Jarvis PLC
30 November 2005

Jarvis plc

Unaudited Interim results for the half-year ended 30th September 2005

Summary

- Financial restructure completed with net debt at £6.2m (2004: £241.9m)
- Operating profit* of £6.2m (2004: loss of £45.7m), in line with expectations
- Headline loss caused solely by non-cash costs relating to restructuring
- Operating margin of 5.4% in line with projections for next year
- Solid margins in Rail and Plant, but slower turnaround in Roads
- Turnover down to £204.0m (2004: £302.8m) largely as a result of exit from Construction and most Highways Maintenance and delays to rail projects
- Construction projects near completion and an improved understanding of the Facilities Management business

* Before non recurring items

Commenting on the announcement, Steve Norris, Chairman, said:

'We have witnessed over the last 12 months a rare combination of a complicated financial restructuring and a major operational turnaround at the same time.

I am particularly pleased to report a return to operating profit. The Rail and Plant business has delivered to its leading customer significant improvements in safety, productivity, timescales and costs. The Roads business has recovered to break even before allocation of central costs and the Board is confident that we shall see a return to profit in the relatively short term.'

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Chairman's Statement

This statement reflects a number of welcome firsts. It is the first since the successful completion of the financial restructuring in September of this year, the first which we report under the new International Financial Reporting Standards and the first time for two years that we report operating profits. It is certainly the first time, since my appointment as Chairman two years ago, that I can confidently say that the performance of our core business has been in line with our forecasts and that it provides the basis for a viable business model for the future.

The critical message from the period is shown in the operating profit line. The

core business delivered a profit of £8.6m before non-recurring costs, compared with a loss of £26.0m for the same period last year and a loss of £58.8m for the full year to March 2005. This profit is in line with the expectations of the Board and is consistent with comments in the Prospectus which accompanied the recent Placing and Open Offer; indeed the margin of 5.4% is already in line with the projections for the 2006/07 year. That the Company is starting to trade in line with management expectations and deliver what our shareholders were given to understand they could expect is a true sign of the changes and improvements to the management of the business that have been achieved over the last year. This considerable turn around in operating performance highlights the true potential of the Group's core business.

The income statement for the period under review reflects the interest burden carried by the Group prior to the completion of the debt for equity exchange at the end of September, together with the exceptional costs relating to the restructuring. These exceptional costs include the required accounting treatment of the surrender of the long term liability for the lease of the Smithfield property, which had originally been earmarked as the Group head office. The impact of these accounting entries, the vast majority of which are non-cash items, is to turn the operating profit into a loss before taxation of £60.9m (2004: loss £283.4m).

The achievements of this half year are a tribute to a magnificent team effort by all involved in Jarvis, executives, non-executives and advisers alike. It has been a period of extraordinary activity, resulting in a rare combination of an exceedingly complicated financial restructuring and a major operational turnaround at the same time. The principal elements of the restructuring were:

- The disposal of the European Roads business which I anticipated in my statement this time last year

- The arrangement of short-term loan facilities of £31.4m, subsequently repaid in the restructuring

- Most importantly, at the end of May 2005, the agreement of outline terms for the debt-for-equity exchange and underwritten £50m placing and open offer

- The finalisation of that exchange in August 2005 in an amount of £378m which now included, to the great benefit of the Company, the termination of certain long term liabilities, including those on the Smithfield lease

- The establishment of a new medium-term working capital facility of £38.5m which enabled the Group to confirm it would have sufficient working capital for 12 months following completion of the restructuring

In addition to the disposal of the European Roads business, other disposals included the sales of our Techspan roads signage business and of our facilities management operation which supported the former University Accommodation business.

Following interest from a third party, we entered into negotiations for the disposal of the Jarvis Highways Maintenance business which comprised our joint venture with Accord in motorway maintenance and our Herefordshire Jarvis bundled services contract. Subsequent negotiations did not however allow us to realise the value which the Board placed on the business and the Board therefore resolved to retain those two contracts. Herefordshire Jarvis Services has already turned round into profit and the Board is confident it can make a positive contribution to the Group in the future.

The overall impact of the disposals, the debt for equity swap and the subsequent placing and open offer has been to reduce significantly the overall level of debt. At the time of the publication of the prospectus for the open offer it was envisaged that the level of net debt at the half year would be less than £20m. I am pleased to be able to confirm that net debt at the period end was in fact £6.2m compared with £241.9m at the equivalent date last year and £303.8m at the last year end. As noted in the recent Prospectus, the level of debt will

increase for approximately another nine months as the legacy issues are dealt with, but the Group expects to be cash positive from approximately the middle of the next financial year.

Jarvis people

None of this could have been achieved without the enormous commitment of colleagues at every level within the business. Their loyalty and support has been invaluable and it is a very great pleasure for me to be able to take this opportunity to thank every one of them. Thanks to them and the support of our investors, advisers, suppliers and customers I can point to a much brighter future for Jarvis plc than might have been contemplated only a year ago.

Financial results

This year is the first in which the company will report under the new International Financial Reporting Standards. In common with many other companies, the major impact of this transition is on the reporting of pension costs under IAS19. The impact is both on the income statement, where pension costs are now accounted for on a current service cost basis, and on the balance sheet where scheme surpluses and deficits are treated as non-current assets and liabilities and the previous SSAP 24 pension asset is removed. The downside of this to the group balance sheet has been a reduction of £30.4m in net assets as at September 2005 as compared with the balance sheet under UK GAAP.

Group revenue in the first half reduced to £204.0m (2004: £299.0m) mainly as a result of the wind-down in construction activities and lower turnover in the core business. The operating profit improved to £5.5m (2004: loss £276.2m). After the impact of restructuring costs of £61.9m, and other interest costs of £4.6m, the loss before taxation is £60.9m (2004: loss £283.4m). In the absence of taxation and with the benefit of post-tax profit from discontinued operations, the loss for the year is £59.6m (2004: loss £280m).

The loss per ordinary share for the continuing operations is 44.8p (2004: loss 196.2p).

Balance sheet and cash flow

Reported net debt at the end of the period of £6.2m (2004:£241.9m) reflects not only the impact of the debt for equity exchange but also a significant improvement in the net cash flow of the company during the period. This has been achieved alongside a significant reduction in the level of trade creditors. The operating cash outflow of £24m in the period (2004: outflow £95.3m) is largely attributable to the clean-up of legacy issues.

Dividend

As previously advised, it is not appropriate for the Company to pay a dividend in respect of the period.

Operating performance

The Rail and Plant business has shown a strong recovery over the equivalent period and is reporting a profit of £14.0m (2004: loss £7.8m). This has been achieved on turnover of £128.1m (2004: £157.7m), the reduction being caused by the anticipated decline in West Coast volume and the cessation of contract work for Thameslink. The move into profit reflects improved operating performance and the avoidance of write-offs on work undertaken previously. Our track renewals delivery performance has resulted in additional work, particularly on the West Coast mainline route. The plant business has recovered from the setback early in the year of the loss of the national small plant tender for Network Rail by developing alternative sources of revenue from its small plant assets, and is diversifying by strengthening its lighting operations and improving returns with

better controls on asset utilisation.

The numbers alone do not tell the full story of the dramatic turnaround in the fortunes and standing of the Rail and Plant business. Two years ago we were in grave danger of losing our position in track renewal; now we have a standing with Network Rail which is at least equal to that of any competitor. New processes, including AccutrackTM, have delivered significant improvements in safety, productivity and reductions in timescales and costs. For the first time, we have handed back sites at the end of a weekend, at normal line speed and with zero defects. It has been an extraordinary transformation.

The Roads business is reporting a small loss of £2.5m (2004: loss £14.4m) on a reduced turnover of £37.6m (2004: £43.5m). The lower turnover reflects the exit from nearly all highways maintenance business. The division is now focused on the Prismo safety products business and the Herefordshire Jarvis Services contract.

Whilst the Roads division turnaround is lagging behind that of Rail and Plant, there are some encouraging signs. The division's results improved to break-even before the allocation of its share of central costs. Significant management changes have now been made to this business and the cost base continues to be addressed. I am confident that this and other measures will ensure that this business returns to profit in the relatively short term.

The core business in total has not only been profitable but has also been modestly cash generative after allowing for legacy issues and a one-off reduction in creditor balances in the first quarter.

In the non core business, turnover of the Accommodation Services division has reduced to £45.2m (2004: £115.9m) with an operating loss before non-recurring costs of £2.4m (2004: loss £23.5m). Progress on outstanding construction contracts undertaken by the business as part of its former PFI programme is generally good. Of the 14 contracts which were the subject of the Settlement Deeds in January 2005, it is hoped that by the year end the Group will still be

involved in only one. We are also making progress with snagging on some of the older contracts which were not covered by the Settlement Deeds, but it is unlikely that work on these will be finished until the 2006 summer holidays. On the Facilities Management side, we have transferred to UPP the business which serviced our former University Accommodation operations and sold three other contracts, leaving about 30 to be resolved. The remaining FM business is being reorganised to bring clarity to its operational structures and business model and to deliver the exit from this business that has previously been flagged. The Board believes that, taken in the round, the provisions established at 31 March 2005 for the Accommodation Services division remain appropriate and this is reflected in the break-even position before central costs reported for Accommodation Services in this period.

Central costs

The results demonstrate a significant benefit from the reduction of overheads achieved over the last twelve months. The cost base is kept under continual review and it is now clear that there are opportunities for further savings.

