

## Introduction

The Group has had an exceedingly challenging first half-year. These results, which have been largely foreshadowed in trading statements in July and November 2004 and in recent disposals circulars to shareholders, represent the nadir of the Group's fortunes. Since September many of the serious issues facing the Group have been resolved. In particular, the realisation of the value of our Tube Lines interest and the effective capping of our liabilities in respect of our outstanding construction contracts, both referred to in more detail below, allow us to draw a line under the past and look forward with much more confidence to a positive future with a smaller but profitable business.

The reported loss before tax totals £283.1million (2003/4: profit £33.7 million) of which £240.1 million is exceptional and mainly relates to the write off of goodwill in the roads business, provision for construction losses and write off of aged debtor balances and certain work in progress.

Despite these results, in the last few weeks the Group has made outstanding progress with its business plan to stabilise the Group's finances and reduce indebtedness.

Shareholders have approved the sale of a property portfolio that will raise some £25 million.

Agreement has been reached for the sale of the European roads business for £24.5 million.

Agreement has also been reached on the sale of the Company's interest in Tube Lines Ltd for a gross consideration of £146.8 million (of which £95.5 million is cash, and £51.3 million represents the release of collateralised cash) and the release of a contingent liability of £11.7 million

The Group has reached agreement on funding contributions (including those of the group) of some £105 million to enable the completion of 14 current construction contracts. This allows the Group to limit its exposure to cost overruns on these projects.

The Group has also agreed heads of terms for a refinancing through an extension of the Lender Override Agreement which was signed on 27 August 2004 and ran until 25 March 2005. Under this agreement the refinancing will run until 27 March 2006 with the provision of a further £5.5 million of bonding facilities.

Extremely good progress has been made elsewhere. A programme to achieve annualised savings of £20 million has been implemented ahead of plan and in November further annualised savings of £30 million were identified and action to achieve these is underway.

The new core businesses of rail, road and plant operations have been re-designed under a new organisational structure, and will be leaner and more cash generative than in the past.

Despite this progress more work needs to be done in many areas to re-establish and enhance our reputation in our core markets.

The actions described above, particularly the disposals, mean that the Group has been able to reduce indebtedness, and the business will shortly have greater working capital headroom. The disposal to date of 17 smaller businesses and property interests and the general simplification of the business mean that managers will be able to devote more time to current operations rather than to the essential restructuring.

These disposals have also allowed the Group to exit from non-core activities and focus on its core businesses of rail, roads and plant operations, headquartered in York.

### Financial Results

Group turnover in the first half of the financial year 2004/5 was £356 million (2003/4: £588 million). This fall was largely due to the exit from rail maintenance, which was completed on 31 March 2004, and from lower levels of activity in construction projects, from which Jarvis is withdrawing.

Group operating loss was £44.5 million, (2003/4: profit £31.7 million) before operating exceptional items of £204.8 million and non-operating exceptional items of £35.3 million. After all exceptional items, and after including joint venture profits the operating loss before interest was £ 266.5 million (2003/4: profit £47.7 million). The pre-exceptional operating loss of £44.5 million is after provision of some £31 million for aged debtor balances and £12 million for bid costs on PFI and UPP projects early in the half year.

Excluding exceptional items the rail, Tube Lines and plant operations all generally performed in line with expectations, however as previously announced the roads business has suffered from unfavourable operating conditions.

### Rail write off

In addition to the write off reported in the Group's announcement of 8 November 2004 of £9 million, it is considered prudent to make a provision for aged debt of another £9 million in this area.

### Accommodation Services Losses

Within accommodation services, operating exceptional items of £128 million largely comprised the construction losses and provisions in the first half of £86 million. Further the accounts to 31 March 2004 provided some £20 million against the Facilities Management (FM) risk margin in work in progress. As the Group has now decided to sell its FM business it is appropriate to write off the remaining balance of £23 million in these first half results. Finally, the Group has not yet let its Smithfield building which is now surplus to requirements and has taken a further provision of £ 7 million (2003/4: £15 million) against any rental shortfall. We have also written off £7m of office fit out costs

In addition operating losses attributable to the write off bid costs and aged debt amounted to £28 million,

Professional fees associated with restructuring

The Group has incurred significant restructuring and refinancing costs of £32million, which include professional fees relating to disposals and debt restructuring costs including bank arrangement fees, as part of the continuing restructuring of its activities;

Goodwill

As previously announced, a number of businesses have been or are in the process of being sold. The Group has therefore written off some £9 million of goodwill in respect of these disposals. In addition it is making a £63 million provision for its UK roads business to write off the goodwill attaching to this business completely, given its recent performance.

Balance Sheet and Cashflows

Net debt, after taking account of charged cash of £53 million, was £242million at the half year excluding the equity bridge loan of £45 million for Tube Lines. Operating cash outflow at £110 million (2003/4: Outflow £50 million) was lower than the operating loss of £249 million due to the high level of non-cash write-offs and provisions. In the period the Group has reduced debtors, stocks and work in progress by £114 million, and creditors have also decreased by £34 million.

Dividend

The Board will not recommend or pay an interim dividend.

Board Changes

The arrival of Alan Lovell as Group Chief Executive on 14 October has been vitally important to the Group. Alan has an outstanding record of achievement in his business career, and has undertaken restructuring and recovery work in the most exacting situations. I cannot underestimate the value of his contribution to the restoration of a viable business in Jarvis. The board appointed Andrew Lezala, who was originally employed to head our rail division as Chief Operating Officer. He has made an excellent start to the practical task of rebuilding our core businesses. The Board also confirmed Alistair Rae as Group Finance Director in recognition of his outstanding contribution since he was appointed acting Finance Director earlier in the year.

### Corporate Governance

In the light of all that has transpired in the last year the Board has been concerned to re-examine and where necessary improve standards of corporate governance and has established a specific Corporate Governance Committee under the chairmanship of Chris Rew, who joined the board in May and who is also the Chairman of the Audit Committee.

### Safety and Environment

Safety remains a paramount concern in the Group. The rail business has successfully achieved re-certification for both its Quality Management System (to BS EN ISO 9001:2000) and its Environment Management System (to BS EN ISO 14001:1996). Both approvals have been given by Lloyd's Register Quality Assurance. Rail also gained agreement from the Health and Safety Executive for extensions to its Railway Safety Case for Fastline Ltd. Jarvis Construction UK has successfully achieved re-certification of its Environment Management System (to BS EN ISO 14001:1996) by BSI. Prismo Ltd trading as Prismo Contracting Services, part of the roads business, gained certification for its Environmental Management System from Quality and Assurance Services Ltd.

## Operational Review

### Rail

The period began with a successful handover of maintenance to Network Rail. To support Network Rail in its goal of reducing costs while intruding less on the operating timetable, Jarvis Rail continued to deliver technical innovations such as the Supertamper. Development of the Accutrack process – a turnkey track renewals system – significantly contributed to minimising costs and possession times, maximising output and guaranteeing safe, fault-free handbacks at full line speed. Key to the process are the Jarvis-developed Track Renewal System (TRS) and Rapid Ballast Excavator (RBE) machines. During the period we secured significant additional track renewals orders on the West Coast and East Coast Main Lines and in Scotland. A number of initiatives focused on internal processes and procedures. The period saw the publication of our Safety and Environmental Plan, which was the culmination of a review conducted by DuPont.

### Roads

Prismo Contracting Services (PCS) has continued to maintain a very significant presence in its market. Much work has been undertaken at the manufacturing facility at Chorley, which is now fully operational. Improvements in machine reliability and other efficiencies have led to reduced labour requirements and a reduction in the number of shifts needed to meet demand.

### Small Plant Operations

JFM continues to develop well as a business, winning new contracts. It was awarded contracts to supply vehicles to Network Rail to help meet the needs of the crews as maintenance work has been handed back. Currently 2,100 vehicles are on long-term hire to external customers. In keeping with the group's emphasis on good working practice JFM Hire has been awarded ISO 14001 accreditation for all its operational depots and activities.

