COSTAIN GROUP PLC
Consolidated Income Statement

Half-year ended 30 June, year ended 31 December	Notes	2005 Half-year £m	2004 Half-year £m
Revenue (Group and share of joint ventures and associates)	2	345.4	337.7
Share of joint ventures and associates	5	(21.9)	(13.5)
Group revenue		323.5	324.2
Group operating profit		4.5	4.5
Share of profit of joint ventures and associates	5	3.3	0.2
Profit from operations	2	7.8	4.7
Finance income	3	12.0	11.9
Finance costs	3	(12.3)	(11.2)
Profit before tax		7.5	5.4
Taxation		(1.1)	(0.9)
Profit for the period		6.4	4.5
Attributable to:			
Equity holders of the parent		6.4	4.5
Minority interests		-	-

Earnings per share - basic	4	1.8p	1.3p
Earnings per share - diluted	4	1.8p	1.3p

All results derive from continuing operations

Consolidated Statement of Recognised Income and Expense

Half-year ended 30 June, year ended 31 December	2005 Half-year £m	2004 Half-year £m
Exchange differences on translation of foreign operations	(0.8)	(1.2)
Losses on cash flow hedges	(1.9)	-
Actuarial losses on defined benefit pension schemes	(7.5)	-

Tax on items taken directly to equity	2.4	-
Net expense recognised directly in equity	(7.8)	(1.2)
Profit for the period	6.4	4.5
Total recognised income and expense in the period	(1.4)	3.3

Consolidated Statement of Changes in Equity

Half-year ended 30 June, year ended 31 December	2005 Half-year £m	2004 Half-year £m
Total recognised income and expense in the period attributable to equity shareholders	(1.4)	3.3
Issue of ordinary shares	-	0.9
Share based payments	0.1	-
	(1.3)	4.2
Equity at beginning of period	(44.5)	(37.8)
Implementation of IAS 39 *	(1.7)	-

Equity at end of period	(47.5)	(33.6)

* The impact of implementing IAS 32 and IAS 39 at 1 January 2005 is to increase net liabilities by £1.7m. The adjustment relates to interest rate swaps in the Group's PFI investments and to forward sales contracts of foreign currency.

Consolidated Balance Sheet

Half-year ended 30 June, year ended 31 December	Notes	2005 Half-year £m	2004 Half-year £m
ASSETS			
Non-current assets			
Property, plant & equipment		4.6	4.3
Intangible assets		2.1	0.2
Other debtors		9.8	5.9
Deferred tax assets		33.4	25.5
Investments in associates	5	0.2	-
Investments in joint ventures	5	16.1	16.4
Loans to joint ventures		0.4	2.5
Loans to associates		3.0	-
Other investments		1.0	1.0
Total non-current assets		70.6	55.8
Current assets			
Inventories		1.9	4.4

Trade and other receivables		179.9	138.1
Cash and short term deposits		45.3	66.8
Total current assets		227.1	209.3
Total assets		297.7	265.1
EQUITY			
Share capital	4	17.7	35.3
Share premium	4	-	119.5
Special reserve	4	13.6	-
Foreign currency translation reserve		(1.1)	(1.2)
Retained earnings		(77.8)	(187.3)
		(47.6)	(33.7)
Minority interest		0.1	0.1
Total equity		(47.5)	(33.6)
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings		0.3	0.7
Retirement benefit obligations		107.2	78.0
Other payables		2.0	1.6
Long term provisions		3.1	2.6
Total non-current liabilities		112.6	82.9
Current liabilities			
Trade and other payables		226.4	208.4
Current tax liabilities		2.8	3.4
Interest bearing loans and borrowings		0.6	0.4
Provisions and other liabilities		2.8	3.6
Total current liabilities		232.6	215.8
Total liabilities		345.2	298.7
Total equity and liabilities		297.7	265.1