Board changes

The Group has been very fortunate to recruit Richard Entwistle as Chief Operating Officer to replace Andrew Lezala who departed in June to take on the role of Chief Executive of Metronet. Richard brings with him considerable road and rail expertise developed with both Balfour Beatty and Amey. Having joined in September he is already making a significant contribution to the management of the business. The Board wishes to express its thanks and good wishes to Andrew Lezala in his future career.

As stated in the prospectus, it is unlikely that Alan Lovell and Alasdair Marnoch will remain with the Group for long once its headquarters moves to York in the first half of 2006. The process to find a replacement Finance Director

has commenced.

Corporate Governance

In the Interim Statement for the same period last year I reported that the Board had established a Corporate Governance committee to address certain shortcomings in internal control that had been identified. A year on I am pleased to report that this committee has championed significant improvements to the Group's processes and internal controls. In particular improvements to the 'procure to pay' process will deliver benefits for suppliers and customers alike. Improved management information has enabled the board to make better informed decisions and has helped them to convince our lenders to become shareholders in the business. There remains work to be done but it is clear that this can only further improve the performance of the business.

Health and Safety and Environment

Safety remains, as it has always been, our paramount concern in all our operations. We have continued with the accreditation of our work in this area. We are set a challenging target in the rail business by our major customer and are determined to achieve and to better this goal; indeed we performed better than this target in the first half of the year.

We continuously measure and investigate our incident rates and have extended reporting to tracking near misses to better understand the possible causes of workplace injuries.

Conclusion

Having survived what has been unquestionably the most difficult period in the company's history and successfully completed one of the most complex and

challenging restructurings seen on the London stock market, the Company is now returning to normality. The task of strengthening and rebuilding the balance sheet has substantially been completed. While more needs to be done we must now focus on improving the profitability of our operations. The signs so far are encouraging. We are managing our costs more effectively, controlling our operating margins and achieving our cash targets. The underlying trends are certainly positive and point towards a strong future for the business.

Steven Norris
Chairman
30 November 2005

INDEPENDENT REVIEW REPORT TO JARVIS PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2005 set out on the following pages. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with those IFRSs adopted for use by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and the requirements of IFRS 1 'First Time Adoption of International Financial Reporting Standards' relevant to interim reports.

The accounting policies are consistent with those that the Directors 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 in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 March 2006 are not known with certainty at the time of preparing the interim financial information.

Review work performed

Except as discussed in the following paragraph, we conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom.

We were not appointed auditors until 31 May 2005 and did not report on the financial information as presented for the period ended 30 September 2004. Furthermore, the business has undergone significant changes since September 2004. For these reasons we have not reviewed the 30 September 2004 comparatives as would be required for a full review in accordance with Bulletin 1999/4.

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 disclosed accounting policies 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 and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

For the reasons stated above, we are unable to determine whether adjustments to the comparative financial information, for the period to 30 September 2004, might be necessary.

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

RSM Robson Rhodes LLP
Chartered Accountants
Leeds, England
30 November 2005

Group income statement For the half year ended 30 September 2005	Notes	6 months to 30 September 2005 unaudited £m	6 months to 30 September 2004 unaudited (restated) £m	Year to 31 March 2005 unaudited (restated) £m

Revenue	4	204.0	299.0	509.7
Cost of sales		(169.9)	(303.0)	(491.2)
Gross profit/(loss)		34.1	(4.0)	18.5
Administration expenses		(27.9)	(45.5)	(93.5)
Operating profit/(loss) before non-recurring costs		6.2	(49.5)	(75.0)
Non-recurring costs	6	(0.7)	(226.7)	(288.2)
Operating profit/(loss)		5.5	(276.2)	(363.2)
Finance costs	7	(66.5)	(7.3)	(27.7)
Share of post tax profits from joint ventures and associates		0.1	0.1	0.2
Loss before taxation		(60.9)	(283.4)	(390.7)
Tax on loss	8	-	2.3	2.6
Loss for the period from continuing operations		(60.9)	(281.1)	(388.1)
Post-tax profit from discontinued operations	9	1.3	1.1	56.3
Loss for the period		(59.6)	(280.0)	(331.8)
Attributable to:				
Equity holders of the company		(59.6)	(279.7)	(331.5)
Minority interests		-	(0.3)	(0.3)

		(59.6)	(280.0)	(331.8)
(Loss) / earnings per ordinary share				
Basic and Diluted				
Continuing		(44.8)p	(196.2)p	(270.2)p
Discontinued		1.0p	0.7p	39.2p
Total	10	(43.8)p	(195.5)p	(231.0)p

Notes 1 to 14 form part of these financial statements

Consolidated balance sheet At 30 September 2005	Notes	30 September 2005 unaudited £m	30 September 2004 unaudited (restated) £m	31 March 2005 unaudited (restated) £m
Non-current assets				
Property, plant and equipment		27.5	36.2	28.4
Intangible assets		-	0.2	-
Goodwill		0.7	0.8	0.8
Interests in associates		2.3	4.1	2.3
Interests in joint ventures		0.8	0.2	1.2
Other investments		-	1.0	-
Deferred tax assets		1.2	5.6	0.7
Retirement benefit asset	5	9.3	-	5.0
		41.8	48.1	38.4
Current assets				
Stocks and work in progress		9.3	13.6	8.2
Debtor related to PFI/PPP non-recourse		-	10.9	11.0

financing agreement				
Trade and other receivables		113.1	129.1	139.2
Tax assets		-	1.7	-
Cash and cash equivalents		23.8	56.4	10.8
		146.2	211.7	169.2
Assets held for sale		0.4	118.9	33.3
Total assets		188.4	378.7	240.9
Current liabilities				
Trade and other payables		169.8	313.6	235.0
PFI/PPP non-recourse term loan		-	0.9	0.9
Tax liabilities		0.1	-	0.1
Obligations under finance leases		0.7	0.9	1.1
Bank loans and overdrafts		23.4	281.1	303.7
Provisions		6.9	25.2	25.1
		200.9	621.7	565.9
Non-current liabilities				
Bank loans		3.6	7.3	5.3
PFI/PPP non-recourse term loan		-	9.9	9.9
Retirement benefit obligation	5	23.0	23.2	20.8
Obligations under finance leases		2.6	3.4	2.9
Provisions		5.0	10.4	32.7
Deferred consideration for acquisition		-	0.3	-
		34.2	54.5	71.6
Liabilities associated with assets held for sale		0.3	70.3	16.1

Total liabilities	235.4	746.5	653.6
Net liabilities	(47.0)	(367.8)	(412.7)
EQUITY			
Capital and reserves			
Share capital	7.6	7.2	7.2
Share premium account	556.4	142.3	142.3
Revaluation reserve	2.8	11.2	3.0
Capital redemption reserve	7.2	-	-
Merger reserve	89.7	89.7	89.7
Hedging and translation reserve	0.1	0.5	0.4
Accumulated losses	(710.8)	(619.5)	(655.3)
Minority interests	-	0.8	-
Equity shareholders' deficit	(47.0)	(367.8)	(412.7)

Consolidated cash flow statement For the half year ended 30 September 2005	Notes	6 months to 30 September 2005 unaudited £m	6 months to 30 September 2004 unaudited (restated) £m	Year to 31 March 2005 unaudited (restated) £m
Operating activities				
Cash outflows generated from operations	12.1	(24.0)	(95.3)	(174.1)
Restructuring and redundancy costs paid		(15.6)	(14.8)	(45.1)
Income taxes (paid) / received		(0.7)	8.0	17.0
Net interest costs paid		(5.4)	(6.1)	(9.5)

Net cash outflow from operating activities	(45.7)	(108.2)	(211.7)
The above includes cashflows from discontinued operations of	(1.4)	(16.0)	(1.3)
Investing activities			
Dividends received from joint ventures	0.7	7.6	7.6
Purchase of property, plant and equipment	(2.4)	(4.2)	(6.5)
Investments in and loans repaid by joint ventures and associates	-	0.3	1.0
Disposal of businesses, net of cash and cash equivalents disposed	19.1	12.6	81.9
Disposal of property, plant and equipment	0.8	2.5	28.5
Disposal of investments	-	-	0.7
Net cash inflow from investing activities	18.2	18.8	113.2
The above includes cashflows from discontinued operations of	(0.3)	6.7	6.2
Financing activities			
Proceeds from issue of ordinary shares	43.7	-	-
Equity dividends paid	-	(6.6)	(6.7)
Finance lease principal repayments	(0.8)	(0.7)	(0.8)
(Decrease) / increase in debt	(1.5)	66.0	42.6
Net cash inflow from financing activities	41.4	58.7	35.1

The above includes cashflows from discontinued operations of	-	2.4	(0.1)
Net cash increase / (decrease) in cash and cash equivalents*	13.9	(30.7)	(63.4)
Opening cash and cash equivalents	8.7	72.1	72.1
Closing cash and cash equivalents	22.6	41.4	8.7

Cash and cash equivalents comprise:			
Cash and cash equivalents			
Unrestricted cash	21.1	3.4	1.5
Restricted use cash**	2.7	53.0	9.3
	23.8	56.4	10.8
Net cash / (overdraft) held by disposal groups held for resale	0.3	(2.3)	(0.2)
Overdrafts	(1.5)	(12.7)	(1.9)
Total cash and cash equivalents	22.6	41.4	8.7

Reconciliation of net cash flow to movement in net debt			
Net increase / (decrease) in cash and cash equivalents	13.9	(30.7)	(63.4)
Decease / (increase) in debt	1.5	(66.0)	(42.6)
Increase in loans due to deferred interest and debt assumed in relation to construction funding arrangements	-	-	(52.7)
Debt for equity transaction, opening	280.1	-	-

balance sheet debt settled				
Reduction in finance leases as a result of disposals		1.3	-	-
Decrease in finance leases		0.8	0.7	0.8
Decrease/ (increase) in net debt in the period		297.6	(96.0)	(157.9)
Opening net debt		(303.8)	(145.9)	(145.9)
Closing net debt	12.2	(6.2)	(241.9)	(303.8)

* The decrease in cash and cash equivalents of £30.7m for the six months ended 30 September 2004 and the decrease of £63.4m for the year ended 31 March 2005, differ from the decrease in cash of £41.5m and £30.5m respectively previously reported on a UK GAAP basis. This is because the bank accounts with restricted use have been included within cash and cash equivalents under IFRS but were excluded under UK GAAP.