### Accommodation Services

The Accommodation Services division has faced difficulties across the range of its activities this year. Nevertheless, as outlined above the group has negotiated an effective cap on its liabilities in respect of its ongoing contracts. 5 of the 14 contracts will be let to a new contractor and plans are in place to close out the remaining 9. This will ensure that our

public sector clients do ultimately receive the new facilities due to them under the contracts. A new organisation structure has also been put in place to bring our Facilities Management operation together into a single unit prior to its planned disposal.

### Conclusion

This has, as I indicated, been the most difficult period for everyone employed by the Jarvis group of companies at whatever level. We have been obliged by our urgent restructuring plan to say goodbye to many who have served the company conscientiously and well over many years. I thank them for their service and wish them well in the future. To those who remain, in whatever way they contribute to the company, I acknowledge their loyalty and perseverance which has been exceptional and enormously gratifying. We will be doing everything in our power in the coming months to recreate a profitable efficient business which is market leader in its chosen fields and of which we can all once again be proud.

Steven Norris

Chairman

Ends

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the half year ended 30 September 2004

|  | Notes | Half year ended<br>30 September 2004<br>(unaudited) |  |                | Half year ended<br>30 September<br>2003<br>(unaudited) | Year ended<br>31 March<br>2004<br>(audited) |
|--|-------|---|--|----------------|--|---|
|  |       | Before<br>Exceptionals<br>£m                        | Exceptional<br>Items (see<br>note 5)<br>£m | Total<br>£ m   | Total<br>£ m   | Total<br>£m                                 |
| <b>Turnover: Group and share of joint venture undertakings</b>                       | 2     | <b>509.7</b>  | <b>(12.6)</b>                              | <b>497.1</b>   | 710.4  | 1,337.9                                     |
| Less: share of joint venture undertakings' turnover                                  | 2     | (140.8)   | -  | (140.8)        | (122.3)  | (261.8)                                     |
| <b>Group turnover</b>  |       | <b>368.9</b>  | <b>(12.6)</b>                              | <b>356.3</b>   | 588.1  | 1,076.1                                     |
| - Continuing operations  | 3     | <b>358.3</b>  | <b>(12.6)</b>                              | <b>345.7</b>   | 467.7  | 872.2                                       |
| - Discontinued operations  | 3     | <b>10.6</b>   | <b>-</b>                                   | <b>10.6</b>    | 120.4  | 203.9                                       |
| <b>Cost of sales</b>   |       | <b>(342.6)</b>                                      | <b>(109.3)</b>                             | <b>(451.9)</b> | (502.2)  | (1,109.8)                                   |
| <b>Gross profit / (loss)</b>   |       | <b>26.3</b>   | <b>(121.9)</b>                             | <b>(95.6)</b>  | 85.9   | (33.7)                                      |
| <b>Administration expenses</b>   |       | <b>(70.8)</b>                                       | <b>(82.9)</b>                              | <b>(153.7)</b> | (54.2)   | (155.6)                                     |
| Operating (loss)/profit before goodwill amortisation and operating exceptional items |       | <b>(41.6)</b>                                       | <b>-</b>                                   | <b>(41.6)</b>  | 35.9   | 8.8   |
| Exceptional operating items  |       | -   | <b>(141.9)</b>                             | <b>(141.9)</b> | -  | (170.8)                                     |
| Exceptional goodwill impairment  |       | -   | <b>(62.9)</b>                              | <b>(62.9)</b>  | -  | (19.0)                                      |
| Goodwill amortisation  |       | <b>(2.9)</b>  | <b>-</b>                                   | <b>(2.9)</b>   | (4.2)  | (8.3)                                       |
| <b>Operating (loss)/profit</b>   |       | <b>(44.5)</b>                                       | <b>(204.8)</b>                             | <b>(249.3)</b> | 31.7   | (189.3)                                     |
| - Continuing operations  | 3     | <b>(34.9)</b>                                       | <b>(204.8)</b>                             | <b>(239.7)</b> | 29.4   | (168.1)                                     |
| - Discontinued operations  | 3     | <b>(9.6)</b>  | <b>-</b>                                   | <b>(9.6)</b>   | 2.3  | (21.2)                                      |
| <b>Share of profits of joint venture undertakings</b>                                | 10    | <b>17.3</b>   | <b>-</b>                                   | <b>17.3</b>    | 16.0   | 23.0  |

|  |       |               |                |                 |               |                |
|--|-------|---------------|----------------|-----------------|---------------|----------------|
| <b>Share of profits of associated undertakings</b>                               |       | <b>0.8</b>    | <b>-</b>       | <b>0.8</b>      | <b>-</b>      | <b>0.3</b>     |
| <b>Exceptional items – Continuing operations</b>                                 | 5     |               |                |                 |               |                |
| - Profit on sale of operations   |       | -             | -              | -               | -             | 1.3            |
| - Profit on disposal of fixed assets and interests in joint venture undertakings |       | -             | 6.9            | 6.9             | -             | -              |
| - Costs of fundamental restructuring   |       | -             | (41.5)         | (41.5)          | -             | (22.1)         |
| <b>Exceptional items – Discontinued operations</b>                               | 5     |               |                |                 |               |                |
| - Loss on sale of subsidiary undertakings  |       | -             | (0.7)          | (0.7)           | -             | (1.5)          |
| - Profit on disposal of interests in joint venture undertakings                  |       | -             | 0.9            | 0.9             | -             | -              |
| - Costs of fundamental restructuring   |       | -             | (0.9)          | (0.9)           | -             | (38.4)         |
| <b>(Loss) / profit on ordinary activities before interest</b>                    |       | <b>(26.4)</b> | <b>(240.1)</b> | <b>(266.5)</b>  | <b>47.7</b>   | <b>(226.7)</b> |
| Interest receivable and similar income   | 4 (i) | 1.8           | -              | 1.8             | 11.0          | 33.2           |
| Interest payable and similar charges   | 4(ii) | (18.4)        | -              | (18.4)          | (25.0)        | (62.5)         |
| <b>Net interest</b>  |       | <b>(16.6)</b> | <b>-</b>       | <b>(16.6)</b>   | <b>(14.0)</b> | <b>(29.3)</b>  |
| <b>(Loss)/profit on ordinary activities before taxation</b>                      |       | <b>(43.0)</b> | <b>(240.1)</b> | <b>(283.1)</b>  | <b>33.7</b>   | <b>(256.0)</b> |
| Tax on (loss)/profit on ordinary activities                                      | 6     | (5.3)         | -              | (5.3)           | (11.6)        | 13.0           |
| <b>(Loss)/profit on ordinary activities after taxation</b>                       |       | <b>(48.3)</b> | <b>(240.1)</b> | <b>(288.4)</b>  | <b>22.1</b>   | <b>(243.0)</b> |
| Minority interests - equity  |       | 0.3           | -              | 0.3             | (0.5)         | (0.9)          |
| <b>(Loss)/profit attributable to shareholders</b>                                |       | <b>(48.0)</b> | <b>(240.1)</b> | <b>(288.1)</b>  | <b>21.6</b>   | <b>(243.9)</b> |
| Dividends paid and proposed  |       |               |                | -               | (6.4)         | (6.4)          |
| <b>Retained (loss)/profit for the period</b>                                     |       |               |                | <b>(288.1)</b>  | <b>15.2</b>   | <b>(250.3)</b> |
| <b>Earnings per ordinary share:</b>  | 7     |               |                |                 |               |                |
| <b>Basic</b>   |       |               |                | <b>(201.3)p</b> | 15.3p         | (171.6)p       |
| <b>Diluted</b>   |       |               |                | <b>(201.3)p</b> | 15.1p         | (171.4)p       |
| <b>Before goodwill amortisation and exceptional items</b>                        |       |               |                | <b>(31.5)p</b>  | 18.2p         | 10.5p          |
| Included in the above in respect of joint venture and associated undertakings    |       |               |                |                 |               |                |
| Net interest payable   |       |               |                | <b>(8.1)</b>    | (8.2)         | (14.1)         |
| Taxation   |       |               |                | <b>(3.0)</b>    | (2.4)         | (7.3)          |

The consolidated statement of total recognised gains and losses is set out in note 8.