Consolidated Cash Flow Statement

Half-year ended 30 June, year ended 31 December	2005 Half-year £m	Ha
Cash flows from operating activities		
Profit from operations	7.8	
Adjustments for:		
Depreciation	0.5	
Share based payments expense	0.1	
Share of profit of joint ventures and associates	(3.3)	
Operating profit before changes in working capital and provisions	5.1	
(Increase)/decrease in inventories	(0.9)	
Increase in receivables	(33.0)	
Increase in payables	13.0	
Decrease in provisions	(0.2)	
Cash generated from operations	(16.0)	
Interest paid	(0.2)	
Net cash from operating activities	(16.2)	
Cash flows from investing activities		
Interest received	1.3	
Additions to plant and intangible assets	(1.8)	
Additions to investments	(0.2)	
Capital repayments by investments	-	
Dividends received	-	

Loans to joint ventures and associates (net)	(1.2)
Net cash from investing activities	(1.9)
Cash flows from financing activities	
Issue of ordinary share capital	-
Payment of loans and finance lease liabilities	(0.5)
Net cash from financing activities	(0.5)
Net decrease in cash and cash equivalents	(18.6)
Cash and cash equivalents at beginning of period	62.6
Cash outflow from loan payments and finance lease capital payments	0.5
Effect of foreign exchange rate changes	(0.1)
Cash and cash equivalents at end of period	44.4

Notes to the Accounts

These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are unaudited. The Board approved the unaudited interim financial statements on 30 August 2005. The figures for the half-year ended 30 June 2004 and the year ended 31 December 2004 have been extracted from the unaudited restatement of the Group's results announced on 17 August 2005 prepared under International Financial Reporting Standards (IFRSs).

1. Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Company, for the year ending 31 December 2005, be prepared in accordance with IFRSs adopted for use in the EU (adopted IFRSs).

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2005 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 December 2005. These are as set out in Section 2 of the Transition to International Financial Reporting Standards Report published by the Company on 17 August 2005 and available on its website (www.costain.com) or from the Company Secretary at the Registered Office.

In particular, the Board has assumed that the International Accounting Standards Board's amendment to IAS 19: Employee Benefits will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31 December 2005.

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

As permitted by IFRS 1: First time adoption of IFRS, the Group has adopted IAS

32 and IAS 39: Financial Instruments with effect from 1 January 2005; comparative figures have not been restated.

2. Business and geographical segment information by origin

In the opinion of the Directors, the business segments are Civil Engineering, Building, Oil Gas & Process and International, which undertake engineering and construction projects, the Group's property development operation in Spain and central costs. These represent the Group's primary segments. Secondary segments are presented geographically.

* Revenue in the tables below includes the Group share of joint ventures and associates.

For the half-year ended 30 June 2005	Civil Engineering	Building	Oil, Gas & Process	International	Property Development
	£m	£m	£m	£m	£m
Revenue*	145.7	155.6	25.3	8.4	10.4
Group operating profit	6.8	0.4	0.2	(0.8)	-
Share of results of joint ventures and associates	-	-	0.1	(0.4)	3.6
Profit from					

operations	6.8	0.4	0.3	(1.2)	3.6
Net financing costs					
Profit before tax					

For the half-year ended 30 June 2004	Civil Engineering	Building	Oil, Gas & Process	International	Property Development
	£m	£m	£m	£m	£m
Revenue*	197.5	100.5	29.7	7.1	2.9
Group operating profit	8.6	(0.8)	(0.6)	(0.5)	-
Share of results of joint ventures and associates	-	(0.3)	0.1	-	0.4
Profit from operations	8.6	(1.1)	(0.5)	(0.5)	0.4
Net financing costs					
Profit before tax					

For the year	Civil	Building	Oil, Gas &	International	Property

ended 31 December 2004	Engineering		Process		Development
	£m	£m	£m	£m	£m
Revenue*	392.1	236.0	46.0	16.0	5.1
Group operating profit	18.4	0.2	(3.9)	(0.4)	-
Share of results of joint ventures and associates	-	(0.3)	0.1	(0.2)	(0.5)
Profit from operations	18.4	(0.1)	(3.8)	(0.6)	(0.5)
Net financing costs					
Profit before tax					