** Cash at bank includes amounts where the use is restricted to certain contracts in accordance with defined benefit obligations.

Consolidated statement of changes in shareholders' equity (unaudited)

For the half year ended 30 September 2005

	Attributable to equity holders of the group					
	Share	Share	Capital	Merger	Hedging &	Accu

	Capital £m	Premium £m	Revaluation Reserve £m	Redemption Reserve £m	Reserve £m	Translation Reserve £m	la Lo
Balance at 1 April 2004 as restated under IFRS	7.1	141.9	12.7	-	89.7	-	(33
New shares	0.1	0.4	-	-	-	-	
Unrealised loss on revaluation of properties	-	-	(1.5)	-	-	-	
Currency translation adjustments	-	-	-	-	-	0.5	
Loss for the period	-	-	-	-	-	-	(27
Disposal of subsidiaries with minority interest	-	-	-	-	-	-	
Balance at 30 September 2004	7.2	142.3	11.2	-	89.7	0.5	(61
Reversal of unrealised loss on properties	-	-	1.5	-	-	-	
Disposal of	-	-	(9.6)	-	-	-	

revalued properties							
Other revaluation movement	-	-	(0.1)	-	-	-	
Currency translation adjustments	-	-	-	-	-	(0.1)	
Actuarial gain on defined benefit schemes	-	-	-	-	-	-	
Deferred tax charge recognised on actuarial gain on defined benefit scheme	-	-	-	-	-	-	(
Loss for the period	-	-	-	-	-	-	(5
Disposal of subsidiaries with minority interest	-	-	-	-	-	-	
Balance at 31 March 2005	7.2	142.3	3.0	-	89.7	0.4	(65
Adoption of	-	-	-	-	-	-	

IAS 32 and IAS 39							
Balance 1 April 2005	7.2	142.3	3.0	-	89.7	0.4	(65
Debt for equity	0.4	377.6	-	-	-	-	
Share placing and open offer	7.2	36.5	-	-	-	-	
Share cancellation	(7.2)	-	-	7.2	-	-	
Disposal of revalued properties	-	-	(0.2)	-	-	-	
Currency translation adjustments recognised on disposal of European Roads	-	-	-	-	-	(0.3)	
Actuarial gains on defined benefit schemes	-	-	-	-	-	-	
Loss for the period	-	-	-	-	-	-	(5
Balance at 30 September	7.6	556.4	2.8	7.2	89.7	0.1	(71

2005							

Notes to the consolidated financial statements (unaudited)
For the half year ended 30 September 2005

1 Summary of significant accounting policies

Basis of preparation

The Group's consolidated financial statements were prepared in accordance with UK GAAP until 31 March 2005. From 1 April 2005 the Group will prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The comparative figures in respect of prior periods have been restated to reflect these GAAP differences, except as described in Note 3.

The Group's results for the half year ended 30 September 2005 are the first results to be reported under IFRS and the results to 31 March 2006 will be the first full year to be reported under IFRS. The Group's date of transition to IFRS is 1 April 2004 and the adoption date is 1 April 2005.

The full year figures for the year ended 31 March 2005 do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year under UK GAAP has been filed with the Registrar of Companies. The report of the auditors on those accounts was modified due to uncertainties over going concern and did not contain any statement under Section 237 of the Companies Act 1985.

The policies set out below have been consistently applied to all the years presented except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under

IFRS 1 to apply IAS 32 and IAS 39 only from 1 April 2005. The policies applied to financial instruments for both years are detailed in Note 3.

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 March 2006. These interim financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretation Committee (IFRIC) interpretations issued and effective at the time of preparing these statements. The IFRS standards and IFRIC interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income are provided in Note 14.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative instruments at fair value through profit or loss. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in Note 2.

Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, generally where there is a shareholding of more than one half of the voting rights, and deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the consideration plus costs directly attributable to the acquisition. The assets and liabilities acquired are measured at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with policies adopted by the Group.

b) Associates and joint ventures

An associate is an entity in which the Group holds a long term interest and over whose financial and operating policies the Group exercises significant influence but not control. A joint venture is an entity in which the Group has a long term interest and shares control under a contractual arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of post acquisition profits or losses is recognised in the income statement. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate or joint venture exceeds its interests in the investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on its behalf.

Segmental reporting

A business segment is a group of assets and operations engaged in providing

products or services that are subject to risks and returns that are different from those of other business segments. The Group is organised into two main business streams, Infrastructure Services and Accommodation Services. Infrastructure Services is organised into two businesses comprising Rail & Plant and Roads. Accommodation Services comprises facilities and construction management. These businesses, Rail & Plant, Roads and Accommodation Services are the basis on which the Group reports its primary segmental information.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Group's functional and presentational currency.

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction.

The income statements of overseas subsidiaries are translated into sterling at average rates of exchange for the year. Assets and liabilities are translated into sterling at the closing rate of exchange. The difference arising from the retranslation at the closing rate of the opening net assets and the retained net income is taken directly to reserves as a separate component of Equity.

Property, plant and equipment

Property, plant and equipment is stated at cost to the Group, being its purchase cost together with any incidental expenses of acquisition, less subsequent depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in

which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Leasehold land and buildings	Over the period of the lease
Leasehold improvements	5 - 20% or period of the lease if shorter
Plant and machinery	6 2/3 - 33 1/3%
Fixture and fittings	10 - 25%
Office equipment	25 - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of property, plant and equipment is reviewed for impairment when events or circumstances indicate that it may not be recoverable. Any impairment is charged to the income statement immediately. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

Non-current assets held for resale

Non-current assets are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The group must be committed to the sale, which should be expected to occur within one year from the date of classification.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in their investment carrying value. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Taxation

a) Current taxation

The charge for current taxation is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

b) Deferred taxation

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable future

taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cashflows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are also included as they are an integral part of the Group's cash management. Cash at bank includes amounts where the use is restricted to certain contracts in accordance with defined contractual

obligations.

Provisions

Provisions for restructuring costs and onerous leases are recognised when; the Group has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise employees' termination payments and financial restructuring legal and advisor fees. Provisions are not recognised for future operating losses.

Long term provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Derivative financial instruments

The Group uses forward foreign currency contracts to reduce its exposure to movements in foreign exchange rates and interest rate swaps to adjust interest rate exposures.

Derivatives comprising interest rate swaps and foreign exchange contracts are used to hedge exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. Subsequent to initial recognition they are stated at fair value. When derivatives are used to hedge a financial instrument, recognition of any gain or loss is recognised in the Statement of Recognised Income and Expense (SORIE) as a separate component of reserves. Derivatives that do not qualify for hedge accounting are treated as trading instruments and changes in fair value are taken to the income statement

Leases

Leases of plant and equipment where the Group has substantially all the risks

and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the plant and equipment's fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the Group does not retain substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Employee benefits

(a) Share based payments

The Group issues equity settled share based payments to certain employees. The fair value, determined at the date of the grant, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

(b) Pension obligations

The Group contributes to defined contribution pension schemes and to personal

pension plans according to the arrangements agreed with employees. Contributions paid by the Group are charged to the income statement as they become payable in accordance with the rules of the scheme.

The Group contributes to defined benefit pension schemes according to the arrangements agreed with employees. The cost of providing benefits is determined by a professional qualified independent actuary who values the funds every three years and considers the appropriateness of the rates annually. The income statement charge is split between the operating costs and other finance income. Actuarial gains and losses are recognised in full in the period in which they occur through the SORIE. The asset or liability recognised on the balance sheet is the fair value of plan assets less the present value of the defined benefit obligations.

Revenue recognition

Revenue represents the fair value of consideration receivable, excluding value added tax, for services supplied to external customers. Revenue from facilities management contracts is recognised by reference to services performed to date. Revenue from long term contracts is recognised in accordance with the Group's accounting policy on long-term contracts.

Long-term contracts

When the outcome of a long-term contract can be estimated reliably, contract revenue is recognised by reference to the degree of completion of each contract, based on the amounts certified and to be certified by the customer.

Incentive payments and insurance claims arising from long-term contracts are included where they have been agreed with the client. Variations and other claims are included where it is probable that the amount will be settled, based on agreement in principle with the customer. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be

recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.
Where revenue recognised exceeds progress billings, the balance is shown as due from customers on long term contracts within trade and other receivables. Where progress billings exceed costs incurred, the balance is shown as due to customers on long term contracts within trade and other payables.

