

Nexgen Financial Holdings Limited

Interim Report

For the half year ended 30 June 2005

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DIRECTORS AND OTHER INFORMATION

Board of Directors as at 30 June 2005

Mr Anthony Orsatelli	Non-Executive	Chairman
Mr Tay Siew Choon	Non-Executive	Co-chairman (1)
Mr Peter Blessing	Non-Executive	(2)
Mr Etienne Bur	Non-Executive	Chairman Executive Committee (1)
Mr John Donnelly	Non-Executive	Chairman Audit Committee (2)
Mr Luc Giraud	Executive	Joint Chief Executive Officer (1)
Prof Annie Koh	Non-Executive	(2)
Mr Goh Yew Lin	Non-Executive	
Mr Victor Liew	Non-Executive	
Mr André Rolland	Non-Executive	
Mr Lee Ming San	Non-Executive	(1) (2)
Prof Marti Subrahmanyam	Non-Executive	(2)
Mr Ravi Viswanathan	Executive	Joint Chief Executive Officer (1)

(1) Member of the Executive Committee of the board

(2) Member of the Audit Committee of the board

Company Secretary and Registered Office

Ms Nicola O'Connell
Ormonde House
12 Lower Leeson Street
Dublin 2

Bankers

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Registered Number

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External Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2
Ireland

Internal Auditors

Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Solicitors

A&L Goodbody
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

OPERATING REVIEW

The Interim Report presents a summary of the results for the principal business activity during the six month period ended 30 June 2005 and details the risks and positions at 30 June 2005. A summary of the main Profit and Loss and Balance Sheet movements is provided below.

ACTIVITY

Income generation

The group operating income for the period was \$14.1m, which represents a 21% increase compared to the previous year's figure of \$11.7m.

Activity in the period was steady with around 20 new transactions executed (including transaction unwinds and restructurings).

Equity Linked Transactions

This category was the main driver of income for the first half of the year generating around \$16.7m (30 June 2004: \$9.4m before client default). New deals were executed with new and existing clients from France, Italy and South-East Asia. There were also a number of old deals unwound or matured during the first six months of the year. Activity in Europe generated \$12m with the remaining \$4.7m coming from Asian clients.

CDO's / Credit Derivatives

The CDO's / credit derivatives activity had experienced adverse movements in credit spreads. A \$4.7m valuation reserve was created to reflect the structure of implied correlations as at 30th June. The result of this activity for the period is a loss of \$(5.8)m (30 June 2004; profit of \$8.6m).

Reinsurance

No new transactions materialised.

General and resources

Staff numbers were relatively unchanged (65 as at end June compared to 64 as at end December 2004). There was no significant change to the Group's organisation to report.

A service agreement was signed in May with Galica, a Brazilian based company, in order to develop relationships in the region and introduce potential clients to Nexgen.

Corporate governance and risk management

A new risk framework based on a two tier set of limits made up of Group limits and Sub limits was set by the Board of Directors in June. This applies to the measurement of the Market Value at Risk (VaR). The VaR measures for the CDO/CDS business now include a third measure for correlation as well as the existing two measures for default and spread.

The Audit Committee met regularly during the first half of the year and has reviewed the financial statements and other financial information provided by the Group.

RESULT FOR THE PERIOD AND STATE OF AFFAIRS AT 30 JUNE 2005

The net profit after tax for the half year to June 2005 was \$2.6m compared to \$1.3m for the half year to 2004.

The trading income for the 2005 half year was \$14.1m compared to \$18m for the half year 2004 (before client default of \$6.3m), derived mainly from capital market client transactions (2005: \$16.7m compared to 2004: \$9.4m) and CDO activity (2005: \$(5.8)m compared to 2004: \$8.6m). Remuneration of own funds has increased from the same time last year due to a rise in short term US interest rates (2005 : \$4.8m compared to 2004: \$1.9m).

With regard to below the line costs, operating expenses rose to \$11m (2004: \$10m), mainly as a result of increases in salaries. Staff related costs were \$7m (2004: \$6.5m) and other administrative expenses were \$3.8m (2004: \$3.3m).

BALANCE SHEET

Total assets rose by 7% during the half year ended 30 June 2005, to \$1,060m (31 December 2004: \$991m). The main variation was an increase of \$135m of long positions in derivatives to \$401m (31 December 2004: \$266m) as a result of new deals, an increase of \$30m in deposits with Financial institutions (and the related increase of trading securities short positions). However, these increases were somewhat offset by a reduction of \$53m in cash at bank and \$41m in trading securities.