**CONSOLIDATED BALANCE SHEET**  
**At 30 September 2004**

|  |       | 30 September 2004<br>(unaudited) | 30 September 2003<br>(unaudited) | 31 March 2004<br>(audited) |
|--|-------|----------------------------------|----------------------------------|----------------------------|
|  | Notes | £m                               | £m                               | £m                         |
| <b>Fixed assets</b>  |       |                                  |                                  |                            |
| Intangible assets  |       | 7.6                              | 124.1                            | 83.8                       |
| Tangible assets  |       | 59.6                             | 64.7                             | 64.4                       |
| Share of gross assets  | 10    | 548.9                            | 920.2                            | 916.6                      |
| Share of gross liabilities                                     | 10    | (495.5)                          | (844.1)                          | (867.0)                    |
| Investments in joint venture undertakings                      | 10    | 53.4                             | 76.1                             | 49.6                       |
| Loans to joint venture undertakings                            |       | 1.2                              | 6.1                              | 6.5                        |
| Other investments  |       | 5.1                              | 5.0                              | 4.5                        |
| <b>Total investments</b>                                       |       | <b>59.7</b>                      | <b>87.2</b>                      | <b>60.6</b>                |
| <b>Total fixed assets</b>                                      |       | <b>126.9</b>                     | <b>276.0</b>                     | <b>208.8</b>               |
| <b>Current assets</b>  |       |                                  |                                  |                            |
| Properties held for resale and development                     |       | 1.6                              | 2.0                              | 1.6                        |
| Stocks and work in progress                                    |       | 19.7                             | 86.2                             | 41.5                       |
| Debtors  |       | 202.1                            | 462.9                            | 312.0                      |
| Debtors subject to non-recourse financing agreements           |       | 11.0                             | 11.0                             | 11.0                       |
| Less: non-recourse finance                                     |       | (10.9)                           | (10.8)                           | (10.8)                     |
|  |       | 0.1                              | 0.2                              | 0.2                        |
| Cash at bank and in hand                                       |       | 57.3                             | 53.2                             | 74.9                       |
|  |       | 280.8                            | 604.5                            | 430.2                      |
| <b>Creditors: Amounts falling due within one year</b>          |       | <b>(618.3)</b>                   | <b>(442.1)</b>                   | <b>(586.2)</b>             |
| <b>Net current (liabilities)/assets</b>                        |       | <b>(337.5)</b>                   | <b>162.4</b>                     | <b>(156.0)</b>             |
| <b>Total assets less current liabilities</b>                   |       | <b>(210.6)</b>                   | <b>438.4</b>                     | <b>52.8</b>                |
| <b>Creditors: Amounts falling due after more than one year</b> |       | <b>(56.9)</b>                    | <b>(172.0)</b>                   | <b>(49.2)</b>              |
| Provisions for liabilities and charges                         |       | (36.4)                           | (12.1)                           | (17.5)                     |
| <b>Net (liabilities)/assets</b>                                |       | <b>(303.9)</b>                   | <b>254.3</b>                     | <b>(13.9)</b>              |
| <b>Capital and reserves</b>                                    |       |                                  |                                  |                            |
| Called up share capital  |       | 7.2                              | 7.1                              | 7.1                        |
| Share premium account  |       | 142.3                            | 140.5                            | 141.9                      |
| Revaluation reserve  |       | 11.2                             | 8.6                              | 12.7                       |
| Merger reserve   |       | 89.7                             | 89.7                             | 89.7                       |
| Profit and loss account  |       | (555.1)                          | (0.1)                            | (267.5)                    |
| <b>Equity shareholders' (deficit)/funds</b>                    | 9     | <b>(304.7)</b>                   | <b>245.8</b>                     | <b>(16.1)</b>              |
| <b>Minority interests - equity</b>                             |       | <b>0.8</b>                       | <b>8.5</b>                       | <b>2.2</b>                 |
|  |       | <b>(303.9)</b>                   | <b>254.3</b>                     | <b>(13.9)</b>              |

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the half year ended 30 September 2004**

|  | Half year ended<br>30 September 2004<br><br>(unaudited) | Half year ended<br>30 September<br>2003<br>(unaudited) | Year ended<br>31 March 2004<br>(audited) |
|--|---|--|--|
|  | Notes   | £m   | £m                                       |
|  |   | £m   | £m                                       |
| <b>Net cash outflow from operating activities</b>                            | 11(i)   | <b>(110.1)</b>   | (49.9)                                   |
| <b>Dividends received from joint venture undertakings</b>                    |   | <b>7.6</b>   | 1.0                                      |
| <b>Returns on investments and servicing of finance</b>                       |   |  |  |
| Interest received  |   | 1.8  | 1.5                                      |
| Interest paid  |   | <b>(7.7)</b>   | (7.3)                                    |
| Interest paid on finance leases  |   | <b>(0.2)</b>   | -  |
| Costs relating to financing arrangements                                     |   | -  | -  |
| Dividends paid to minority interests   |   | <b>(0.2)</b>   | (0.1)                                    |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |   | <b>(6.3)</b>   | (5.9)                                    |
| <b>Taxation</b>  |   |  |  |
| UK and overseas corporation tax refunded/(paid)                              |   | <b>8.0</b>   | (1.1)                                    |
| <b>Capital expenditure and financial investment</b>                          |   |  |  |
| Purchase of tangible fixed assets  |   | <b>(4.2)</b>   | (5.4)                                    |
| Sale of tangible fixed assets  |   | <b>2.5</b>   | 2.4                                      |
| Loans repaid by/(to) joint venture undertakings                              |   | <b>0.2</b>   | (1.0)                                    |
| <b>Net cash outflow from capital expenditure and financial investment</b>    |   | <b>(1.5)</b>   | (4.0)                                    |
| <b>Acquisitions and disposals</b>  |   |  |  |
| Purchase of subsidiary undertakings  |   | -  | (8.7)                                    |
| Net cash acquired with subsidiary undertakings                               |   | -  | 8.4                                      |
| Sale of subsidiary undertakings  |   | <b>1.3</b>   | -  |
| Proceeds on disposal of joint venture undertakings                           |   | <b>11.3</b>  | -  |
| Investment in joint venture undertakings                                     |   | <b>0.1</b>   | (2.5)                                    |
| <b>Net cash inflow/(outflow) from acquisitions and disposals</b>             |   | <b>12.7</b>  | (2.8)                                    |
| <b>Equity dividends paid</b>   |   | <b>(6.4)</b>   | (6.4)                                    |
| <b>Net cash outflow before financing</b>                                     |   | <b>(96.0)</b>  | (69.1)                                   |
| <b>Management of liquid resources</b>  |   | <b>(10.8)</b>  | 1.7                                      |
| Transfers (to)/from bank accounts with restricted                            |   |  |  |
| <b>Financing</b>   |   |  |  |
| Issue of ordinary share capital  |   | -  | 0.7                                      |
| Repayment of loans   |   | <b>(1.8)</b>   | (5.3)                                    |
| Draw-downs on loans  |   | <b>67.8</b>  | 51.5                                     |
| Capital element of finance lease rental payments                             |   | <b>(0.7)</b>   | (0.6)                                    |
| <b>Net cash inflow from financing</b>  |   | <b>65.3</b>  | 46.3                                     |
| <b>Decrease in cash</b>  | 11(ii)  | <b>(41.5)</b>  | (21.1)                                   |

## NOTES TO THE FINANCIAL STATEMENTS

1 The figures for the half years ended 30 September 2004 and 30 September 2003 have not been audited and do not constitute statutory accounts. They have been drawn up on the basis of the accounting policies as stated in the full accounts for the year ended 31 March 2004, including the going concern basis. The figures for the year ended 31 March 2004 are extracted from the audited accounts for that period, which have been filed with the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.