On 29 January 2005 Jarvis plc and certain other subsidiaries entered into agreements with other relevant parties in respect of 14 construction contracts (being those contracts not past Practical Completion or that had material future cash outflows associated with them). The purpose of the agreements was to release the Company from parent company guarantees given under the original contracts and to limit the Group's liability to additional costs required to complete the contracts. These agreements specified that the sums required to complete the contracts be placed into two trusts for each contract. The trusts are in the name of Jarvis Construction (UK) Limited but the funds standing to the credit of them are available only for the purposes specified by each trust and are directly related to funding construction liabilities. The funds are not available to Jarvis plc and Jarvis Construction (UK) Limited except for these purposes. The cash in each trust is only made available at the point when payments are made in accordance with the purposes of the trust. For these reasons the cash in trusts is recognised within trade and other receivables.

New accounting standards and IFRIC

At the date of signing of this report, certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. None of these standards affect the financial statements ending 30 September 2005

2 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern basis

The directors consider it is appropriate that these financial statements are prepared on a going concern basis.

Although the Group has incurred substantial trading losses and cash outflows up to March 2005 it is now trading profitably at the operating level and has significantly improved its cash flows. Furthermore the successful completion of the financial restructure on 29 September 2005 combined with the organisational restructuring and operational improvements means that the directors believe the Group will be able to trade within its working capital facility for at least the next twelve months.

(b) Debt for equity exchange

The debt for equity exchange was completed on 31 August 2005, resulting in £378.0m of obligations to creditors being converted into equity, with £0.4m share capital and £377.6m of share premium being recognised. The debt for equity exchange also resulted in £61.9m of finance related costs being charged to the income statement. Full details are provided in note 11.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of Cash-Generating Units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates which include cash

flow forecasts for each CGU and discount rates based on the Group's weighted average cost of capital adjusted for specific risks associated with the CGUs.

(d) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations on which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 Transition to IFRS

3.1 Basis of transition to IFRS

Application of IFRS 1

The Group's financial statements for the year ended 31 March 2006 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 1.

The Group's transition date is 1 April 2004 and the Group prepared its opening IFRS balance sheet at that date. The reporting date of these interim consolidated financial statements is 30 September 2005. The Group's IFRS adoption date is 1 April 2005. In preparing these interim consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The Group has elected to adopt IFRS 5 'Non-current assets held for sale and discontinued operations' retrospectively from 1 April 2005. Accordingly all

activities that meet the criteria for recognition as discontinued are separately classified in the income statement as post tax profits from discontinued operations and in the balance sheet as assets and associated liabilities held for sale.

Exemptions from full retrospective application elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations exemption

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 April 2004 transition date.

(b) Fair value as deemed cost exemption

The Group has elected to measure certain items of property, plant and equipment at fair value as at 1 April 2004.

(c) Employee benefits (pensions) exemption

The Group has elected to recognise all cumulative actuarial gains and losses as at 1 April 2004.

(d) Cumulative translation differences exemption

The Group has elected to set the previously accumulated translation reserve to zero at 1 April 2004. This exemption has been applied to all foreign subsidiaries in accordance with IFRS 1.

(e) Exemption from restatement of comparatives for IAS 32 and IAS 39.

The Group elected to apply this exemption. It applies previous UK GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. The adjustments required for IAS 32 and IAS 39 are determined and recognised at 1 April 2005.

(f) Designation of financial assets and financial liabilities exemption

The Group re-classified certain equity investments as available-for-sale at fair value through profit and loss.

(g) Share-based payment transaction exemption

The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 April 2004 to those options that were issued after 7 November 2002 but that have not vested by 1 April 2005.

Exceptions from full retrospective application followed by the Group

The Group has applied the following mandatory exceptions from retrospective application.

(a) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 April 2004 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Group recognised from 1 April 2005 any financial assets and financial liabilities derecognised since 1 April 2004 that do not meet the IAS 39 derecognition criteria. The Group chose not to apply the IAS 39 derecognition criteria to an earlier date.

(b) Hedge accounting exception

The Group has claimed hedge accounting from 1 April 2005 only if the hedge relationship meets all the hedge accounting criteria under IAS 39; any changes

in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the income statement.

(c) Estimates exception

Estimates under IFRS at 1 April 2004 are consistent with estimates made for the same date under UK GAAP.

3.2 Reconciliations between UK GAAP and IFRS

The following five reconciliations provide details of the impact of the transition to IFRS:

Reconciliation of Group balance sheet at 1 April 2004 (Note 14.1)
Reconciliation of income statement for the half year ended 30 September 2004 (Note 14.2)
Reconciliation of Group balance sheet at 30 September 2004 (Note 14.3)
Reconciliation of income statement for the year ended 31 March 2005 (Note 14.4)
Reconciliation of Group balance sheet at 31 March 2005 and 1 April 2005 (Note 14.5)
The reconciliation of cashflow to UK GAAP is noted at the foot of the cash flow statement.

Notes on the consolidated financial statements (unaudited)
For the half year ended 30 September 2005

4 Segmental analysis for continuing business
4.1 For the half year ended 30 September 2005

	Infrastructure Services				Accommodation	Tot
	Rail & Plant	Roads	Centre and Eliminations	Core Business Total	Services	
	£m	£m	£m	£m	£m	

External revenue	122.6	37.6	-	160.2	43.8	204
Inter-segment revenue	5.5	-	(6.9)	(1.4)	1.4	
Revenue	128.1	37.6	(6.9)	158.8	45.2	204
Operating profit / (loss) before non-recurring costs	14.0	(2.5)	(2.9)	8.6	(2.4)	6
Non-recurring costs	(0.5)	(0.2)	-	(0.7)	-	(0
Operating profit / (loss)	13.5	(2.7)	(2.9)	7.9	(2.4)	5
Finance costs						(66
Share of profits from joint ventures and associates						0
Loss before taxation						(60

4.2 For the half year ended 30 September 2004	Infrastructure Services				Accommodation	Tot
	Rail & Plant	Roads	Centre and Eliminations	Core Business Total	Services	
	£m	£m	£m	£m	£m	
External revenue	142.0	43.0	-	185.0	114.0	299
Inter-segment revenue	15.7	0.5	(18.1)	(1.9)	1.9	
Revenue	157.5	43.5	(18.1)	183.1	115.9	299
Operating loss before non-recurring costs	(7.8)	(14.4)	(3.8)	(26.0)	(23.5)	(49

Non-recurring costs	(0.7)	(65.9)	(46.6)	(113.2)	(113.5)	(226
Operating loss	(8.5)	(80.3)	(50.4)	(139.2)	(137.0)	(276
Finance costs						(7
Share of profit from joint ventures and associates						0
						(283
Loss before taxation						

4.3 For the year ended 31 March 2005	Infrastructure Services				Accommodation	Tot
	Rail & Plant	Roads	Centre and Eliminations	Core Business Total	Services	
	£m	£m	£m	£m	£m	
External revenue	267.7	76.8	-	344.5	165.2	509
Inter-segment revenue	29.2	0.5	(34.4)	(4.7)	4.7	
Revenue	296.9	77.3	(34.4)	339.8	169.9	509
Operating loss before non-recurring costs	(20.4)	(28.3)	(10.1)	(58.8)	(16.2)	(75
Non-recurring costs	(0.6)	(70.6)	(79.7)	(150.9)	(137.3)	(288
Operating loss	(21.0)	(98.9)	(89.8)	(209.7)	(153.5)	(363
Finance costs						(27
Share of profits from joint						0

ventures and associates	
Loss before taxation	(390

5 Retirement benefits: Overview, valuations and accounting under IAS 19

The Group operates a number of retirement benefit arrangements comprising both defined benefit and defined contribution schemes. The defined benefit schemes are closed to new entrants. The material schemes are the Railways Pension Scheme (RPS), of which Jarvis participates in three sections (comprising Jarvis Facilities, Fastline and Relayfast), the Streamline Pension Fund and the Streamline LG Pension Fund. The latest actuarial valuations available for the Streamline schemes were 5 April 2004. The triennial actuarial valuation for the RPS as at 31 December 2004 is not yet finalised, however a draft for consultation purposes has been issued. These actuarial valuations have been updated for IAS 19 purposes by independent actuaries, using the projected unit credit method, to estimate the defined benefit obligation as at the balance sheet dates. The final approved actuarial valuation for the RPS as at 31 December 2004 may differ from the draft issued and therefore there may be changes to the reported IAS 19 accounting figures.

5.1 IAS 19 Surplus / deficit recognised on the balance sheet

Pension surplus before deferred tax recognised as a non-current asset:	30 September 2005 unaudited £m	30 September 2004 unaudited £m	31 March 2004 unaudited £m
Railways Pension Scheme	9.3	-	5.0
Streamline schemes	-	-	-

Total non-current assets	9.3	-	5.0
Pension deficit before deferred tax recognised as a non-current liability:	£m	£m	£m
Railways Pension Scheme	-	7.4	0.6
Streamline schemes	23.0	15.8	20.2
Total non-current liabilities	23.0	23.2	20.8

6. Non recurring items

	6 months to 30 September 2005 unaudited	6 months to 30 September 2004 unaudited (restated)	Year to 31 March 2005 unaudited (restated)
	£m	£m	£m
Exceptional income on PFI/UPP joint venture contracts	-	0.1	1.0
Losses and provisions against Accommodation Services contracts	-	(86.2)	(107.4)
Losses on Facilities Management contracts	-	(23.1)	(23.1)
Provision against onerous lease liabilities	1.9	(7.3)	(17.9)
Office fit-out costs written off	-	(7.1)	(7.1)
Impairment of goodwill attributable to UK Roads' businesses*	-	(65.3)	(65.4)

Bad debt provisions against Accommodation Services contracts	-	(3.3)	(3.9)
Redundancy costs	(1.1)	(2.3)	(9.7)
Professional fees associated with restructuring	(1.5)	(32.2)	(54.7)
	(0.7)	(226.7)	(288.2)
*Adjusted for reinstatement of goodwill amortisation and subsequent impairment attributable to UK Roads businesses	-	(2.4)	(2.5)

7. Finance costs

	Note	6 months to 30 September 2005 unaudited £m	6 months to 30 September 2004 unaudited (restated) £m	Year to 31 March 2005 unaudited (restated) £m
Interest expense and similar items				
Interest payable on bank loans and overdrafts		5.8	8.6	24.6
Finance charges as a result of debt for equity exchange	11	61.9	-	-
Finance charges payable under finance leases		0.1	0.1	0.2
Other interest		0.3	0.4	5.1

	68.1	9.1	29.9
Interest income and similar items			
Interest receivable from short term bank deposits	0.5	0.7	0.3
Finance income from defined benefit schemes	1.0	1.0	1.7
Other interest	0.1	0.1	0.2
	1.6	1.8	2.2
Finance costs	66.5	7.3	27.7

8 Taxation

The taxation charge for the six months ended 30 September 2005 has been calculated at zero % of the underlying losses before tax, being profits/losses adjusted for non recurring costs and the Group's share of tax in equity accounted associates and joint ventures. This represents the estimated effective tax rate for the year after having taken into account tax losses available to the group, which have not been recognised in the group balance sheet.