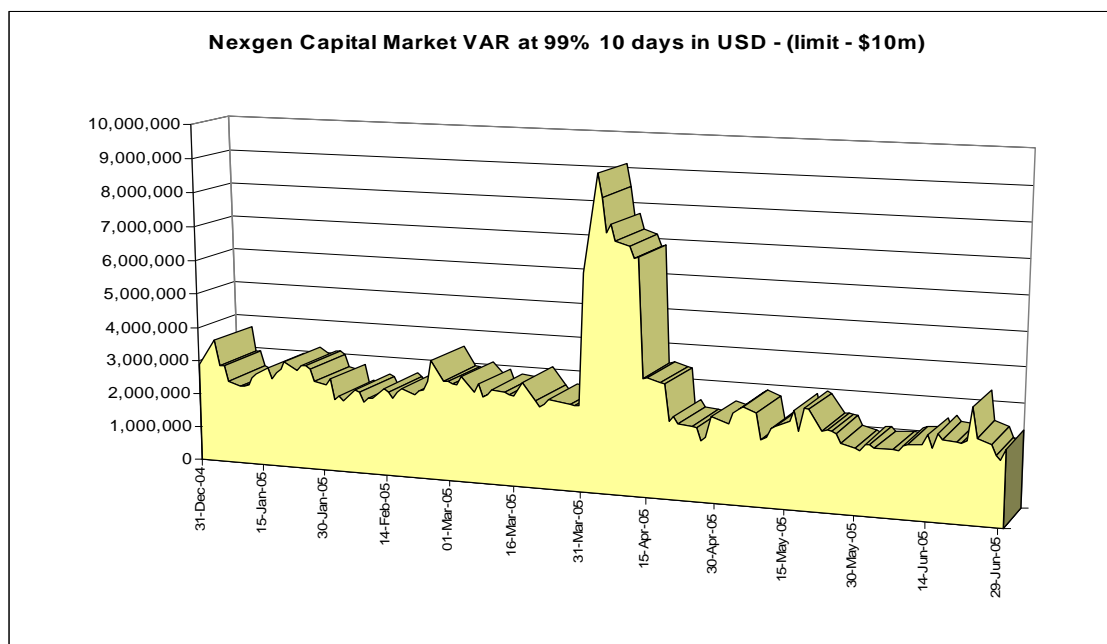
Shareholders' funds at 30 June 2005 are \$222.1m compared to \$219.5m at the end of 2004.

Positions and risks

Capital Markets Risks

Value-at-Risk (VaR) estimates the potential decline in the value of a position or a portfolio over a ten-day holding period, at a 99% confidence level. The Value-at-Risk method incorporates the sensitivities of the trading portfolio with the volatilities and correlations of those factors. As at 30 June 2005, the capital market VaR amounted to \$2.2m (31 December 2004: \$2.9m) compared to an internal limit of \$10.0m. The maximum VaR figure over the period was \$9.1m. Capital Market VaR is computed at NCL level only, as NRL's market exposures are not material.

Various sub limits have now been defined and are monitored daily by the Risk Controller. The various sub limits are applied to measuring the delta, gamma, vega and FX delta of single stocks. These sub limits can be exceeded but the excess must be limited in magnitude.