## 2 Segmental information

|  |   | Half year ended<br>30 September 2004<br>(unaudited) |                                | Half year ended<br>30 September 2003<br>(unaudited) |                                | Year ended<br>31 March 2004<br>(audited) |                                |
|--|---|---|--------------------------------|---|--------------------------------|--|--------------------------------|
| Analysis of turnover and (loss)/profit<br>before tax by business segment |   | Turnover  | (Loss)/profit<br>before<br>tax | Turnover  | Profit/(loss)<br>before<br>tax | Turnover                                 | Profit/(loss)<br>before<br>tax |
|  |   | £m  | £m                             | £m  | £m                             | £m                                       | £m                             |
| Infrastructure Services  | Group                                     | 220.6   | (11.6)                         | 416.0   | 33.6                           | 789.5                                    | 49.2                           |
|  | Apportioned goodwill amortisation         | -   | (2.8)                          | -   | (4.1)                          | -  | (8.1)                          |
|  | Operating exceptional items               | (12.7)  | (76.9)                         | -   | -                              | (25.5)                                   | (64.9)                         |
|  | Joint venture and associated undertakings | 139.8   | 16.7                           | 97.6  | 14.5                           | 214.5                                    | 29.4                           |
|  |   | <b>347.7</b>  | <b>(74.6)</b>                  | 513.6   | 44.0                           | 978.5                                    | 5.6                            |
| Accommodation Services and Plant Hire                                    | Group                                     | 148.3   | (27.9)                         | 171.9   | 4.6                            | 311.8                                    | (35.6)                         |
|  | Apportioned goodwill amortisation         | -   | (0.1)                          | -   | (0.1)                          | -  | (0.1)                          |
|  | Operating exceptional items               | 0.1   | (127.9)                        | -   | -                              | -  | (124.9)                        |
|  | Joint venture and associated undertakings | 1.0   | 0.6                            | 12.7  | 1.6                            | 23.2                                     | (4.2)                          |
|  |   | <b>149.4</b>  | <b>(155.3)</b>                 | 184.6   | 6.1                            | 335.0                                    | (164.8)                        |
| Systems and Technologies   | Group                                     | -   | (2.1)                          | 0.2   | (2.3)                          | 0.3                                      | (4.8)                          |
|  | Apportioned goodwill amortisation         | -   | -                              | -   | -                              | -  | (0.1)                          |
|  | Operating exceptional items               | -   | -                              | -   | -                              | -  | -                              |
|  | Joint venture and associated undertakings | -   | 0.8                            | 12.0  | (0.1)                          | 24.1                                     | (1.9)                          |
|  |   | -   | <b>(1.3)</b>                   | 12.2  | (2.4)                          | 24.4                                     | (6.8)                          |
| Total before non-operating exceptional items and interest                |   | <b>497.1</b>  | <b>(231.2)</b>                 | 710.4   | 47.7                           | 1,337.9                                  | (166.0)                        |
| Non-operating exceptional items (note 5)                                 | Infrastructure Services                   | -   | (24.0)                         | -   | -                              | -  | (54.3)                         |
|  | Accommodation                             | -   | (11.2)                         | -   | -                              | -  | (6.8)                          |
|  | Services and Plant Hire                   | -   | (0.1)                          | -   | -                              | -  | 0.4                            |
|  | Systems and Technologies                  | -   | -                              | -   | -                              | -  | -                              |
|  |   | -   | <b>(35.3)</b>                  | -   | -                              | -  | (60.7)                         |

|              |   |              |                |       |        |         |         |
|--------------|---|--------------|----------------|-------|--------|---------|---------|
| Net interest | Group                                     | -            | (8.5)          | -     | (5.8)  | -       | (15.2)  |
|              | Joint venture and associated undertakings | -            | (8.1)          | -     | (8.2)  | -       | (14.1)  |
|              |   | -            | (16.6)         | -     | (14.0) | -       | (29.3)  |
|              |   | <b>497.1</b> | <b>(283.1)</b> | 710.4 | 33.7   | 1,337.9 | (256.0) |

|   |   | Half year ended<br>30 September 2004<br>(unaudited) | Half year ended<br>30 September 2003<br>(unaudited) | Year ended<br>31 March 2004<br>(audited) |                                |          |                                |
|---|---|---|---|--|--------------------------------|----------|--------------------------------|
|   |   | Turnover  | (Loss)/profit<br>before<br>tax                      | Turnover                                 | Profit/(loss)<br>before<br>tax | Turnover | Profit/(loss)<br>before<br>tax |
|   |   | £m  | £m  | £m                                       | £m                             | £m       | £m                             |
| <b>Analysis of turnover and (loss)/profit before tax by country of origin</b> |   |   |   |  |                                |          |                                |
| United Kingdom  | Group                                     | <b>327.0</b>  | <b>(45.9)</b>                                       | 547.4                                    | 31.1                           | 1,034.9  | 6.2                            |
|   | Apportioned goodwill amortisation         | -   | (2.5)   | -  | (3.5)                          | -        | (5.4)                          |
|   | Operating exceptional items               | <b>(12.6)</b>                                       | <b>(204.8)</b>                                      | -  | -                              | (25.5)   | (170.8)                        |
|   | Joint venture and associated undertakings | <b>138.1</b>  | <b>17.8</b>   | 115.2                                    | 15.0                           | 249.6    | 21.7                           |
|   |   | <b>452.5</b>  | <b>(235.4)</b>                                      | 662.6                                    | 42.6                           | 1,259.0  | (148.3)                        |
| Rest of Europe  | Group                                     | <b>41.2</b>   | <b>4.6</b>  | 40.4                                     | 4.9                            | 66.0     | 2.8                            |
|   | Apportioned goodwill amortisation         | -   | (0.4)   | -  | (0.7)                          | -        | (2.9)                          |
|   | Operating exceptional items               | -   | -   | -  | -                              | -        | (19.0)                         |
|   | Joint venture and associated undertakings | <b>2.3</b>  | <b>0.3</b>  | 6.4                                      | 1.0                            | 11.0     | 1.6                            |
|   |   | <b>43.5</b>   | <b>4.5</b>  | 46.8                                     | 5.2                            | 77.0     | (17.5)                         |
| Rest of the World   | Group                                     | <b>0.7</b>  | <b>(0.3)</b>  | 0.3                                      | (0.1)                          | 0.7      | (0.2)                          |
|   | Apportioned goodwill amortisation         | -   | -   | -  | -                              | -        | -                              |
|   | Operating exceptional items               | -   | -   | -  | -                              | -        | -                              |
|   | Joint venture and associated undertakings | <b>0.4</b>  | -   | 0.7                                      | -                              | 1.2      | -                              |
|   |   | <b>1.1</b>  | <b>(0.3)</b>  | 1.0                                      | (0.1)                          | 1.9      | (0.2)                          |
| <b>Total before non-operating exceptional items and interest</b>              |   | <b>497.1</b>  | <b>(231.2)</b>                                      | 710.4                                    | 47.7                           | 1,337.9  | (166.0)                        |
| Non-operating exceptional items (note 5)                                      | United Kingdom                            | -   | (30.1)  | -  | -                              | -        | (44.6)                         |
|   | Rest of Europe                            | -   | (5.2)   | -  | -                              | -        | (16.1)                         |
|   | Rest of the World                         | -   | -   | -  | -                              | -        | -                              |

|              |   |              |                |       |        |         |                |
|--------------|---|--------------|----------------|-------|--------|---------|----------------|
|              |   | -            | <b>(35.3)</b>  | -     | -      | -       | <b>(60.7)</b>  |
| Net interest | Group                                     |              | <b>(8.5)</b>   | -     | (5.8)  | -       | <b>(15.2)</b>  |
|              | Joint venture and associated undertakings | -            | <b>(8.1)</b>   | -     | (8.2)  | -       | <b>(14.1)</b>  |
|              |   | -            | <b>(16.6)</b>  | -     | (14.0) | -       | <b>(29.3)</b>  |
|              |   | <b>497.1</b> | <b>(283.1)</b> | 710.4 | 33.7   | 1,337.9 | <b>(256.0)</b> |

For the purposes of the above disclosure, the goodwill arising in relation to the Group's United Kingdom and overseas businesses has been apportioned in proportion to the relevant underlying tangible assets.