9. Post tax profits from discontinued activities

9.1 Discontinued operations aggregate income statement

	6 months to 30 September 2005 unaudited	6 months to 30 September 2004 unaudited (restated)	Year to 31 March 2005 unaudited (restated)
	£m	£m	£m

Revenue	13.2	68.4	99.1
Cost of sales	(8.7)	(44.5)	(68.1)
Gross profit	4.5	23.9	31.0
Administration expenses	(2.9)	(22.4)	(37.5)
Operating profit / (loss) before non-recurring costs	1.6	1.5	(6.5)
Disposal profit / (losses) and impairment charges	0.4	(3.6)	51.0
Operating profit/ (loss)	2.0	(2.1)	44.5
Finance costs	-	(0.2)	0.3
Share of profits of joint venture and associated undertakings	-	6.9	12.2
Profit before taxation	2.0	4.6	57.0
Tax on profit	(0.7)	(3.5)	(0.7)
Post tax profit from discontinued operations	1.3	1.1	56.3

9.2 Discontinued operations analysed by business

	6 months to 30 September 2005 unaudited	6 months to 30 September 2004 unaudited	Year to 31 March 2005 unaudited (restated)

			(restated)	
		£m	£m	£m
Trading profits / (losses) post tax				
Tube Lines		-	13.6	21.6
European Roads		1.1	3.0	(0.7)
Other*		(0.2)	(11.9)	(15.6)
		0.9	4.7	5.3
Disposal profits / (losses) post tax				
Tube Lines		-	-	52.9
European Roads		(1.2)	(6.4)	(10.6)
Property Portfolio		0.4	1.3	6.9
Other*		1.2	1.5	1.8
		0.4	(3.6)	51.0
TOTAL		1.3	1.1	56.3

*relates to the Accommodation Services discontinued subsidiary businesses (Jarvis MPC Systems, Cocentra, Braddons and David Wylde Project Finance), Ultramast, Jarvis Estonia BV, the UPP Bidding & Management business, PFI Bidding business, Agilisys, Telford & Wrekin Services and PatientFirst Partnerships.

10. (Loss) / earnings per share

	6 months to 30 September 2005	6 months to 30 September	Year to 31 March 2005 unaudited

	unaudited	2004 unaudited (restated)	(restated)
	£m	£m	£m
(Loss) / profit for the period:			
Continuing	(60.9)	(280.8)	(387.8)
Discontinued	1.3	1.1	56.3
Total	(59.6)	(279.7)	(331.5)
Number of ordinary shares	Number (m)	Number (m)	Number (m)
Weighted average number of ordinary shares in issue during the period	136.0	143.1	143.5
(Loss) / Earnings per ordinary share Basic and Diluted			
Continuing	(44.8)p	(196.2)p	(270.2)p
Discontinued	1.0p	0.7p	39.2p
Total	(43.8)p	(195.5)p	(231.0)p

11 Debt for equity exchange and Placing and Open Offer of Ordinary Shares

Following shareholders approval on 4 August 2005 as part of the financial restructuring of the Group, a debt for equity exchange commenced and a Placing and Open Offer for Ordinary share capital was undertaken.

The debt for equity exchange was completed on 31 August 2005, resulting in £378.0m of obligations to creditors being converted into equity. Accordingly

£378.0m of equity, being £0.4m share capital and £377.6m of share premium has been recognised on the debt for equity exchange. The debt for equity exchange resulted in a £61.9m of finance related non-cash costs being charged to the income statement in the half year to 30 September 2005. These costs included deferred interest payable on finance debt, finalisation of the settlement value for the onerous lease, early redemption penalties on certain finance debt items and settlement of warrants issued in connection with the restructuring. The table below shows the principal amounts in the debt for equity transaction, which is consistent with the unaudited Proforma balance sheet and converting claims reconciliation published in the 2005 Annual Report & Accounts and the Share Placing and Open Offer Prospectus:

Reconciliation of movements on the debt for equity converting claims	Finance debt £m	Onerous lease provision £m	Total £m
Opening balance sheet converting balances as at 31st March 2005	281.0	24.5	305.5
Settlement in cash for liability prior to the debt for equity exchange	(0.9)	(1.8)	(2.7)
Conversion of the onerous lease into a finance debt	22.7	(22.7)	-
Construction liabilities converted into finance debt	13.3	-	13.3
Finance costs charged to income statement	61.9	-	61.9
Total converting claims	378.0	-	378.0

The Placing and Open Offer was completed on 29 September 2005 and raised funds of £50.2m representing 143,512,396 new Ordinary shares at 35p each, less directly attributable share issue costs of £6.5m, resulting in net proceeds of £43.7m.

12 Cash flow

12.1 Cash generated from operations

	6 months to 30 September 2005 unaduited £m	6 months to 30 September 2004 unaduited (restated) £m	Year to 31 March 2005 unaudited (restated) £m
Operating profit / (loss)	5.5	(276.2)	(363.2)
Trading profit / (loss) from discontinued operations	1.6	1.5	(6.5)
Depreciation of tangible fixed assets	2.8	4.6	11.6
Fixed asset impairment	-	-	0.8
Operating goodwill impairment	-	65.3	65.4
Intangible impairment	-	-	0.3
Non-cash pension costs	1.4	4.7	(0.3)
Deduct restructuring and redundancy costs	2.6	34.5	64.4
Loss / (gain) on sale of fixed assets	0.2	1.2	(1.5)
Movement in working capital:			
(Increase) / decrease in stocks and work in progress	(1.6)	21.8	26.5
Decrease in debtors	18.7	81.7	108.4
Decrease in creditors	(55.4)	(34.5)	(93.7)
Increase in provisions	0.2	0.2	13.7
Currency translation	-	(0.1)	-
Net cash outflow generated from operations*	(24.0)	(95.3)	(174.1)

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* The net cash outflow from operating activities previously reported under UK GAAP includes the restructuring and redundancy costs paid which are now reported separately in the IFRS cash flow statement.

12.2 Analysis of net debt

	30 September 2005 unaudited £m	30 September 2004 unaudited (restated) £m	31 March 2005 unaudited (restated) £m
Cash and cash equivalents	23.8	56.4	10.8
Overdrafts	(1.5)	(12.7)	(1.9)
Current bank loans	(21.9)	(268.4)	(301.8)
Non-current bank loans	(3.6)	(7.3)	(5.3)
Finance leases	(3.3)	(4.3)	(4.0)
Cash / (overdrafts) held by disposal groups within assets / (liabilities) held for sale	0.3	(2.3)	(0.2)
Bank loans held by disposal groups within liabilities held for sale	-	(2.0)	-
Finance leases held by disposal groups within liabilities held for sale	-	(1.3)	(1.4)
Total net debt	(6.2)	(241.9)	(303.8)

13 Contingent liabilities

On 29 January 2005 the company entered into settlement agreements for 14 main construction contracts which remain in Jarvis Construction (UK) Limited, pursuant to which the project companies, which are counter parties to the construction contracts, agreed to limited recourse provisions and £118.2m provided through identified trusts of funding for the completion of construction works. As a result the Group now has no performance guarantees on the 14 construction contracts.

In respect of the accident at Potters Bar, the Directors consider that the provision recognised in the financial statements adequately covers the Group's exposure to claims from the incident. The Directors believe that all those individuals affected have lodged claims although further claims are not yet time barred. The Directors are unable to quantify the eventual total amount of such claims against the Group in respect of this incident but have received confirmation that the insurance cover in place adequately covers the Group's exposure to such claims.

There are also contingent liabilities in respect of actual and potential claims by third parties under contracting and other arrangements entered into during the normal course of business. Whilst the outcome of these matters is uncertain, the directors believe that appropriate provision has been made within the accounts.