Reinsurance Risks

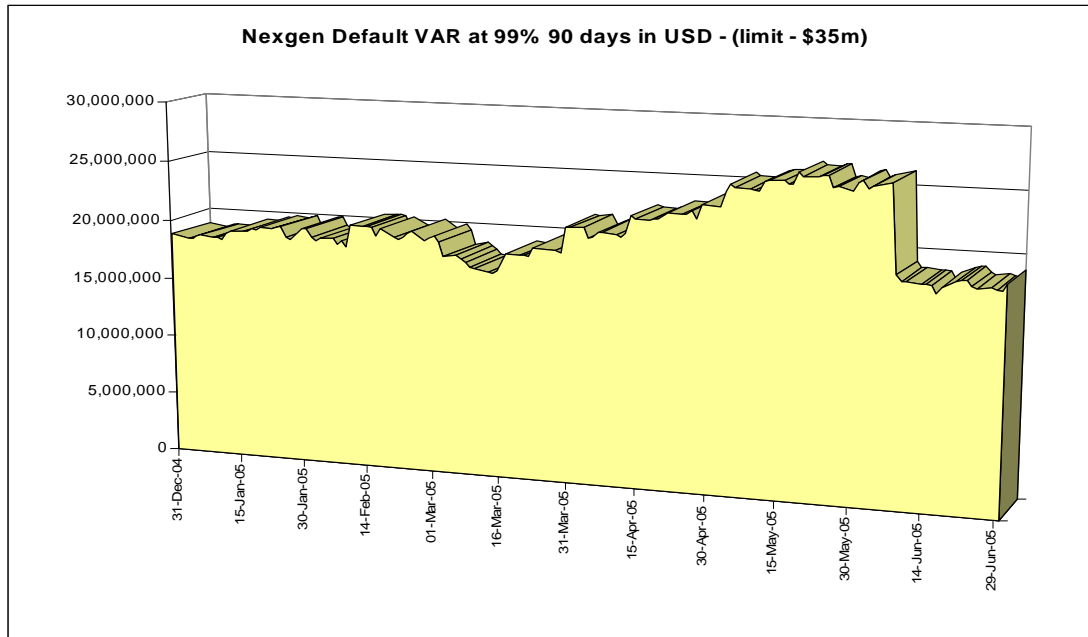
Nil (31 December 2004: nil).

Credit Risk - Credit Derivatives

Default VaR captures the impact of unexpected immediate defaults on the Group P&L. Defaults are simulated using probabilities of default implied from credit default swap spreads and correlations between underlying names implied from equity markets. The Spreads VaR captures the impact of adverse credit market spreads behaviour on the Group P&L. Spread variations are simulated using both historical volatilities and correlations. Both indicators are measured over a 90 days holding period, at a 99% confidence level and are subject to independent limits. Default VaR limit is \$35m.

At 30 June 2005, the corresponding figures were:

VaR Default (limit: \$35m) \$18.7m (31 December 2004 \$18.8m)
 VaR Spreads (limit: \$10m) \$ 0.4m (31 December 2004 \$ 0.9m)



Hedge Ratio Analysis

	30 June 2005	31 December 2004
Sum of Long delta (\$'000)	675,000	753,500
Sum of Short delta (\$'000)	(470,300)	(694,300)
Net delta (\$'000)	204,700	59,200
Sensitivity to +1bp CDS Spreads (\$'000)	102	(49)

Independent Review Report to the members of Nexgen Financial Holdings Limited

Introduction

We have been instructed by the Group to review the financial information set out on pages 8 to 17. 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 board of directors. The directors are responsible for preparing the interim report in accordance with the accounting policies and the presentation applied to the interim figures which 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 applicable in Ireland. 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 applicable in Ireland and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information. This report has been prepared for and only for the company and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 June 2005.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
18 September 2005

CONSOLIDATED PROFIT & LOSS ACCOUNT

Half Year ended 30 June 2005

		Half Year ended 30 June 2005 USD'000	Half Year ended 30 June 2004 USD'000
	Notes		
Operating income	3	14,108	11,746
Operating expenses	4	(10,980)	(10,033)
Profit on ordinary activities before taxation		<u>3,129</u>	<u>1,713</u>
Taxation	5	(486)	(403)
Profit retained for the half year		<u>2,642</u>	<u>1,310</u>
Profit and loss account at the beginning of period		29,887	12,664
Profit and loss account at the end of period		<u><u>32,529</u></u>	<u><u>13,974</u></u>

CONSOLIDATED BALANCE SHEET

30 June 2005		30 June 2005	31 December 2004
	Notes	USD'000	USD'000
Assets			
Cash at Bank and in hand		12,975	71,513
Deposits with financial institutions	7	226,622	197,166
Trading securities – long positions	8	409,754	450,933
Derivative financial instruments – long positions	9	400,969	265,930
Reinsurer's share of technical provision		-	-
Debtors	10	8,879	4,457
Tangible fixed assets	6	731	564
Total Assets		1,059,930	990,563
Liabilities			
Trading securities - short positions	11	286,966	257,324
Derivative financial instruments – short positions	12	150,531	120,611
Loans from financial institutions	13	246,707	237,722
Reinsurance liabilities		-	-
Creditors	14	5,516	15,956
Debt securities in issue	15	148,117	139,459
Total Liabilities		837,836	771,072
Net Assets		222,095	219,491
Capital and reserves			
Called up share capital	16	1,861	1,861
Share premium	17	187,632	187,632
Profit and loss account	17	32,529	29,887
Other reserves	18	73	111
Equity shareholders' funds	19	222,095	219,491
Total shareholders' funds		222,095	219,491

1. Accounting Policies

There has been no change to our accounting policies since the year end 31 December 2004.