No analysis of turnover by country of destination is given because this is not materially different from the turnover by country of origin.

### 3 Continuing and discontinued operations

|   | Half year ended<br>30 September 2004<br>(unaudited) |                    |                | Half year ended<br>30 September 2003<br>(unaudited) |                    |             | Year ended 31 March 2004<br>(audited) |                    |             |
|---|---|--------------------|----------------|---|--------------------|-------------|---------------------------------------|--------------------|-------------|
|   | Continuing<br>£m                                    | Discontinued<br>£m | Total<br>£m    | Continuing<br>£m                                    | Discontinued<br>£m | Total<br>£m | Continuing<br>£m                      | Discontinued<br>£m | Total<br>£m |
| Turnover  | <b>345.7</b>  | <b>10.6</b>        | <b>356.3</b>   | 467.7   | 120.4              | 588.1       | 872.2                                 | 203.9              | 1,076.1     |
| Cost of sales   | <b>(443.7)</b>                                      | <b>(8.2)</b>       | <b>(451.9)</b> | (393.1)   | (109.1)            | (502.2)     | (911.2)                               | (198.6)            | (1,109.8)   |
| Administration expenses                                       | <b>(141.7)</b>                                      | <b>(12.0)</b>      | <b>(153.7)</b> | (45.2)  | (9.0)              | (54.2)      | (129.1)                               | (26.5)             | (155.6)     |
| Operating (loss)/profit                                       | <b>(239.7)</b>                                      | <b>(9.6)</b>       | <b>(249.3)</b> | 29.4  | 2.3                | 31.7        | (168.1)                               | (21.2)             | (189.3)     |
| Non-operating exceptional items                               | <b>(34.6)</b>                                       | <b>(0.7)</b>       | <b>(35.3)</b>  | -   | -                  | -           | (20.8)                                | (39.9)             | (60.7)      |
| Share of profits of joint venture and associated undertakings | <b>17.6</b>   | <b>0.5</b>         | <b>18.1</b>    | 15.9  | 0.1                | 16.0        | 22.1                                  | 1.2                | 23.3        |
| (Loss)/profit on ordinary activities before interest          | <b>(256.7)</b>                                      | <b>(9.8)</b>       | <b>(266.5)</b> | 45.3  | 2.4                | 47.7        | (166.8)                               | (59.9)             | (226.7)     |

The September 2003 and March 2004 Profit and Loss Accounts have been restated to classify the results of JMPC, Cocentra, Ultramast, Jarvis Estonia BV, Braddons, the UPP bidding and management business and PFI bidding business as discontinued operations.

#### 4 Interest

##### (i) Interest receivable and similar income

|   | Half year ended<br>30 September 2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March 2004<br>(audited)<br>£m |
|---|---|---|--|
| Bank interest receivable                                | 1.7   | 1.4   | 1.6  |
| Other interest  | 0.1   | 0.3   | 1.0  |
| Group companies sub total                               | 1.8   | 1.7   | 2.6  |
| Receivable by joint venture and associated undertakings | -   | 9.3   | 30.6   |
|   | <b>1.8</b>  | <b>11.0</b>   | <b>33.2</b>                                    |

##### (ii) Interest payable and similar charges

|  | Half year ended<br>30 September 2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March 2004<br>(audited)<br>£m |
|--|---|---|--|
| On bank loans and overdrafts                         | 9.3   | 7.0   | 14.1   |
| On finance leases                                    | 0.1   | -   | -  |
| Other interest                                       | 0.9   | 0.5   | 3.7  |
| Group companies sub total                            | 10.3  | 7.5   | 17.8   |
| Payable by joint venture and associated undertakings | 8.1   | 17.5  | 44.7   |
|  | <b>18.4</b>   | <b>25.0</b>   | <b>62.5</b>                                    |

##### (iii) Net interest

|  | Half year ended<br>30 September 2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March 2004<br>(audited)<br>£m |
|--|---|---|--|
| <b>Group</b>                                     |   |   |  |
| - receivable                                     | 1.8   | 1.7   | 2.6  |
| - payable  | (10.3)  | (7.5)   | (17.8)   |
|  | <b>(8.5)</b>  | <b>(5.8)</b>  | <b>(15.2)</b>                                  |
| <b>Joint venture and associated undertakings</b> |   |   |  |
| - receivable                                     | -   | 9.3   | 30.6   |
| - payable  | (8.1)   | (17.5)  | (44.7)   |
|  | <b>(8.1)</b>  | <b>(8.2)</b>  | <b>(14.1)</b>                                  |

## 5 Exceptional items

|   | Half year ended<br>30 September<br>2004<br>(unaudited)<br>£m | Half year ended<br>30 September<br>2004<br>(unaudited)<br>£m | Half year<br>ended<br>30 September<br>2003<br>(unaudited)<br>£m | Year ended<br>31 March<br>2004<br>(audited)<br>£m |
|---|--|--|---|---|
| <b>Operating exceptional items</b>  |  |  |   |   |
| - Adjustment to turnover on PFI/UPP joint venture contracts                   | 0.1  |  | -   | -   |
| Adjustment to turnover on Rail contracts                                      | (12.7)   |  | -   | (25.5)  |
| Exceptional turnover  |  | (12.6)   | -   | (25.5)  |
| -Losses and provisions in respect of Accommodation Services contracts         | (86.2)   |  | -   | (109.7)   |
| - Adjustment to cost of sales on Facilities Management contracts              | (23.1)   |  |   | -   |
| - Adjustment to cost of sales on rail contracts                               | -  |  | -   | (16.0)  |
| - Provision for costs in association with the Potters Bar rail accident       | -  |  | -   | (3.0)   |
| Exceptional cost of sales   |  | (109.3)  | -   | (128.7)   |
| - Provision against onerous lease liabilities                                 | (7.3)  |  | -   | (15.2)  |
| - Office fit-out costs written off  | (7.1)  |  | -   | -   |
| - Write down of investment  | -  |  | -   | (1.4)   |
| - Redundancy costs  | (2.3)  |  | -   | -   |
| - Impairment of goodwill attributable to UK Roads' businesses                 | (62.9)   |  | -   | -   |
| - Impairment of goodwill attributable to European Roads' business             | -  |  | -   | (19.0)  |
| - Bad debt provisions against Accommodation Services contracts                | (3.3)  |  | -   | -   |
| Exceptional administration expenses   |  | (82.9)   | -   | (35.6)  |
| <b>Total operating exceptional items</b>                                      |  | <b>(204.8)</b>   | -   | <b>(189.8)</b>                                    |
| <b>Non-operating exceptional items</b>  |  |  |   |   |
| <b>Continuing operations</b>  |  |  |   |   |
| <b>Profit on disposal of interest in joint venture undertakings</b>           |  |  |   |   |
| - Profit on disposal of investments in PFI and UPP joint venture undertakings | 5.6  |  | -   | -   |
| - Profit on part disposal of the Group's holding in Agilisys Limited          | -  |  | -   | 1.3   |
|   |  | 5.6  | -   | 1.3   |
| <b>Profit on sale of fixed assets</b>   |  |  |   |   |
| - Profit on disposal of Romford property                                      | 1.3  |  | -   | -   |
|   |  | 1.3  | -   | -   |
| <b>Costs of fundamental restructuring</b>                                     |  |  |   |   |
| - Professional fees associated with restructuring                             | (32.2)   |  | -   | -   |
| - Restructuring costs relating to the European Roads' Benelux subsidiary      | -  |  | -   | (0.9)   |