14 Reconciliations between UK GAAP and IFRS

14.1 Reconcilation of Group balance sheet at 1 April 2004 (unaudited)

	UK GAAP (IFRS Format) 1 April 2004	IAS1 Reformat	IAS 19 Employee Benefits	IAS 11 Long term Contracts	IAS 12 Taxation	I 1 Ap 2
	£m	£m	£m	£m	£m	
Notes	1	2	3	4	5	

Non-current assets							
Property, plant and equipment		64.4	-	-	-	-	6
Intangible assets		0.4	-	-	-	-	
Goodwill		83.4	-	-	-	-	8
Interests in associates		3.5	-	-	-	-	
Interests in joint ventures		56.1	-	-	-	-	5
Other investments		1.0	-	-	-	-	
Deferred tax assets		-	-	-	-	4.4	
		208.8	-	-	-	4.4	21
Current assets							
Stocks and work in progress		41.5	-	-	-	-	4
Debtor related to PFI/PPP non-recourse financing agreement		0.2	10.8	-	-	-	1
Trade and other receivables		312.0	-	(24.8)	(29.9)	-	25
Investments held for trading		1.6	-	-	-	-	
Cash and cash equivalents		74.9	-	-	-	-	7
		430.2	10.8	(24.8)	(29.9)	-	38
Total assets		639.0	10.8	(24.8)	(29.9)	4.4	59
Current liabilities							
Trade and other payables		371.5	-	(2.2)	-	-	36
PFI/PPP non-recourse term loan		-	0.9	-	-	-	
Obligations under finance leases		1.3	-	-	-	-	

Bank loans and overdrafts	213.4	-	-	-	-	21
Provisions	-	5.4	-	-	-	
	586.2	6.3	(2.2)	-	-	59
Non-current liabilities						
Bank loans	1.2	-	-	-	-	
PFI/PPP non-recourse term loan	-	9.9	-	-	-	
Retirement benefit obligation	-	-	25.4	-	-	2
Deferred tax liabilities	1.2	-	(7.5)	-	6.3	
Obligations under finance leases	4.9	-	-	-	-	
Provisions	16.3	(5.4)	-	-	-	1
Deferred consideration for acquisition	43.1	-	-	-	-	4
	66.7	4.5	17.9	-	6.3	9
Total liabilities	652.9	10.8	15.7	-	6.3	68
Net liabilities	(13.9)	-	(40.5)	(29.9)	(1.9)	(8
EQUITY						
Capital and reserves						
Share capital	7.1	-	-	-	-	
Share premium account	141.9	-	-	-	-	14
Revaluation reserve	12.7	-	-	-	-	1
Merger reserve	89.7	-	-	-	-	8
Accumulated losses	(267.5)	-	(40.5)	(29.9)	(1.9)	(339
Minority interests	2.2	-	-	-	-	
Equity shareholders' deficit	(13.9)	-	(40.5)	(29.9)	(1.9)	(86

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Notes:

1 UK GAAP in IFRS format

Goodwill has been separately identified from intangible assets.
Interests in Joint Ventures include the net investment in joint undertakings of £49.6m (comprising JV share of gross assets of £916.6m and JV share of gross liabilities of £867.0m) together with £6.5m, which had previously been classified as a Loan to JV undertaking.

Other investments of £3.5m have been re-classified as an interest in associates and relates primarily to Chapel Wharf Ltd.

Properties held for resale and development of £1.6m have been re-classified as Investments held for trading.

Debtors of £312.0m are now described as Trade and other receivables.

Creditors: amounts falling due after more than one year of £49.2m have been re-classified as: £43.1m of deferred consideration for the acquisition of Tube Line Holdings Ltd; £4.9m of obligations under finance leases due after one year relating principally to the Roads business and £1.2m Bank loans due after one year.

Provisions for liabilities and charges of £17.5m have been re-classified as £1.2m of deferred tax liabilities and £16.3m of provisions, which includes £15.2m of onerous lease provisions.

As previously reported under UK GAAP, £586.2m of Creditors: amounts falling due within one year, has been re-classified under IFRS as £371.5m of Trade and other payables; £1.3m obligations under finance leases due within one year and £213.4m Bank overdrafts and loans due within one year.

2 Under previous UK GAAP, the related PFI/PPP non-recourse loan debtor and creditor was presented as a net amount comprising £11.0m debtor and £10.8m creditor. Netting of related debtors and creditors is not permitted under IAS 1 and accordingly the PFI/PPP debtor subject to non-recourse financing of £11.0m is now separately shown with associated liabilities of £10.8m, relating to non recourse finance which is now reclassified as £9.9m PFI/PPP non-recourse term loan in non-current liabilities and £0.9m PFI/PPP non-recourse term loan in current liabilities.

3 Under UK GAAP the group applied the measurement and recognition requirements of SSAP 24 to accounting for pensions and post-retirement benefits in the financial statements, whilst providing disclosures under FRS 17. IAS 19 takes a balance sheet approach to accounting for defined benefit schemes, similar to FRS 17. Therefore, on transition, an IAS 19 deficit of £23.2m has been recognised in the balance sheet. In addition, a retirement benefit obligation of £2.2m in relation to non-material defined benefit pension schemes has been re-classified from Trade and other payables. At 1 April 2004, the removal of the SSAP24 asset and its associated deferred tax balance, and the recognition of a deficit under IAS 19, results in a reduction of Equity of £40.5 million. No deferred tax asset has been recognised on the IAS 19 pension deficit.

4 As described in Accounting Policies - Long-term contracts (Note 1 above), the revenue recognition policy adopted by the group under IFRS on long-term contracts is based on customer agreements and certifications. A cost plus basis was previously adopted under UK GAAP. This accounting policy change resulted in a £29.9m net reduction in opening reserves.

5 Under UK GAAP, deferred tax was provided on timing differences that had originated, but had not reversed, before the balance sheet date. Under IAS 12, deferred tax is provided on temporary differences based upon the future recovery or settlement of assets and liabilities recognised in the balance sheet. As a result of implementing IAS 12, an additional deferred tax liability of £1.9m has been provided on transition.

14.2 Reconciliation of income statement for the half year ended 30 September 2004 (unaudited)*

	Notes	UK GAAP (IFRS Format) 30 September 2004 £m 1	IAS1 Reformat £m 2	IFRS 5 Assets Held for sale £m 3	IAS 11 Long Term Contract £m 4	IAS 1 Employe Benefit £
Revenue		356.3	12.6	(68.4)	(1.5)	
Cost of sales		(451.9)	109.3	44.5	-	(4.9
Gross (loss) / profit		(95.6)	121.9	(23.9)	(1.5)	(4.9
Administration expenses		(153.7)	82.9	22.4	-	
Operating (loss) / profit before non-recurring costs		(249.3)	204.8	(1.5)	(1.5)	(4.9
Non-recurring costs		(35.3)	(204.8)	3.1	12.7	
Operating (loss) / profit		(284.6)	-	1.6	11.2	(4.9
Finance costs		(16.6)	8.1	0.2	-	1.
Share of profits from joint		18.1	(11.1)	(6.9)	-	

ventures and associates						
(Loss) / profit before taxation		(283.1)	(3.0)	(5.1)	11.2	(3.9
Tax on loss		(5.3)	3.0	3.5	-	1.
(Loss) / profit for the period from continuing operations		(288.4)	-	(1.6)	11.2	(2.8
Post-tax profit from discontinued operations		-	-	1.6	-	
(Loss) / profit for the period		(288.4)	-	-	11.2	(2.8
Attributable to:						
Equity holders of the Company		(288.1)	-	-	11.2	(2.8
Minority interests		(0.3)	-	-	-	
Total		(288.4)	-	-	11.2	(2.8

* Excludes impact of IAS 32 and IAS 39.

Notes:

1 As previously reported under UK GAAP format, non recurring costs comprise:

	£m
Exceptional items - Continuing operations	
- Profit on sale of interests in joint venture undertakings and other investments	6.9
- Cost of fundamental restructuring	(32.4)
Exceptional items - Discontinued operations	
- Loss on sale of subsidiary undertakings	(0.7)
- Profit on disposal of interests in joint venture undertakings	0.9
- Cost of fundamental restructuring	(10.0)
	(35.3)

2 Operating exceptional items of £204.8m as previously reported under UK GAAP format have been re-classified as non-recurring costs. A further £8.1m of Finance costs and £3.0m of Tax losses that relate to Joint Venture and Associate operations have been re-classified to 'Share of profits from Joint Ventures and Associates.'

3 Results of discontinued operations are now re-classified under one single caption as required under IFRS 5.

4 As described in Accounting Policies - Long-term contracts (Note 1 above), the revenue recognition policy adopted by the Group under IFRS on long-term contracts is based on customer agreements and certifications. A cost plus basis was previously adopted under UK GAAP. The impact of the change in the long-term contracts accounting policy is to increase revenue by £11.2m, of which £12.7m was previously accounted for as a non-recurring cost and is reversed as a result of the new policy.

5 Under UK GAAP, no provision was made for annual leave accrued, and pensions were accounted for under SSAP 24. Under IAS 19, the expected cost of holiday

leave accrued and not taken should be recognised at the time the related service is provided. A provision of £0.2 million has been recognised. On transition from SSAP 24 to IAS 19, accounting for defined benefit obligations results in an additional £4.7m charge to cost of sales and £1.0m finance income, and a movement in deferred tax of £1.1m.

6 IFRS 3 'Business Combinations' no longer permits amortisation of goodwill. Instead goodwill is carried at cost and is subject to regular impairment review. The impact of the application of this policy in the period to 30 September 2004 is a reversal of the amortisation charge of £2.9m. Following an impairment test, £2.9m of the carrying value of goodwill has been impaired, of which £2.4m is classified as non-recurring relating to UK Roads business, and £0.5m relating to the European Roads business, has been classified under discontinued.