2. Companies consolidated in the Group Financial Statements

Nexgen Financial Holdings Limited	% Interest	% Interest	Amount of Investment	Country of incorporation and principal area of operation	Nature of Business
	30 June 2005	31 December 2004			
Nexgen Re Limited	100%	100%	USD185,942,275	Ireland	Reinsurance
Universe Holdings Limited	100%	100%	USD1	Cayman Islands	Financial Structures
Nexgen Mauritius Limited	100%	100%	USD2	Mauritius	Dormant
Nexgen Capital Limited*	100%	100%	NIL	Ireland	Financial Structures
Nexgen Financial Solutions Limited*	100%	100%	NIL	Ireland	Financial Structuring
Nexgen Financial Solutions (Asia) Pte Limited*	100%	100%	NIL	Singapore	Financial Structuring
Mango CDO Limited **	100%	100%	NIL	Jersey	SPV
Lime CDO Limited **	100%	100%	NIL	Jersey	SPV
Lime 2 CDO Limited**	100%	100%	NIL	Jersey	SPV
Papaya CDO Limited**	100%	100%	NIL	Jersey	SPV
Papaya 2 CDO Limited**	100%	-	NIL	Jersey	SPV

*indirect holding

**collateralized debt obligations

3 Operating income

	Half Year ended 30 June 2005 USD'000	Half Year ended 30 June 2004 USD'000
Group:		
Operating income comprises:		
Trading income analysed by origin:		
- client transactions	16,695	9,383
- credit charge on client transaction	-	(6,300)
- arbitrage positions	-	115
- residual positions management	(491)	(1,173)
- remuneration own funds	3,651	1,888
Collateralised debt obligations	(5,806)	8,562
Reinsurance technical income	-	-
Other income	511	20
Transaction related professional fees	(452)	(748)
	<u>14,108</u>	<u>11,746</u>

4 Operating expenses	Half Year ended 30 June 2005 USD'000	Half Year ended 30 June 2004 USD'000
Group:		
Operating expenses comprises:		
Staff Costs	7,022	6,458
Auditors' remuneration	104	283
Depreciation	171	307
Other administrative expenses		
- Professional fees	1,097	851
- Directors emoluments	316	248
- Travel and Subsistence	484	558
- Rent and Office expenses	732	746
- Data Information and Research	277	225
- Other administrative expenses	777	357
	<u>10,980</u>	<u>10,033</u>
Staff costs comprise:		
Wages and salaries	4,461	4,466
Social welfare costs	1,046	909
Pension costs	585	639
Other staff costs	930	444
	<u>7,022</u>	<u>6,458</u>

The number of persons employed by the Group at 30 June 2005 was 65.

5 Taxation	Half Year ended 30 June 2005 USD'000	Half Year ended 30 June 2004 USD'000
Group:		
Corporation tax charge/(credit) for the period	(849)	810
(Increase)/decrease in deferred tax asset	1,335	(196)
Increase/(decrease) in deferred tax liability	-	(210)
	<u>486</u>	<u>404</u>
Movement in deferred tax on the Balance Sheet		
	Deferred Tax 30 June 2005 USD'000	Deferred Tax 31 Dec 2004 USD'000
At 1 January 2005	(2,553)	600
Charged to the profit and loss account	1,335	(3,136)
Utilised during the period	3	(17)
At 30 June 2005	<u>(1,215)</u>	<u>(2,553)</u>

6 Tangible fixed assets	Computer Equipment USD'000	Office Equipment USD'000	Computer Software USD'000	Leasehold Assets USD'000	Total USD'000
Cost					
At 31 December 2004	998	810	567	0	2,375
Additions	243	27	34	35	339
fx gains/losses	(10)	(8)	(1)	0	(18)
At 30 June 2005	<u>1,230</u>	<u>829</u>	<u>600</u>	<u>35</u>	<u>2,695</u>
Accumulated Depr					
At 31 December 2004	748	542	521	0	1,811
Charge for the period	105	50	13	3	171
fx gains/losses	(9)	(8)	(0)	0	(17)
At 30 June 2005	<u>844</u>	<u>584</u>	<u>533</u>	<u>3</u>	<u>1,964</u>
Net Book Value					
At 31 December 2004	<u>250</u>	<u>268</u>	<u>46</u>	<u>0</u>	<u>564</u>
At 30 June 2005	<u>386</u>	<u>245</u>	<u>67</u>	<u>32</u>	<u>731</u>