	Revenue			Profit fr	
	2005	2004	2004	2005	
	Half-year	Half-year	Year	Half-year	Half
	£m	£m	£m	£m	
United Kingdom	310.9	317.2	661.4	5.7	
Spain	10.4	2.9	5.1	3.6	
Rest of the world	24.1	17.6	28.7	(1.5)	
	345.4	337.7	695.2	7.8	

3. Finance income and costs

Finance income includes the expected return on the assets of the pension scheme of £10.7m (2004 half-year £10.7m, 2004 year £20.3m) and finance costs include the expected increase in the present value of the scheme liabilities of £12.1m (2004 half-year £11.2m, 2004 year £21.4m). The expected return and the increase in present value are based on the value of assets and liabilities of the pension scheme at the start of the period.

4. Earnings per share

The calculation of earnings per share is based on profit for the period of £6.4m (2004 half-year £4.5m, 2004 year £8.8m) and the number of shares set out below:

	2005 Half-year	2004 Half-year
Weighted average number of shares for basic earnings per share calculation	353,136,352	349,224,269
Dilutive potential ordinary shares:		
SAYE Scheme	8,578,793	6,698,821
Weighted average number of shares for fully diluted earnings per share calculation	361,715,145	355,923,090

The nominal value of share capital was reduced and the share premium account written off during the period following the shareholder and subsequent court approval of the capital reduction. The excess after eliminating the accumulated deficit of the Company was transferred to a special reserve.

5. Joint ventures and associates

The analysis of the Group's share of joint ventures (JVs) and associates is set out below:

	2005 Half-year		
	Alcaidesa	Other JVs	Associates
	£m	£m	£m
Revenue	10.4	8.5	3.0
Profit before taxation	5.7	0.3	(0.6)
Taxation	(2.1)	-	-
Profit for the period	3.6	0.3	(0.6)
Non-current assets	9.6	0.2	5.4
Current assets	42.6	68.1	9.1
Current liabilities	(32.2)	(10.4)	(5.1)
Non-current liabilities	(4.0)	(61.1)	(10.9)
Investments in joint ventures and associates	16.0	(3.2)	(1.5)

Presentation in the balance sheet in respect of investments in joint ventures and associates restricts the minimum carrying value of investments of 'other joint ventures' and 'associates' (above) to £nil. Where the carrying value is negative, the corresponding loan value to those investments has been reduced or, where future funding obligations exist, a provision made.

	2004 Half-year		
	Alcaidesa £m	Other JVs £m	Associates £m
Revenue	2.9	10.6	-
Profit before taxation	0.6	(0.2)	-
Taxation	(0.2)	-	-
Profit for the period	0.4	(0.2)	-
Non-current assets	11.6	0.3	-
Current assets	25.8	52.0	-
Current liabilities	(19.7)	(4.3)	-
Non-current liabilities	-	(49.3)	-
Investments in joint ventures	17.7	(1.3)	-

	2004 Year		
	Alcaidesa £m	Other JVs £m	Associates £m
Revenue	4.5	14.8	2.7
Profit before taxation	(0.8)	(0.1)	(0.2)
Taxation	0.3	(0.1)	-
Profit for the period	(0.5)	(0.2)	(0.2)
Non-current assets	11.3	0.2	1.5
Current assets	27.2	60.4	1.9
Current liabilities	(21.7)	(7.3)	(2.0)
Non-current liabilities	(3.9)	(54.6)	(1.4)
Investments in joint ventures and	12.9	(1.3)	-

associates

	2005 Half-year £m	2004 Half-year £m
Financial commitments	5.4	3.0
Capital commitments	20.6	21.9

The commitments relate to joint ventures involved in Private Finance Initiative schemes and the capital commitments to construction work being undertaken by the Costain Group. All figures are the Group's share.

6. Explanation of transition to IFRS

The Group issued a document setting out the impact of the Transition to International Financial Reporting Standards on 17 August 2005 (see note 1). A summary of the impact on the primary statements is set out below. The adjustments and the resulting IFRS numbers are unaudited.