14.3 Reconciliation of Group balance sheet at 30 September 2004 (unaudited)

	Notes	UK GAAP (IFRS Format) 30 September 2004	IAS1 Reformat	IAS 11 Long term Contracts	IAS 12 Taxation	IAS 19 Employee Benefits	t
		£m	£m	£m	£m	£m	
		1	2	3	4	5	
Non-current assets							
Property, plant and equipment		60.4	-	-	-	-	

Intangible assets	0.4	-	-	-	-
Goodwill	6.4	-	-	-	-
Interests in associates	4.1	-	-	-	-
Interests in joint ventures	54.6	-	-	-	-
Other investments	1.0	-	-	-	-
Deferred tax assets	-	-	-	5.6	-
	126.9	-	-	5.6	-
Current assets					
Stocks and work in progress	19.7	-	-	-	-
Debtor related to PFI/PPP non-recourse financing agreement	0.1	10.8	-	-	-
Trade and other receivables	202.1	-	(18.7)	-	(28.4)
Investments held for trading	1.6	-	-	-	-
Tax assets	-	-	-	1.7	-

Cash and cash equivalents		57.3	-	-	-	-
		280.8	10.8	(18.7)	1.7	(28.4)
Non-current assets classified as held for sale		-	-	-	-	-
Total assets		407.7	10.8	(18.7)	7.3	(28.4)
Current liabilities						
Trade and other payables		330.7	-	-	-	0.2
PFI/PPP non-recourse term loan		-	0.9	-	-	-
Tax liabilities		-	-	-	1.7	-
Obligations under finance leases		1.3	-	-	-	-
Bank loans and overdrafts		286.3	-	-	-	-
Provisions		-	25.2	-	-	-

		618.3	26.1	-	1.7	0.2
Non-current liabilities						
Bank loans		7.3	-	-	-	-
PFI/PPP non-recourse term loan		-	9.9	-	-	-
Retirement benefit obligation		-	-	-	-	23.2
Deferred tax liabilities		0.2	-	-	7.5	(8.5)
Obligations under finance leases		4.3	-	-	-	-
Provisions		36.2	(25.2)	-	-	-
Deferred consideration for acquisition		45.3	-	-	-	-
		93.3	15.3	-	7.5	14.7
Liabilities associated with assets held for sale		-	-	-	-	-

Total liabilities		711.6	10.8	-	9.2	14.9
Net liabilities		(303.9)	-	(18.7)	(1.9)	(43.3)
EQUITY						
Capital and reserves						
Share capital		7.2	-	-	-	-
Share premium account		142.3	-	-	-	-
Revaluation reserve		11.2	-	-	-	-
Merger reserve		89.7	-	-	-	-
Hedging and translation reserves		-	-	-	-	-
Accumulated losses		(555.1)	-	(18.7)	(1.9)	(43.3)
Minority interests		0.8	-	-	-	-
Equity shareholders ' deficit		(303.9)	-	(18.7)	(1.9)	(43.3)

Notes:

1 UK GAAP to IFRS format

Goodwill of £6.4m relating mainly to the European Roads business has been separately identified from intangible assets.

Interests in Joint Ventures include the net investment in joint undertakings of £53.4m (comprising JV share of gross assets of £548.9m and JV share of gross liabilities of £495.5m) together with £1.2m, which had previously been classified as a Loan to JV undertaking.

£4.1m of other investments has been re-classified as an Interest in associates and relates primarily to Chapel Wharf Ltd.

Debtors of £202.1m are now described as Trade and other receivables.
£56.9m of Creditors: amounts falling due after more than one year have been re-classified as: £45.3m of deferred consideration primarily for acquisition of Tube Line Holdings Ltd; £4.3m of obligations under finance leases due after one year relating principally to the Roads business and £7.3m of Bank loans due after one year.

£36.4m of provisions for liabilities and charges has been re-classified as £0.2m Deferred tax liabilities and £36.2m of Provisions of which £19.7m relates to restructuring costs and £15.1m relates to Onerous leases.
£287.6m of Creditors: amounts falling due within one year, has been re-classified as £286.3m of Trade and other payables and £1.3m Bank overdrafts and loans due within one year.

2 Under previous UK GAAP, the related PFI/PPP non-recourse loan debtor and creditor was presented as a net amount comprising £11.0m debtor and £10.9m creditor. Netting of related debtors and creditors is not permitted under IAS 1 and accordingly the PFI/PPP debtor subject to non-recourse financing of £11.0m is now separately shown with associated liabilities of £10.8m relating to non-recourse finance which has been re-classified as £9.9m PFI/PPP non-recourse term in non-current liabilities, and £0.9m PFI/PPP non-recourse term loan in current liabilities.

3 As described in Accounting Policies - Long-term contracts (Note 1 above), the revenue recognition policy adopted by the group under IFRS on long-term contracts is based on customer agreements and certifications. A cost plus basis was previously adopted under UK GAAP. This accounting policy change resulted in a £18.7m net reduction in opening reserves.

4 Under UK GAAP, deferred tax was provided on timing differences that had originated, but had not reversed, before the balance sheet date. Under IAS 12, deferred tax is provided on temporary differences based upon the future recovery or settlement of assets and liabilities recognised in the balance sheet. As a result of implementing IAS 12, an additional deferred tax liability of £1.9 million has been provided on transition.

5 Under UK GAAP the group applied the measurement and recognition requirements of SSAP 24 to accounting for pensions and post-retirement benefits in the financial statements, whilst providing disclosures under FRS 17.

IAS 19 takes a balance sheet approach to accounting for defined benefit schemes, similar to FRS 17. Therefore, as at September 2004, the IAS 19 deficit of £23.2m has been recognised in the balance sheet. At 30 September 2004, the removal of the SSAP24 asset and its associated deferred tax balance and the recognition of a deficit under IAS 19 results in a reduction of equity of £43.3m. No deferred tax asset has been recognised on the IAS 19 pension deficit.

Under UK GAAP, no provision was made for annual leave accrued. Under IAS 19, the expected cost of leave accrued and not taken should be recognised at the time the related service is provided. A provision of £0.2 million has been recognised.

6 Under UK GAAP accumulated gains or losses arising on the re-translation of opening net assets of and results for overseas subsidiary undertakings are taken directly to reserves and are reported in the statement of total recognised gains and losses. Under IAS 21 the treatment is similar, although the cumulative

effect in reserves is recorded as a separate category of reserves rather than within profit & loss reserves .On disposal of the foreign net assets the cumulative translation differences are recycled through the Income statement. Exchange differences arising on the retranslation of the opening net assets of a foreign entity to closing rate and the difference between translating the results of the foreign entity at actual and year end rates are taken to equity under IAS 21. This amounted to £0.5m for the period.

7 IFRS 5 requires that assets that fulfil the criteria of 'Held for Sale' must be separately disclosed. As at 30 September 2004 the Group had net assets of £48.6m as 'Held for Sale' consisting of:

	Assets £m	Liabilities £m	Net Assets £m
European Roads	45.9	(25.3)	20.6
Tube Lines	54.3	(45.0)	9.3
Property	18.7	-	18.7
Portfolio	118.9	(70.3)	48.6

14.4 Reconciliation of income statement for the year ended 31 March 2005 (unaudited)*

	UK GAAP (IFRS Format) 31 March 2005 £m	IAS1 Reformat £m	IFRS 5 Assets Held for sale £m	IAS 12 Taxation £m	IAS 11 Long term contracts £m	IA Empl Bene

	Notes	1	2	3	4	5	
Revenue		585.7	11.8	(99.1)	-	11.3	
Cost of sales		(689.3)	130.5	68.1	-	-	(
Gross (loss) / profit		(103.6)	142.3	(31.0)	-	11.3	(
Administration expenses		(236.4)	102.2	37.5	-	-	
Operating (loss) / profit before non-recurring costs		(340.0)	244.5	6.5	-	11.3	(
Non-recurring costs		(2.3)	(244.5)	(51.7)	-	12.8	
Operating (loss) / profit		(342.3)	-	(45.2)	-	24.1	(
Finance costs		(56.1)	27.0	(0.3)	-	-	
Share of profits / (losses) from joint ventures and associates		44.6	(32.2)	(12.2)	-	-	
(Loss) / profit before taxation		(353.8)	(5.2)	(57.7)	-	24.1	
Tax on loss		7.1	5.2	0.7	(9.6)	-	(
(Loss) /		(346.7)	-	(57.0)	(9.6)	24.1	

profit for the period from continuing operations							
Post-tax profit / (loss) from discontinued operations		-	-	57.0	-	-	
(Loss) / profit for the year		(346.7)	-	-	(9.6)	24.1	
Attributable to:							
Equity holders of the Company		(346.4)	-	-	(9.6)	24.1	
Minority interests		(0.3)	-	-	-	-	
Total		(346.7)	-	-	(9.6)	24.1	

*Excludes impact of IAS 32 and IAS 39 Financial Instruments.

Notes

1 As previously reported under UK GAAP format, non recurring costs comprise:

	£m
Exceptional items - continuing operations	

- Profit on sale of operations	12.6
- Cost of fundamental restructuring	(56.8)
Exceptional items - Discontinued operations	
- Profit on sale of subsidiary undertaking	48.5
- Profit on disposal of interests in joint venture undertakings	3.0
- Cost of fundamental restructuring	(9.6)
	(2.3)

2 Exceptional items of £244.5m as previously reported under UK GAAP format have been re-classified as non-recurring costs. £27.0m of Finance costs and £5.2m of Tax losses that relate to Joint Venture and Associate operations have been re-classified to 'Share of profits from Joint Ventures and Associates'.

