000	24,750,000	24,750,000
Diluted shares	607,031,052	629,382,280	628,110,320

Net assets per share

	6 months to 30 September 2005 (unaudited)	6 months to 30 September 2004 (as restated)* (unaudited)	12 months to 31 March 2005 (as restated)* (unaudited)
Basic	679p	574p	615p
Diluted	677p	574p	614p
Net assets (£m)			
Net assets attributable to equity holders of the Company	3,711	3,475	3,699

	6 months to 30 September 2005 (unaudited) Number	6 months to 30 September 2004 (unaudited) Number	12 months to 31 March 2005 (unaudited) Number
Number of shares			
Number of shares in issue	546,363,945	605,010,144	601,912,869
Effect of dilutive potential ordinary shares			
Share options	1,952,013	538,649	1,007,723
	548,315,958	605,548,793	602,920,592

No adjustment has been made to the opening number of shares used in the above calculations for the share consolidation on 8 July 2005.

*As restated for the adoption of IFRS, as explained within the Basis of preparation on page 18.

6 Dividends

	6 months to 30 September 2005 (unaudited) p per share	6 months to 30 September 2004 (as restated)* (unaudited) p per share	12 months to 31 March 2005 (as restated)* (unaudited) p per share
Declared and paid during the period			
Ordinary shares			
Final dividend	9.3	8.9	8.9
Special dividend	40.7	–	–
Interim dividend	–	–	5.3
	50.0	8.9	14.2
Proposed dividend	5.5	5.3	9.3

The Directors have proposed an interim dividend of 5.5p per share.

	6 months to 30 September 2005 (unaudited) £m	6 months to 30 September 2004 (as restated)* (unaudited) £m	12 months to 31 March 2005 (as restated)* (unaudited) £m
Declared and paid during the period			
Ordinary shares			
Final dividend	56	53	53
Special dividend	245	–	–
Interim dividend	–	–	32
	301	53	85
Proposed dividend	30	32	56

7 Investment portfolio

	Quoted investments (unaudited) £m	Equity investments (unaudited) £m	Loans and receivables (unaudited) £m
Book value at 1 April 2005*	235	2,682	1,400
Additions	3	312	391
Transfers	64	(34)	(30)
Disposals, repayments and write-offs	(98)	(515)	(257)
Unrealised profits on the revaluation of portfolio investments	56	171	1
Currency and translation movement	–	9	(1)
Book value at 30 September 2005	260	2,625	1,504

*As restated for the adoption of IFRS, as explained within the Basis of preparation on page 18.

Notes to the financial statements (continued)

8 Issued capital

	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	30 September 2004 (unaudited) Number	30 September 2004 (unaudited) £m	31 March 2005 (unaudited) Number	31 March 2005 (unaudited) £m
Authorised						
Ordinary shares of 50p	–	–	820,000,000	410	820,000,000	410
Ordinary shares of 53½p	771,764,704	410	–	–	–	–
Unclassified shares of 10p	1,000,000	–	1,000,000	–	1,000,000	–
Issued and fully paid						
Ordinary shares of 50p						
Balance at the beginning of the period	614,409,167	307	613,479,159	307	613,479,159	307
Share options	268,792	–	358,324	–	930,008	–
Share consolidation	(614,677,959)	(307)	–	–	–	–
Closing balance	–	–	613,837,483	307	614,409,167	307

During the period to 8 July 2005, the Company issued shares for cash on the exercise of share options at various prices from 467p to 664p per share. The Company repurchased 400,452 shares at 683p per share. These shares were cancelled after the Company consolidated its share capital on 8 July 2005. The Company consolidated its share capital by issuing 16 53½p shares for every 17 50p shares held. This coincided with the payment of a special dividend of 40.7p per share (see note 6).

	30 September 2005 (unaudited) Number	30 September 2005 (unaudited) £m	30 September 2004 (unaudited) Number	30 September 2004 (unaudited) £m	31 March 2005 (unaudited) Number	31 March 2005 (unaudited) £m
Ordinary shares of 53½p						
Balance at the beginning of the period	–	–	–	–	–	–
Share consolidation	578,520,432	307	–	–	–	–
Share options	523,503	–	–	–	–	–
Shares cancelled	(21,256,896)	(11)	–	–	–	–
Closing balance	557,787,039	296	–	–	–	–

Since 11 July, the Company issued shares for cash on the exercise of share options at various prices from 467p to 664p per share. The Company repurchased 20,880,000 shares at an average price of 712p per share. These shares, and those purchased before the share consolidation, were cancelled and a transfer made to the capital redemption reserve equal to the nominal value of the shares repurchased.

9 Equity

	Share capital (unaudited) £m	Share premium (unaudited) £m	Capital redemption reserve (unaudited) £m	Share based payment reserve (unaudited) £m	Translation reserve (unaudited) £m	Capital reserve (unaudited) £m	Revenue reserve (unaudited) £m	Own shares (unaudited) £m	Total equity (unaudited) £m
Six months to 30 September 2005									
Balance at 1 April 2005*	307	364	1	9	5	2,613	477	(77)	3,699
Total recognised income and expense					(9)	404	52		447
Share-based payments				4					4
Issues of shares	1	4							5
Dividends paid							(301)		(301)
Share buy-backs	(12)		12			(151)			(151)
Own shares								8	8
Balance at 30 September 2005	296	368	13	13	(4)	2,866	228	(69)	3,711
Six months to 30 September 2004*									
Balance at 1 April 2004	307	359	1	3		2,246	433	(55)	3,294
Total recognised income and expense					(2)	157	69		224
Share-based payments				3					3
Dividends paid							(53)		(53)
Issues of shares		2							2
Own shares								5	5
Balance at 30 September 2004	307	361	1	6	(2)	2,403	449	(50)	3,475
Year to 31 March 2005*									
Balance at 1 April 2004	307	359	1	3		2,246	433	(55)	3,294
Total recognised income and expense					5	367	129		501
Share-based payments				6					6
Dividends paid							(85)		(85)
Issues of shares		5							5
Own shares								(22)	(22)
Balance at 31 March 2005	307	364	1	9	5	2,613	477	(77)	3,699

Share-based payment reserve

The share-based payment reserve is a reserve to recognise those amounts in retained earnings in respect of share-based payments. Transfers are made from this reserve as share options are exercised, lapse or expire.

Translation reserve

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

*As restated for the adoption of IFRS, as explained within the Basis of preparation on page 18.