CONSOLIDATED INCOME STATEMENT

	Half-year ended 30 June 2004			Year ended 31 De	
	UK GAAP	Adjustments	IFRS	UK GAAP	Adj
	£m	£m	£m	£m	
Group revenue	324.2		324.2	673.2	
Group operating profit	4.5		4.5	10.2	
Share of profit of joint ventures and associates	3.4	(3.2)	0.2	8.7	
Profit from operations	7.9	(3.2)	4.7	18.9	
Other finance charges	(0.5)	0.5		(1.1)	
Net interest	0.7	(0.7)		1.7	
Finance income		11.9	11.9		
Finance costs		(11.2)	(11.2)		
Profit before tax	8.1	(2.7)	5.4	19.5	
Taxation	(1.7)	0.8	(0.9)	(4.3)	
Profit for the period	6.4	(1.9)	4.5	15.2	
Attributable to:					
Equity holders of the parent	6.4	(1.9)	4.5	15.2	

Minority interests	-	-	-	-
Earnings per share - basic	1.8p	(0.5p)	1.3p	4.3p
Earnings per share - diluted	1.8p	(0.5p)	1.3p	4.3p

Explanatory notes on the impact of IFRS adjustments to the consolidated income statement

IAS 18 Revenue Recognition

Alcaidesa, the Group's Spanish property development interest, has sold parcels of land that were subject to the completion of certain infrastructure. Sales and profits in respect of such developments were recognised on exchange of contract with costs to complete on the infrastructure element recognised accordingly.

Under IFRS, these developments fall within the scope of IAS 18, where reference is specifically made to situations where the seller is obliged to perform substantial acts to complete under the contract. Revenue and thus profit in respect of such acts should be recognised only when the act is performed.

Given the specific circumstances existing within these developments we consider that the appropriate treatment under IFRS is to view these arrangements, where separable, as two transactions, firstly the sale of the land and secondly the provision of the infrastructure. In such circumstances, revenue and profit are recognised on the land sale element of each transaction on exchange of legal title and when all conditions for revenue recognition under IAS 18 are met. In respect of the infrastructure, the proportion of revenue and profit related to the provision of these facilities is deferred until such works are complete.

The impact of IAS 18 has been to defer the amount of profit shown within the Group's share of profits from joint ventures and associates. Profit after tax for the half-year to 30 June 2004 and year to 31 December 2004 has reduced by £1.9m and £6.4m respectively.

IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures

Under UK GAAP, the Group share of operating profits of associates was presented on the face of the income statement after Group operating profit. The Group share of interest and tax of associates was included within the relevant Group totals. Under IFRS, the Group share of profit after tax of associates is presented on the face of the income statement after Group operating profit.

IAS 1 Income Statement Reclassifications and IAS 19 Employee Benefits

There are a number of reclassifications between income statement and balance sheet captions that arise from the application of various IFRS. Under IFRS the expected return on assets of the pension scheme and interest income are shown as finance income and the interest on pension scheme liabilities and interest and finance charges payable are shown as finance costs.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Half-year ended 30 June 2004			Year ended 31 D	
	UK GAAP	Adjust -ments	Under IFRS	UK GAAP	Adj -me
	£m	£m	£m	£m	
Exchange differences on translation of foreign operations	(1.2)		(1.2)	(0.2)	(0
Actuarial losses on defined benefit pension schemes (net of tax)	-		-	(16.0)	
Net expense recognised directly in equity	(1.2)		(1.2)	(16.2)	(0
Profit for the period	6.4	(1.9)	4.5	15.2	(6
Total recognised income and expense in the period	5.2	(1.9)	3.3	(1.0)	(6
Attributable to:					
Equity holders of the company	5.2	(1.9)	3.3	(1.0)	(6
Equity minority interests	-	-	-	-	