3 Results of discontinued operations are now re-classified under one single caption as required under IFRS 5.

4 Under UK GAAP, deferred tax was provided on timing differences that had originated, but had not reversed, before the balance sheet date. Under IAS 12, deferred tax is provided on temporary differences based upon the future recovery or settlement of assets and liabilities recognised in the balance sheet. This results in a £9.6m charge, which comprises a £1.9m credit in the year as a result of selling the revalued properties offset by reversal of timing differences of £11.5m previously recognised under UK GAAP.

5 As described in Accounting Policies - Long-term contracts (Note 1 above), the revenue recognition policy adopted by the Group under IFRS on long-term contracts is based on customer agreements and certifications. A cost plus basis was previously adopted under UK GAAP. The impact of the change in the long term contract accounting policy is to in increase revenue by £24.1m, of which £12.8m

was previously accounted for as a non-recurring cost and is reversed as a result of the new policy.

6 Under UK GAAP, no provision was made for annual leave accrued. Under IAS 19, the expected cost of leave accrued and not taken should be recognised at the time the related service is provided. A provision of £0.8 million has been recognised. Under UK GAAP, pensions were accounted for under SSAP 24. On the transition from SSAP 24 to IAS19 accounting for defined benefit obligations results in a reduction of £0.5m to cost of sales and £1.7m finance income and a movement on deferred tax of £0.8m.

7 IFRS 3 'Business Combinations' no longer permits amortisation of goodwill. Instead goodwill is carried at cost and is subject to regular impairment review. The impact of the application of this policy in the year to 30 March 2005 is a reversal of the amortisation charge of £3.2m. Following an impairment test, £3.2m of the carrying value of goodwill has been impaired; of which £2.5m is classified as non-recurring relating to UK Roads business, and £0.7m relating to the European Roads business, has been classified under discontinued.

Notes on the consolidated financial statements (unaudited)
For the half year ended 30 September 2005

14.5 Reconciliation of Group balance sheet at 31 March 2005 and 1 April 2005 (unaudited)

UK GAAP (IFRS Format) 30 2005 £m	IAS1 Reformat £m	IAS 112 Taxation £m	IAS 11 Long term Contract £m	IAS 19 Employee Benefits £m	IAS 21 Foreign Exchange Translation £m	IFRS 5 Assets Held for sale £m

	Notes	1	2	3	4	5	6	7
Non Current Assets								
Property, plant and equipment		36.0	-	-	-	-	-	(7.6)
Intangible Assets		0.2	-	-	-	-	-	(0.2)
Goodwill		6.2	-	-	-	-	-	(5.4)
Interests in associates		2.3	-	-	-	-	-	-
Interests in joint ventures		1.3	-	-	-	-	-	(0.1)
Deferred tax assets		-	-	0.7	-	-	-	-
Retirement benefit asset		-	-	-	-	5.0	-	-
		46.0	-	0.7	-	5.0	-	(13.3)
Current assets								
Stocks and work in progress		14.2	-	-	-	-	-	(6.0)
Debtor		0.2	10.8	-	-	-	-	-

related to PFI/PPP non-recourse financing agreement							
Trade and other receivables	187.8	-	(7.9)	(5.8)	(22.4)	-	(12.5)
Cash and cash equivalents	12.3	-	-	-	-	-	(1.5)
	214.5	10.8	(7.9)	(5.8)	(22.4)	-	(20.0)
Non-current assets classified as held for sale	-	-	-	-	-	-	33.3
Total assets	260.5	10.8	(7.2)	(5.8)	(17.4)	-	-
Current liabilities							
Trade and other payables	247.3	-	-	-	0.8	-	(13.1)
PFI/PPP non-recourse term loan	-	0.9	-	-	-	-	-

Tax liabilities	-	-	-	-	-	-	0.1
Obligations under finance leases	1.6	-	-	-	-	-	(0.5)
Bank loans and overdrafts	305.4	-	-	-	-	-	(1.7)
Provisions	-	25.1	-	-	-	-	-
	554.3	26.0	-	-	0.8	-	(15.2)
Non-current liabilities							
Bank loans	5.3	-	-	-	-	-	-
PFI/PPP non-recourse term loan	-	9.9	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	20.8	-	-
Deferred tax liabilities	-	-	4.3	-	(5.2)	-	0.9
Obligations under finance leases	3.8	-	-	-	-	-	(0.9)
Provisions	58.7	(25.1)	-	-	-	-	(0.9)
Derivatives	-	-	-	-	-	-	-

	67.8	(15.2)	4.3	-	15.6	-	(0.9)	
Liabilities associated with assets held for sale	-	-	-	-	-	-	16.1	
Total liabilities	622.1	10.8	4.3	-	16.4	-	-	
Net liabilities	(361.6)	-	(11.5)	(5.8)	(33.8)	-	-	(
EQUITY								
Capital and reserves								
Share capital	7.2	-	-	-	-	-	-	
Share premium account	142.3	-	-	-	-	-	-	
Revaluation reserve	3.0	-	-	-	-	-	-	
Merger reserve	89.7	-	-	-	-	-	-	
Hedging and translation reserves	-	-	-	-	-	0.4	-	
Accumulated	(603.8)	-	(11.5)	(5.8)	(33.8)	(0.4)	-	(

(losses) / profit									
Minority interests		-	-	-	-	-	-	-	
Equity shareholders deficit	(361.6)	-	(11.5)	(5.8)	(33.8)		-	-	(41

Notes:

1UK GAAP reformat to IFRS

Goodwill of £6.2m relating mainly to the European Roads business has been separately identified from intangible assets

Interest in Joint Ventures includes the net investment in joint venture undertakings of £1.2m and £0.1m of Loans to Joint Venture undertakings. £2.3m of other investments has been re-classified as an Interest in associates and relates primarily to Chapel Wharf Ltd.

Debtors of £187.8m are now described as Trade and other receivables. £17.9m of Creditors: amounts falling due after more than one year have been re-classified as: £8.8m of Provisions' £3.8m of obligations under finance leases due after one year, relating principally to the Roads business, and £5.3m of Bank loans.

£49.9m of provisions for liabilities and charges has been re-classified as Provisions, of which £27.7m relates to onerous leases and £18.0m to restructuring costs.

£554.3m of Creditors: amounts falling due within one year, has been

re-classified as £247.3m of Trade and other payables and £1.6m of Obligations under finance leases due within 1 year and £305.4m of Bank overdrafts and loans due within one year.

2 Under previous UK GAAP, the related PFI/PPP non-recourse debtor and creditor was presented as a net amount comprising £11.0m debtor and £10.8m creditor. Netting of related debtors and creditors is not permitted under IAS 1 and accordingly the PFI/PPP debtor subject to non- recourse financing of £11.0m is now separately shown. Associated liabilities of £10.8m relating to non-recourse finance, which is now re-classified as £9.9m PFI/PPP non-recourse term loan in non-current liabilities, and £0.9m PFI/PPP non-recourse term loan in current liabilities.

3 Under UK GAAP, deferred tax was provided on timing differences that had originated, but had not reversed, before the balance sheet date. Under IAS 12, deferred tax is provided on temporary differences based upon the future recovery or settlement of assets and liabilities recognised in the balance sheet. As a result of implementing IAS 12, there has been a reversal of timing differences of £11.5m previously recognised under UK GAAP.

4 As described in Accounting Policies - Long-term contracts (Note 1 above), the revenue recognition policy adopted by the Group under IFRS on long-term contracts is based on customer agreements and certifications. A cost plus basis was previously adopted under UK GAAP. This accounting policy change resulted in a £5.8m net reduction in net assets.

5 Under UK GAAP the group applied the measurement and recognition requirements of SSAP 24 to accounting for pensions and post-retirement benefits in our financial statements, whilst providing disclosures under FRS 17.

IAS 19 takes a balance sheet approach to accounting for defined benefit schemes, similar to FRS 17. Therefore, on transition, an IAS 19 surplus of £5.0m on two of the three sections in the Railways Pension Scheme and an IAS 19 deficit of £20.8m on the Streamline Pension schemes and the third section of the Railways

Pension Scheme has been recognised in the balance sheet. At 31 March 2005, this represents a reduction of Equity of £33.8m. No deferred tax asset has been recognised on the pension deficit, but a deferred tax liability of £1.5m has been recognised on the pension surplus.
Under UK GAAP, no provision was made for annual leave accrued. Under IAS 19, the expected cost of leave accrued and not taken is recognised at the time the related service is provided. A provision of £0.8 million has been recognised.

6 Under UK GAAP accumulated gains or losses arising on the re-translation of opening net assets and results of overseas subsidiary undertakings are taken directly to reserves and are reported in the statement of total recognised gains and losses. Under IAS 21 the treatment is similar, although the cumulative effect in reserves is recorded as a separate category of reserves rather than within profit & loss reserves. On disposal of the foreign net assets, the cumulative translation differences are recycled through the Income statement. Exchange differences arising on the retranslation of the opening net assets of a foreign entity to closing rate and the difference between translating the results of the foreign entity at actual and year end rates are taken to equity under IAS 21. This amounted to £0.4m for the period.

7 IFRS 5 requires that assets that fulfil the criteria of 'Held for Sale' must be separately disclosed. As at 31 March 2005 the Group had net assets of £17.2m as 'Held for Sale' consisting of:

	Assets	Liabilities	Net Assets
	£m	£m	£m
European Roads	32.8	(16.1)	16.7
Property Portfolio	0.5	-	0.5
	33.3	(16.1)	17.2

8 IAS 32 and IAS 39 have been adopted with effect from 1 April 2005. The impact

on net assets is a reduction of £1.5m.