|  |                |   |                |
|--|----------------|---|----------------|
| - Impairment of goodwill relating to UK Roads Techspan businesses                                      | (2.4)          | - | -              |
| - Impairment of goodwill attributable to European Roads' business in relation to its proposed disposal | (6.0)          | - | (15.2)         |
| - Impairment of goodwill relating to David Wylde Project Finance business                              | (0.7)          | - | -              |
| - Impairment of investments in PFI and UPP joint venture undertakings                                  | (0.2)          | - | (6.0)          |
|  | (41.5)         | - | (22.1)         |
| Continuing non-operating exceptional items   | (34.6)         | - | (20.8)         |
| <b>Discontinued operations</b>   |                |   |                |
| <b>Profit/(loss) on sale of subsidiary undertakings</b>  |                |   |                |
| - Profit on disposal of Jarvis-MPC Systems Limited   | 0.1            | - | -              |
| - Loss on disposal of Cocentra Limited   | (0.4)          | - | -              |
| - Loss on disposal of investment in Student UK   | (0.1)          | - | -              |
| - Loss on disposal of Ultramast Limited  | (0.3)          | - | -              |
| - Loss on disposal of 51% investment in Avonwood Developments Limited                                  | -              | - | (1.5)          |
|  | (0.7)          | - | (1.5)          |
| <b>Profit on disposal of interest in joint venture undertakings</b>                                    |                |   |                |
| - Profit on disposal of investment in Jarvis Estonia BV  | 0.8            | - | -              |
| - Profit on disposal of investment in PatientFirst Partnerships Limited                                | 0.1            | - | -              |
|  | 0.9            | - | -              |
| <b>Costs of fundamental restructuring</b>  |                |   |                |
| - Impairment of goodwill relating to Braddons risk management and insurance business                   | (0.9)          | - | -              |
| - Costs of terminating the UK railway infrastructure maintenance business                              | -              | - | (36.7)         |
| - Closure of Student UK business including goodwill impairment   | -              | - | (0.9)          |
| - Write down of investment in PatientFirst Partnerships  | -              | - | (0.8)          |
|  | (0.9)          | - | (38.4)         |
| Discontinued non-operating exceptional items   | (0.7)          | - | (39.9)         |
| <b>Total non-operating exceptional items</b>   | <b>(35.3)</b>  | - | <b>(60.7)</b>  |
| <b>Total exceptional items</b>   | <b>(240.1)</b> | - | <b>(250.5)</b> |

## **Operating exceptional items**

### **Adjustment to turnover on PFI/UPP joint venture contracts**

This amount relates to the refinancing profit in respect of the PFI/UPP joint venture contracts.

### **Adjustment to turnover on Rail contracts**

This adjustment reflects the lower than anticipated amount earned in respect of certain long term rail contracts.

### **Losses and provisions in respect of Accommodation Services contracts**

These comprise foreseeable losses incurred in connection with certain PFI and UPP contracts and penalties incurred as a result of late delivery of services. The losses and provisions are considered to be exceptional items because of their magnitude and because they are attributable to the fundamental change in trading conditions experienced in recent months. Severe cashflow pressure continues to have an impact both on relationships with contractors and on the ability to deliver in accordance with deadlines.

### **Adjustment to cost of sales on Facilities Management contracts**

The provision reflects the costs attributed to Facilities Management contracts on which there is now no certainty of recovering in the light of the planned disposal of this division.

### **Provision against onerous lease liabilities**

A provision has been made for the costs of the lease agreement on the Smithfield building net of any cost recovery which is achieved through subletting.

### **Office fit-out costs written off**

The Group has spent £7.1m on fitting a new London head office. The subsequent decision to centralise operations and relocate the Group's head office to York, has meant that these costs, which would have been capitalised, have been written-off in the period.

### **Redundancy costs**

These comprise the costs of the headcount reduction, identified in the period, undertaken to implement the strategic reorganisation of the group.

### **Impairment of goodwill**

The directors have reviewed the carrying value of purchased goodwill in respect of the UK Roads business, and have decided to make a provision for the full amount of the goodwill.

### **Bad debt provisions against Accommodation Services contracts**

The directors have reviewed the debtors and have made a provision of £3.3m in respect of Accommodation Services contracts.

## **Non-operating exceptional items**

As part of the ongoing restructuring of the Group, which includes divestment of non-core activities and significant refinancing, the Group's results for the period ended 30 September 2004 include a number of non-operating exceptional items.

### **Profit on disposal of investments in PFI and UPP joint venture undertakings**

In April 2004 the Group sold its economic interest in the majority of its investments in joint venture companies which are special purpose vehicles for either PFI or UPP projects to third parties but has retained legal ownership. A total gain of £5.6m was made on the sale.

### **Profit on disposal of Romford property**

The Group has sold its freehold interest in a property in Romford during the period, generating a profit of £1.3m.

### **Professional fees associated with restructuring**

The Group has incurred significant restructuring and refinancing costs of £32million, which include professional fees and bank arrangement fees, as part of the continuing restructuring of its activities.

**Impairment of goodwill**

The directors have reviewed the carrying value of purchased goodwill in respect of Techspan Limited, the European Roads businesses; David Wylde Project Finance Limited; and Braddons Limited, each of which have been identified for disposal in the Group's business plan. By reference to the anticipated sales proceeds which may arise from their disposal, goodwill has been impaired by £2.4m, £6.0m, £0.7m and £0.9m respectively in the current period.

**Impairment of investments in UPP joint venture undertakings**

A provision of £0.2m for impairment has been made against the investment in the UPP Manchester Holdings Limited joint venture undertaking.

**Profit on disposal of Jarvis-MPC Systems Limited**

The Group sold its shareholding in its 51% subsidiary Jarvis-MPC Systems Limited on 26 July 2004 for £1.1m, generating a profit of £0.1m.

**Loss on disposal of Cocentra Limited**

On 1 October 2004 the Group entered into a binding sale agreement with the management of its subsidiary Cocentra Limited to sell its shareholding. The company provides local education authority support services, for a consideration of £2. The group incurred a total loss on disposal of £0.4m.

**Loss on disposal of investment in Student UK Limited**

The Group sold its 75% shareholding in Student UK Limited. The loss on disposal was £0.1m.

**Loss on disposal of Ultramast Limited**

The Group disposed of its entire shareholding in Ultramast Limited, a company providing telecommunications services, for £0.3m on 30 July 2004, generating a loss on disposal of £0.3m.

**Profit on disposal of investment in Jarvis Estonia BV**

On 1 September 2004 the Group completed the sale of its 50% shareholding in Jarvis Estonia BV, a company incorporated in The Netherlands as the holding company for the Estonian rail operation. The investment was sold for a cash consideration of £6.7m, creating a profit on disposal of £0.8m.

**Profit on disposal of investment in PatientFirst Partnerships Limited**

On 31 August 2004 the Group disposed of its 45% shareholding in PatientFirst Partnerships Limited, a joint venture providing health services. The Group's share of the results for PatientFirst Partnerships were treated as discontinued activities in the financial statements for the year ended 31 March 2004.

## 6 Taxation

The taxation charge for the six months ended 30 September has been based on the estimated effective tax rate for the full year.

## 7 Earnings per ordinary share

|  | Half year ended<br>30 September 2004<br>(unaudited) | Half year ended<br>30 September 2003<br>(unaudited) | Year ended<br>31 March 2004<br>(audited) |
|--|---|---|--|
|  | £m  | £m  | £m                                       |
| <b>(Loss)/profit for the period:</b>   |   |   |  |
| Basic  | (288.1)   | 21.6  | (243.9)                                  |
| Before goodwill amortisation and exceptional items   | (45.1)  | 25.8  | 14.9                                     |
| <b>Number of ordinary shares</b>   |   |   |  |
|  | Number (m)  | Number (m)  | Number (m)                               |
| Weighted average number of ordinary shares in issue during the period (excluding any shares held by the QUEST which only receive a nominal dividend) | 143.1   | 141.6   | 142.1                                    |
| Share options adjustment   | -   | 1.1   | 0.2                                      |
| Weighted average number of ordinary shares after share options adjustment  | 143.1   | 142.7   | 142.3                                    |
| <b>Earnings per ordinary share</b>   |   |   |  |
|  | Pence   | pence   | pence                                    |
| Basic  | (201.3)   | 15.3  | (171.6)                                  |
| Diluted  | (201.3)   | 15.1  | (171.4)                                  |
| Before goodwill amortisation and exceptional items   | (31.5)  | 18.2  | 10.5                                     |