7 Deposits with financial institutions

	30 June 2005 USD'000	31 December 2004 USD'000
Amounts falling due within one year		
Group:		
- unsecured	-	61
- collateralised deposits	226,622	197,105
	<u>226,622</u>	<u>197,166</u>

8 Trading securities – long positions

	30 June 2005 USD'000	31 December 2004 USD'000
Shares:		
- listed	150,998	175,529
Bonds and convertibles		
- listed and/or indexed to listed shares	238,470	253,987
- collateralised debt obligations	967	353
- government bonds	-	1,442
- corporate bonds – non listed	19,319	19,622
	<u>409,754</u>	<u>450,933</u>

9 Derivative financial instruments – long positions	30 June 2005 USD'000	31 December 2004 USD'000
Analysed by categories of counterparty:		
- financial institutions	187,191	56,233
- other institutions	213,778	209,697
	<u>400,969</u>	<u>265,930</u>
Analysed by maturity:		
Less than 1 year	14,652	35,146
Between 1 and 5 years	337,675	214,075
Greater than 5 years	48,642	16,709
	<u>400,969</u>	<u>265,930</u>
10 Debtors	30 June 2005 USD'000	31 December 2004 USD'000
Amounts falling due within one year		
Other debtors *	7,555	4,235
Corporation Tax recoverable	1,024	-
	<u>8,579</u>	<u>4,235</u>
Amounts falling due after one year		
Other debtors and advances	300	222
	<u>8,879</u>	<u>4,457</u>
* Other debtors includes Deferred Tax – See note 5 'Taxation'		
11 Trading securities - short positions	30 June 2005 USD'000	31 December 2004 USD'000
Shares:		
- listed	281,840	253,918
Bonds and convertibles		
- government bonds	-	1,442
Sold listed options	5,126	1,964
	<u>286,966</u>	<u>257,324</u>

12 Derivative financial instruments – short positions	30 June 2005 USD'000	31 December 2004 USD'000
Analysed by categories of counterparty:		
- financial institutions	74,175	27,556
- other institutions	76,356	93,055
	<u>150,531</u>	<u>120,611</u>
Analysed by maturity:		
Less than 1 year	25,065	63,922
Between 1 and 5 years	121,225	55,346
Greater than 5 years	4,241	1,343
	<u>150,531</u>	<u>120,611</u>
13 Loans from financial institutions	30 June 2005 USD'000	31 December 2004 USD'000
Amounts falling due within one year:		
- unsecured	36,715	40,701
- collateralised loans	209,992	197,021
	<u>246,707</u>	<u>237,722</u>
14 Creditors	30 June 2005 USD'000	31 December 2004 USD'000
Accruals and deferred income	3,126	5,188
Other creditors	2,390	6,126
Provisions for deferred tax	-	-
Corporation tax due	-	4,642
	<u>5,516</u>	<u>15,956</u>
15 Debt securities in issue	30 June 2005 USD'000	31 December 2004 USD'000
Debt securities in issue repayable:		
Between 1 and 5 years	<u>148,117</u>	<u>139,459</u>

Debt securities in issue at 30th June 2005 are equity linked notes issued.

16 Share capital

	Half Year ended 30 June 2005 USD'000	Year ended 31 December 2004 USD'000
Authorised:		
Ordinary shares of USD0.01 each	6,000	6,000
Founders shares of USD0.01 each	<u>3</u>	<u>3</u>
	<u>6,003</u>	<u>6,003</u>
Issued		
Ordinary shares of USD0.01 each	1,860	1,860
Founders shares of USD0.01 each	<u>1</u>	<u>1</u>
	<u>1,861</u>	<u>1,861</u>

The Ordinary shares carry the right to 80% of the votes of the shareholders at a general meeting of the Company and to 80% of any dividend declared. The Founders shares carry the right to 20% of the votes of the shareholders at a general meeting of the Company and to 20% of any dividend declared.