CONSOLIDATED BALANCE SHEET

	As at 1 January 2004		
	UK GAAP	Adjustments	IFRS
	£m	£m	£m
ASSETS			
Non-current assets			
Property, plant & equipment	4.9	(0.2)	4.7
Intangible assets		0.2	0.2
Other debtors		3.2	3.2
Deferred tax assets		26.1	26.1
Investments in associates			
Investments in joint ventures	17.6	(0.8)	16.8
Loans to joint ventures	2.5		2.5
Loans to associates			
Other investments	1.0		1.0
Total non-current assets	26.0	28.5	54.5
Current assets			
Inventories	1.6		1.6
Trade and other receivables	122.4	(5.8)	116.6
Cash & short term deposits	72.0		72.0
Total current assets	196.0	(5.8)	190.2
Total assets	222.0	22.7	244.7
EQUITY			
Share capital	34.5		34.5
Share premium	119.4		119.4
Foreign currency translation			

reserve			
Retained earnings	(190.6)	(1.2)	(191.8)
Minority interest	0.1		0.1
Total equity	(36.6)	(1.2)	(37.8)
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	0.9		0.9
Retirement benefit obligations	54.5	23.9	78.4
Other payables	1.7		1.7
Long term provisions		3.8	3.8
Total non-current liabilities	57.1	27.7	84.8
Current liabilities			
Trade and other payables	191.8		191.8
Current tax liabilities	2.1		2.1
Interest bearing loans and borrowings	0.5		0.5
Provisions and other liabilities	7.1	(3.8)	3.3
Total current liabilities	201.5	(3.8)	197.7
Total liabilities	258.6	23.9	282.5
Total equity and liabilities	222.0	22.7	244.7

CONSOLIDATED BALANCE SHEET

	As at 30 June 2004			As at 31 Decem	
	UK	Adjustments	IFRS	UK GAAP	Adjustm

	GAAP £m	£m	£m	£m	
ASSETS					
Non-current assets					
Property, plant & equipment	4.5	(0.2)	4.3	5.4	(
Intangible assets		0.2	0.2		
Other debtors		5.9	5.9		
Deferred tax assets		25.5	25.5		3
Investments in associates					
Investments in joint ventures	19.1	(2.7)	16.4	19.0	(
Loans to joint ventures	2.5		2.5	2.6	
Loans to associates				2.7	
Other investments	1.0		1.0	1.0	
Total non-current assets	27.1	28.7	55.8	30.7	2
Current assets					
Inventories	4.4		4.4	1.0	
Trade and other receivables	146.0	(7.9)	138.1	159.7	(
Cash and short term deposits	66.8		66.8	64.1	
Total current assets	217.2	(7.9)	209.3	224.8	(
Total assets	244.3	20.8	265.1	255.5	2
EQUITY					
Share capital	35.3		35.3	35.3	
Share premium	119.5		119.5	119.5	
Foreign currency translation reserve		(1.2)	(1.2)		(
Retained earnings	(185.4)	(1.9)	(187.3)	(191.6)	(
Minority interest	0.1		0.1	0.1	
Total equity	(30.5)	(3.1)	(33.6)	(36.7)	(
LIABILITIES					
Non-current liabilities					

Interest bearing loans and borrowings	0.7		0.7	0.5	
Retirement benefit obligations	54.1	23.9	78.0	69.2	3
Other payables	1.6		1.6	3.0	
Long term provisions		2.6	2.6		
Total non-current liabilities	56.4	26.5	82.9	72.7	3
Current liabilities					
Trade and other payables	208.4		208.4	212.1	
Current tax liabilities	3.4		3.4	2.2	
Interest bearing loans and borrowings	0.4		0.4	1.0	
Provisions and other liabilities	6.2	(2.6)	3.6	4.2	(
Total current liabilities	218.4	(2.6)	215.8	219.5	(
Total liabilities	274.8	23.9	298.7	292.2	3
Total equity and liabilities	244.3	20.8	265.1	255.5	2

Explanatory notes on the impact of IFRS adjustments to the consolidated balance sheet

IAS 1 Current/Non-current Assets and Liabilities

An entity must present current and non-current assets and current and non-current liabilities as separate classifications on the face of the balance sheet in accordance with IAS 1. Non-current receivables have been reclassified on the face of the balance sheet as non-current assets and provisions have been reallocated to non-current liabilities.