## 8 Consolidated statement of total recognised gains and losses

|  | Half year ended<br>30 September 2004<br>(unaudited) | Half year ended<br>30 September 2003<br>(unaudited) | Year ended<br>31 March 2004<br>(audited) |
|--|---|---|--|
|  | £m  | £m  | £m                                       |
| <b>(Loss)/profit for the financial period:</b>           |   |   |  |
| - Group  | (295.1)   | 16.2  | (245.5)                                  |
| - Joint venture and associated undertakings              | 7.0   | 5.4   | 1.6                                      |
| Currency translation differences                         | 0.5   | 0.6   | (0.9)                                    |
| Unrealised (loss)/surplus on revaluation of properties:  |   |   |  |
| - Group  | (1.5)   | -   | 4.1                                      |
| Total recognised gains and losses relating to the period | (289.1)   | 22.2  | (240.7)                                  |

## 9 Reconciliation of movements in equity shareholders' (deficit)/funds

|   | Half year ended<br>30 September 2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March 2004<br>(audited)<br>£m |
|---|---|---|--|
| Equity shareholders' (deficit)/funds at start of period | (16.1)  | 229.3   | 229.3  |
| Retained (loss)/profit                                  | (288.1)   | 15.2  | (250.3)  |
| Other recognised gains and losses:                      |   |   |  |
| Currency translation differences                        | 0.5   | 0.6   | (0.9)  |
| Other reserve movements:                                |   |   |  |
| Unrealised (loss)/surplus on revaluation of properties  | (1.5)   | -   | 4.1  |
| Issue of shares at premium less costs of issue          | 0.5   | 0.7   | 2.1  |
| Amortisation of own shares in QUEST                     | -   | -   | (0.4)  |
| Equity shareholders' (deficit)/funds at end of period   | (304.7)   | 245.8   | (16.1)   |

On 2 July 2004 7,081,180 share warrants were issued exercisable into one Ordinary Share for every Warrant. The ordinary shares when issued will have the following rights attached:

One vote per share

An equal share in the dividends issued by the Group; and

Will rank equally with other ordinary shares in a winding up.

## 10 Fixed asset investments in joint venture undertakings

|  | Half year ended 30 September 2004<br>(unaudited) |              |             | Half year ended 30 September<br>2003 (unaudited) |              |             |
|--|--|--------------|-------------|--|--------------|-------------|
|  | Tube Lines<br>(Holdings)<br>Ltd<br>£m            | Other<br>£m  | Total<br>£m | Tube Lines<br>(Holdings)<br>Ltd<br>£m            | Other<br>£m  | Total<br>£m |
| <b>Profit and loss account</b>           |  |              |             |  |              |             |
| <b>Group's share of:</b>                 |  |              |             |  |              |             |
| Turnover                                 | 131.6  | 9.2          | 140.8       | 85.6   | 36.7         | 122.3       |
| Profit before interest                   | 16.2   | 1.1          | 17.3        | 12.8   | 3.2          | 16.0        |
| Interest                                 | (6.7)  | (1.2)        | (7.9)       | (4.4)  | (3.8)        | (8.2)       |
| Profit/(loss) before taxation            | 9.5  | (0.1)        | 9.4         | 8.4  | (0.6)        | 7.8         |
| Taxation                                 | (2.9)  | -            | (2.9)       | (2.5)  | 0.1          | (2.4)       |
| <b>Profit/(loss) after taxation</b>      | <b>6.6</b>                                       | <b>(0.1)</b> | <b>6.5</b>  | <b>5.9</b>                                       | <b>(0.5)</b> | <b>5.4</b>  |
| <b>Balance sheet</b>                     |  |              |             |  |              |             |
| Share of gross assets                    | 516.2  | 32.7         | 548.9       | 414.5  | 505.7        | 920.2       |
| Share of gross liabilities               | 461.9  | 33.6         | 495.5       | 363.1  | 481.0        | 844.1       |
| <b>Share of net assets/(liabilities)</b> | <b>54.3</b>                                      | <b>(0.9)</b> | <b>53.4</b> | <b>51.4</b>                                      | <b>24.7</b>  | <b>76.1</b> |

Year ended 31 March 2004  
(audited)

|                                     | Tube Lines<br>(Holdings)<br>Ltd<br>£m | Other<br>£m  | Total<br>£m |
|-------------------------------------|---------------------------------------|--------------|-------------|
| <b>Profit and loss account</b>      |                                       |              |             |
| <b>Group's share of:</b>            |                                       |              |             |
| Turnover                            | 191.5                                 | 70.3         | 261.8       |
| Profit/(loss) before interest       | 26.6                                  | (3.6)        | 23.0        |
| Interest                            | (9.9)                                 | (4.2)        | (14.1)      |
| Profit/(loss) before taxation       | 16.7                                  | (7.8)        | 8.9         |
| Taxation                            | (6.0)                                 | (1.3)        | (7.3)       |
| <b>Profit/(loss) after taxation</b> | <b>10.7</b>                           | <b>(9.1)</b> | <b>1.6</b>  |
| <b>Balance Sheet</b>                |                                       |              |             |
| Share of gross assets               | 380.5                                 | 536.1        | 916.6       |
| Share of gross liabilities          | 331.9                                 | 535.1        | 867.0       |
| <b>Share of net assets</b>          | <b>48.6</b>                           | <b>1.0</b>   | <b>49.6</b> |

## 11 Cash flow statement

### (i) Net cash flow from operating activities

|   | Half year ended<br>30 September 2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March 2004<br>(audited)<br>£m |
|---|---|---|--|
| Operating (loss)/profit                                   | (249.3)   | 31.7  | (189.3)  |
| Depreciation of tangible fixed assets                     | 4.6   | 5.1   | 11.6   |
| Amortisation of goodwill and other<br>intangible assets   | 2.9   | 4.2   | 8.5  |
| Operating goodwill impairment                             | 62.9  | -   | 19.0   |
| (Decrease)/increase in other provisions                   | 19.6  | -   | 15.0   |
| Loss/(gain) on sale of fixed assets                       | 1.2   | (0.4)   | (0.8)  |
| Movements in working capital:                             |   |   |  |
| Decrease in properties held for resale<br>and development | -   | -   | 0.4  |
| Decrease/(increase) in stocks and work in<br>progress     | 21.8  | (21.9)  | 22.8   |
| Decrease/(increase) in debtors                            | 92.9  | (73.9)  | 83.8   |
| (Decrease)/increase in creditors                          | (34.4)  | 5.3   | 35.8   |
| Exceptional items   | (32.2)  | -   | (20.5)   |
| Currency translation                                      | (0.1)   | -   | -  |
| <b>Net cash outflow from operating activities</b>         | <b>(110.1)</b>  | <b>(49.9)</b>   | <b>(13.7)</b>                                  |

(ii) Reconciliation of net cash flow to movement in net debt

|  | Half year ended<br>30 September<br>2004<br>(unaudited)<br>£m | Half year ended<br>30 September 2003<br>(unaudited)<br>£m | Year ended<br>31 March<br>2004<br>(audited)<br>£m |
|--|--|---|---|
| <b>Decrease in cash in the period</b>                        | <b>(41.5)</b>  | (21.1)  | (8.9)   |
| Cash outflow from decrease in debt and lease financing       | (65.3)   | (45.6)  | (59.5)  |
| Cash inflow/(outflow) into bank accounts with restricted use | 10.8   | (1.7)   | 7.1   |
| <b>Change in net debt resulting from cash flows</b>          | <b>(96.0)</b>  | (68.4)  | (61.3)  |
| New finance leases   | -  | (1.1)   | (1.3)   |
| <b>Movement in net debt for the period</b>                   | <b>(96.0)</b>  | (69.5)  | (62.6)  |
| Net debt at start of period                                  | (145.9)  | (83.3)  | (83.3)  |
| <b>Net debt at end of period</b>                             | <b>(241.9)</b>   | (152.8)   | (145.9)   |