Warrants

The Company has granted to each Ordinary shareholder one warrant for every three Ordinary shares held, giving the right, expiring in December 2005, to subscribe for one Ordinary Share at a subscription price of USD 1.

The Company issued warrants expiring in December 2009 to the holders of Founders shares, giving the right to subscribe for Ordinary shares at a subscription price of USD 1.50 and USD 2.50.

There were USD 62,007,970 warrants issued which mature in 2005 and USD 15,194,200 warrants issued maturing in 2009.

All of the warrants currently issued by the Company are physically-settled only, and their terms are adjustable only to take account of dividends, distributions and extraordinary events.

17 Reserves

Group	Share Premium Account USD '000	Other Reserves USD '000	Profit and Loss Account USD '000	Total USD '000
At 31 December 2004	187,632	111	29,887	217,630
Issue of new shares	-	-	-	-
Profit retained for the half year	-	-	2,642	2,642
Currency translation difference on foreign currency net investments	-	(38)	-	(38)
At 30 June 2005	<u>187,632</u>	<u>73</u>	<u>32,529</u>	<u>220,234</u>

18 Exchange translation reserve	30 June 2005 USD'000	31 December 2004 USD'000
At beginning of period	111	64
Exchange translation adjustment during the period	(38)	47
At end of period	<u>73</u>	<u>111</u>

19 Reconciliation of movement in equity shareholders' funds

	Half Year ended 30 June 2005 USD'000	Year ended 31 December 2004 USD'000
Opening shareholder's funds	219,491	202,221
Share capital issued	-	-
Profit for the financial period	2,642	17,223
Exchange translation adjustment	(38)	47
Closing shareholder's funds	<u>222,095</u>	<u>219,491</u>

20 Financial Instruments

Dealing in off balance sheet instruments forms a fundamental part of the Group's activities. Accordingly, the Group has a number of interest rate swaps, equity swaps, equity forwards, equity options, equity index futures and foreign exchange spot and forward contracts and credit default swap contracts at 30 June 2005. Gains and losses arising on marking these financial instruments to market are included in dealing profits in accordance with the Group's accounting policies.

The notional amounts and fair value amounts of the contracts are shown below:

	30 June 2005			31 December 2004		
	Notional Amount USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000	Notional Amount USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000
Interest rate contracts	550,065	2,828	11,250	527,253	1,245	4,236
Foreign Exchange contracts	206,250	4,824	1,324	131,599	187	989
Equity contracts	1,595,496	286,147	100,812	859,191	170,451	92,608
Credit Derivative contracts	10,139,565	107,170	32,445	3,943,700	94,047	22,778
Total contracts	<u>12,491,376</u>	<u>400,969</u>	<u>145,831</u>	<u>5,461,743</u>	<u>265,930</u>	<u>120,611</u>

Credit Derivative contracts include CDO tranches

21 Related Party Transactions

The Group has carried out a number of transactions with IXIS Corporate & Investment Bank during the period.

All of the transactions with the shareholders of the Group are carried out in the normal course of business and encompass loans, deposits, repurchase and reverse repurchase agreements, purchase and sale of securities, fees (paid and received), derivative transactions and guarantees.

All transactions were conducted on an arms length basis.

The following were the amounts due to and from related parties by Group companies at 30 June 2005:

	Half Year ended 30 June 2005 IXIS CIB USD'000	Year ended 31 December 2004 IXIS CIB USD'000
Assets		
Deposits and cash	172,249	156,601
Derivative financial instruments	84,304	17,016
	<u>256,553</u>	<u>173,617</u>
Liabilities		
Deposits	177,929	205,371
Derivative financial instruments	24,031	4,069
	<u>201,960</u>	<u>209,440</u>

22 Commitments and Guarantees

The Company issued a guarantee on 30 September 2002 in favour of a client, agreeing to guarantee the obligations of Nexgen Capital Limited under equity swap transactions between Nexgen Capital Limited and this client.

The Company issued a guarantee on 15 April 2003 in favour of United Overseas Bank Limited ("UOB"), agreeing to guarantee the obligations of Nexgen Capital Limited to UOB in connection with a revolving facility granted by UOB to Nexgen Capital Limited.

There were no other commitments or guarantees at 30 June 2005.

23 Approval of interim Financial Statements

The directors approved the interim financial statements on 23rd September 2005.