IAS 19 Employee Benefits

Costain Group PLC adopted early the amendments to FRS 17 for UK GAAP reporting and has recognised the defined benefit pension plan liability (based on the projected unit credit method) in full as at 31 December 2003. The Group has nominated to recognise any actuarial gains or losses in the statement of recognised income and expense. There are no significant accounting differences between FRS 17 and IAS 19 in relation to accounting for defined benefit pension liabilities where the company has nominated to recognise actuarial losses directly in equity. However, the finance cost on the pension plan liabilities will be shown separately as a finance cost and the expected return on plan assets will be shown as finance income.

The Group intends to have actuarial updates at each half-year for the defined benefit pension plan and a full actuarial review at least every 2 years as required by the trust deed.

IAS 19 requires employee benefit schemes' financial assets to be valued at fair value. For relevant financial assets this means the bid price whereas FRS 17 specifies using mid market price. This has the effect of reducing asset values and thereby increasing the deficit by £0.6m.

IAS 12 Income Taxes

Costain Group has a significant defined benefit pension scheme liability. Under UK GAAP this has given rise to a deferred tax asset based on the Company's UK corporation tax rate, which has been netted against the defined benefit pension scheme liability. IAS 12 requires that the deferred tax asset be grouped with other deferred tax assets.

Deferred tax assets relating to retirement benefit obligations have been reclassified from non-current liabilities to non-current assets.

IAS 21 The Effects of Changes in Foreign Exchange Rates

UK GAAP requires exchange differences on a monetary item forming part of a reporting entity's net investment in a foreign operation to be taken to the STRGL. Under IFRS, IAS 21 requires such exchange differences to be recognised in a separate component of equity in the reporting entity's consolidated financial statements. Cumulative translation differences on foreign operations are deemed to be zero at 1 January 2004 (as per transitional options of IFRS 1). A £0.2m exchange difference relating to 2004 has been moved from retained reserves to a cumulative translation reserve.

IAS 38 Intangible Assets

Under UK GAAP, computer software costs attributable to major business systems implementations and material software licenses were capitalised as property, plant and equipment. Under IFRS, software development, purchased software and software licences should be classified as an intangible asset. At 31 December 2004, under IFRS, computer software of £0.5m has been reclassified from property, plant and equipment to intangible assets.

IAS 18 Revenue Recognition

The income statement IFRS adjustment required for Alcaidesa revenue recognition (as explained above) causes a reduction in the carrying value of joint venture net assets of £0.8m at 1 January 2004, £2.7m at 30 June 2004 and £7.4m at 31 December 2004.

The Interim Report and Accounts are unaudited but have been reviewed by the Company's auditors and their Independent Review Report is set out below.

The Company's statutory accounts for 2004, which were prepared under UK Generally Accepted Accounting Principles have been delivered to the Registrar of Companies. The Company's auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 237 of the Companies Act 1985.

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO COSTAIN GROUP PLC

Introduction

We have been engaged by the Company to review the financial information set out in the attached Consolidated Profit and Loss Account, Consolidated Cash Flow Statement, Consolidated Balance Sheet and Notes to the Accounts 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

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 which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information 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 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 30 June 2005.

KPMG Audit Plc

Chartered Accountants

London

30 August 2005

SHAREHOLDER INFORMATION

The Company's Registrar is Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Their web site address is www.lloydstsb-registrars.co.uk. For enquiries regarding your shareholding, please telephone 0870 600 3984. You can also view up-to-date information about your holdings by visiting the shareholder web site at www.shareview.co.uk. Please ensure that you advise Lloyds TSB Registrars promptly of a change of name or address.

ShareGIFT

The Orr Mackintosh Foundation (ShareGIFT) operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme are available on the ShareGIFT Internet Site www.sharegift.org. Lloyds TSB Registrars can provide stock transfer forms on request. Donating shares to charity in this way gives rise neither to a gain nor a loss for Capital Gains Tax purposes. This service is completely free of charge.