(iii) Analysis of net debt

|   | At 1<br>April<br>2004<br>(audited)<br>£m | Cash flow<br>£m | Other non-cash<br>changes<br>£m | On<br>acquisition<br>and disposal<br>£m | At 30<br>September<br>2004<br>(unaudited)<br>£m | At 30<br>September<br>2003<br>(unaudited)<br>£m |
|---|--|-----------------|---------------------------------|---|---|---|
| Cash at bank and in hand - non restricted use | 32.7                                     | (29.7)          | -                               | 1.3                                     | 4.3   | 19.8  |
| Cash at bank and in hand - restricted use     | 42.2                                     | 10.8            | -                               | -                                       | 53.0  | 33.4  |
| Total cash at bank and in hand                | 74.9                                     | (18.9)          | -                               | 1.3                                     | 57.3  | 53.2  |
| Overdrafts                                    | (2.8)                                    | (13.0)          | -                               | -                                       | (15.8)  | (2.1)   |
|   |  | (31.9)          | -                               | 1.3                                     |   |   |
| Debt due within one year                      | (210.6)                                  | (66.6)          | 6.7                             | -                                       | (270.5)   | (75.7)  |
| Debt due after one year                       | (1.2)                                    | 0.6             | (6.7)                           | -                                       | (7.3)   | (121.7)   |
| Finance leases                                | (6.2)                                    | 0.7             | -                               | (0.1)                                   | (5.6)   | (6.5)   |
|   |  | (65.3)          | -                               | (0.1)                                   |   |   |
|   | <b>(145.9)</b>                           | <b>(97.2)</b>   | -                               | <b>1.2</b>                              | <b>(241.9)</b>                                  | <b>(152.8)</b>                                  |

Included within cash at bank and in hand is £53.0m (2003: £33.4m, 31 March 2004: £42.2m), held in an interest bearing account, where withdrawals are restricted in accordance with defined contractual obligations.

## 12 Contingent liabilities

The Company has guaranteed performance bonds and given guarantees in respect of contracts entered into by subsidiary undertakings (and certain joint ventures) in the normal course of business. The Company has given guarantees, without limit, in respect of overdrafts of subsidiary undertakings, the balance of which was £12.7m as at 30 September 2004 (2003: £nil).

On 2 July 2004, the Company, and each of its subsidiaries that are borrowers or guarantors of the majority of the Group's financing facilities, signed an Override Agreement with the Group's banks, the holders of the Company's US Notes and the providers of bonding facilities (together "the Group's Lenders") under which facility breaches were waived and the facilities existing at 31 March 2004 ("Existing Facilities") were provided until 30 July 2004. On 30 July 2004, the Group's Lenders agreed terms for the extension of the Override Agreement to 25 March 2005 and to provide a new Revolving Credit Facility ("RCF") and additional bonding facilities. All of the facilities affected have been classified as falling due within one year. The principal terms of the extension of the Override Agreement are:

- a) Provision of the RCF up to a maximum of £25m subject to variable limits and extra bonding facilities of £9m ("New Facilities").
- b) The New Facilities, £10m of existing overdraft facilities and £2.5m of existing bonds ("Priority Debt"), will be secured over certain Group assets (including the investments in Tube Lines (Holdings) Limited and the Group's European Roads businesses) which are part of a disposal programme and also over many of the Group's properties.
- c) There are a number of termination events in the Override Agreement which, if they were to occur, would allow the majority of the Group's Lenders to terminate the Override Agreement.
- d) Mandatory prepayment of indebtedness, with priority to the Priority Debt, from the proceeds of certain disposals of Group assets.
- e) In return the Group has agreed extra costs and fees, including:
  - i. The grant of warrants enabling the Group's Lenders to subscribe for ordinary shares in Jarvis plc at 5p each, representing 5% of the Company's issued share capital.
  - ii. Increased rolled up interest during the period of the Override Agreement on the Existing Facilities (excluding the £10m overdraft facilities) at the rates of 3% per annum falling to 1% per annum as debt levels fall.
  - iii. A further fee equivalent to 10% of the market capitalisation of Jarvis plc immediately prior to the payment date, less the additional rolled up interest noted above, payable by the issue of further warrants with an exercise price of 5p, or cash if the Company is not able to issue warrants, on 29 July 2006 or, if earlier, the date all of the facilities are refinanced.
- f) As part of these arrangements, the Company has agreed that no dividends will be declared or paid during the period of these arrangements.

Two banks have facilities which are not subject to the Group Override Agreement: a secured amortising loan of £14.0m (which had reduced to £10.0m as at 30 September 2004 and continues to reduce) and a swap agreement for £1.4m. On 27 August 2004 bilateral agreements were signed with these banks which ensure the continued availability of these facilities. These bilateral agreements are subject to termination provisions which, if enforced, might cause the Company's guarantee to crystallise.

The Company has guaranteed letters of credit of £63.8m (£15.0m after deduction of collateral cash) in respect of the funding and contractual arrangements entered into by certain of its subsidiaries for the London Underground Tube Lines contract.

In certain circumstances, where costs overrun on the Tube Lines contract, the Group has committed to subscribe for up to £11.7m of zero coupon loan notes to be issued by Tube Lines (Holdings) Limited. This commitment is secured by the present letters of credit, which would, in this event, reduce by an amount equal to the loan notes taken up.

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 accident. The directors believe that all those individuals affected have lodged claims although further claims are yet time barred. The directors are unable to quantify the eventual total amount of such claims against the Group in respect of this accident 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.

The Group has provided guarantees to certain local authorities in connection with the potential rebate of unitary charges paid by those authorities to the relevant wholly-owned Jarvis special purpose company, should this become necessary as a result of underperformance in connection with agreed service standards.

### **13 Post balance sheet events**

The following events have taken place since 30 September 2004

- (i) On 3 December 2004, the Group completed on the sale of its UPP bidding and management business. The proceeds on disposal were £0.4m generating a profit on disposal £0.1m.
- (ii) On 3 December 2004, the sale of the Group's PFI projects bidding business was completed for a purchase consideration of £1.2m
- (iii) On 13 December 2004, the sale of the Group's investment in Telford and Wrekin was completed for a purchase consideration of £0.1m. As part of transaction, £1.1m of debt owed to Prismo (a Group subsidiary) by Telford and Wrekin was repaid by the purchaser.
- (iv) On 19 November 2004, the Group sold the assets of Prismo Signs and Systems (a division of Prismo Ltd). The proceeds on disposal were £0.1m.
- (v) On 6 December 2004, the Group announced a conditional agreement for the sale of certain freehold and leasehold properties for a consideration of £25.0m. The transaction was approved by shareholders on 23 December 2004.
- (vi) On 17 December 2004, the sale of the Group's investment in Braddons risk management and insurance business was completed.
- (vii) On 22 December 2004, the Group entered into a conditional agreement to sell its European Roads businesses, Prosign S.A. and its subsidiaries and Veluvine B.V. and its subsidiary for consideration of €35.3 million (£24.5 million). In addition the purchaser will assume net indebtedness in the European business of €7.1 million (£4.9 million). The transaction is conditional upon appropriate French competition clearance and the Group's shareholder approval. These accounts include the resulting loss on disposal.
- (viii) On 24 December 2004, the Group reached agreement in principle to obtain financial contributions to assist with the funding of the ongoing PFI and UPP construction contracts and to obtain releases of the Group's related liabilities.
- (ix) Also, on 24 December 2004, the Group agreed heads of terms for a refinancing through an extension of the override agreement to 27 March 2006 and the provision of £5.5m of further bonding facilities.
- (x) Also, on 24 December 2004, the Group entered into a conditional agreement for the sale of the shareholding in Tube Lines (Holdings) Limited and the secondment business of Jarvis LUL Limited for a total gross consideration of £146.8 million, and the release of the contingent liability of £11.7million to subscribe for further equity in Tube Lines (Holdings) Limited. This transaction is conditional upon shareholder approval and up on the company reaching agreement with its core lenders for the refinancing of its facilities and the extension of the Override Agreement to 27 March 2006. The refinancing is in turn expected to be conditional upon legally binding documentation for the funding of the construction contracts for the Group's PFI and UPP project becoming effective. These accounts have not been adjusted to reflect the impact of these transactions.

### **14 The interim accounts were approved by the Board on 28 December 2004.**