

2008

Jarvis plc Annual Report and Accounts

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Financial Highlights

For the period ended 31 March 2008

	2008 £m	2007 £m
Revenue*	321.9	288.5
Profit before tax*	7.5	0.3
Profit / (loss) for the period	11.1	(21.7)
Net cash used in operating activities	(18.7)	(35.2)
Net debt	(38.8)	(23.6)
Basic and diluted earnings / (loss) per share	5.4p	(13.5)p

*From continuing operations, before exceptional items.

Chairman's Statement

The year to the end of March 2008 was a significant milestone for the new Jarvis and we have achieved the best result for five years.



I am pleased to report that the Group has continued to make encouraging progress under improving conditions which prevailed across the whole of the rail industry, particularly in the second half of the financial year. As a result of a great deal of effort at all levels across the divisions, aided by a stronger demand for our services, the Group has generated a profit of £11.1m for the year, our best overall result since 2003.

It was disappointing that despite these significant improvements in the business overall, the financial performance was held back by problems within our Plant business which led the Board to issue the trading update in November 2007. However, during the second half of the year volumes were substantially improved in Jarvis Rail and as a consequence our Fastline Plant operation also performed better.

Meanwhile the Group has disposed of its share in Herefordshire Jarvis Services Limited and has also exited a number of other facilities management contracts, three of which were significantly loss-making. At the same time we have continued to reduce our overhead costs and have initiated a major overhaul of our information technology and our property requirements. That exercise continues and is proceeding as planned.

Our strategy continues to be that of concentrating on our core competencies in rail and associated plant activity, while building our rail Freight business and looking

carefully at all the strategic options which are available to us in relation to our remaining Facilities Management business.

Most pleasingly, as we announced on 22 May, we have agreed with our lenders, Bank of Ireland and Bank of America, an extension of our working capital facilities to January 2010 together with a reduction in our overall cost of borrowing. We believe this represents a strong signal by our lenders of their confidence in our business model, particularly in current debt market conditions, and we appreciate their continuing support of our strategy.

Financial Results

Our financial performance for the year reflects a tale of two halves. Our revenues from continuing operations increased by 36 per cent in the second half compared to the first, totalling £321.9m for the full year (2007: £288.5m). This drove a second half operating profit, excluding discontinued operations and exceptional items, of £8.9m compared to £0.3m in the first half. Total operating profit of £9.2m compared to £4.9m in the previous year.

Our results benefited from the receipt of a tax refund, including accrued interest, of £6.5m which we announced in February. Net debt increased to £38.8m (2007: £23.6m) as we put the equity raised at the previous year end to good use, by exiting loss-making facilities management contracts and funding overhead reductions to improve efficiency, including investing in new information systems.

Group profit for the year attributable to equity shareholders was £11.1m (2007: loss £21.7m).

Rail

Our Rail business is now extremely busy. The first half performance was affected by the late start of a number of large enhancement contracts for Network Rail but these are now virtually all well underway and continue in the current year. One of our largest and most complex contracts is at Rugby where we have been the Principal Contractor for Network Rail's largest single scheme on its West Coast enhancement programme, undertaking major and preparatory works every weekend since January 2007.

In September we were confirmed as one of Network Rail's four contractors for track renewals. Throughout the year we have secured additional enhancement contracts. This decision by Network Rail shows their confidence in Jarvis as a leading supplier of track renewals and is another key step in our strategy to focus on our core competencies and to maximise our increased opportunities following the unveiling of Network Rail's programme of rail expansion.

Plant (Fastline)

Plant had a particularly challenging first half year and everyone in the business worked exceptionally hard to maximise the opportunities that the upturn in Rail volumes presented to our Plant business. Consequently the second half performance saw much improvement over the first half.

We have sold some of our older and largely unused heavy plant to Poland and Egypt. Not only has this released funds which will reduce debt and assist our plant renewal efforts but it has allowed us to establish contacts in these rail markets which along with a number of others, particularly in Central and Eastern Europe, are now growing rapidly and are increasingly looking for the services we can provide.

Freight (Fastline)

Our rail Freight operation has launched its third container route and now operates a service to the North West. Work on the E.ON coal haulage contract commenced in May 2008 and marks a significant milestone in the continued development of the Freight business. It is becoming increasingly vital to the economy and the environment that more freight is moved across the country by rail. We continue to see our Freight business as capable of further expansion in a market which is set to grow substantially in the coming years.

Accommodation Services

Thanks to the hard work of Stuart Laird and his whole team, the Accommodation Services division is now no longer the source of a continuing outflow of cash. The business is now profitable at the contract level and benchmarking of several other contracts will also improve profitability. We have disposed of seven further contracts, including our share in the Herefordshire Jarvis Services

business, during the period and continue to examine all strategic options regarding the remainder.

Our People

I have been enormously impressed by the quality and assiduity of our loyal colleagues in every part of the business. In paying tribute to them for their exceptional efforts I also warmly thank Richard Entwistle, our Chief Executive and John O'Kane, our Group Finance Director, who has managed our finances with skill and prudence throughout the year, for their outstanding contributions and finally my Non-Executive colleagues on the Group Board for their unstinting support and advice.

Future Prospects

The implementation of our strategy remains on track. We encountered some setbacks which meant that we have not progressed as quickly as we would have liked in the period. However, I am pleased that with the hard work of everyone involved we have made substantial progress. The business is in far better shape now than it has been for a long time.

It is clear from Network Rail's recently updated Strategic Business Plan for April 2009 to April 2014 and the Government's 'Delivering a Sustainable Railway' White Paper that the government is embarking on a course of substantial improvement to the UK rail network. The levels of spend forecast within these documents is at an unprecedented high and is considerably greater than the industry has witnessed before. As a result there are significant opportunities in the UK rail market and the Board believes we are well placed to capitalise on these.

The year to the end of March 2008 was a significant milestone for the new Jarvis and we have achieved the best result for five years. This result, our performance to date and the increasing opportunities within the UK rail market allow us to look forward to the year to come with equal confidence.

Steven Norris

Executive Chairman
27 May 2008

Chief Executive's Statement

Our strategy remains very clear and we have diligently followed the path to achieving our goals. The business has come a long way during the last year.



Overview of Activity

The Group set a strategy in 2006 to focus on the Rail, Plant and Freight businesses, dispose of unprofitable activities and reduce overhead costs. I am pleased to report that we have made very real progress in achieving those aims.

- Revenue in Rail is 45 per cent higher than last year.
- We have exited six facilities management contracts plus our share in the Herefordshire Jarvis Services business.
- We have reduced central overheads by 38 per cent.
- We have secured a five year coal haulage contract in Freight which will substantially increase revenues and transform that business.

Health, Safety and Environment

Our Health and Safety performance continues to be a priority for the business and we have performed well in the period.

Our Rail and Plant businesses achieved a trackside Accident Frequency Rate (AFR) of 0.18 accidents per 100,000 hours worked. This is a 21 per cent improvement on the equivalent figure at the end of last year and is within the 0.20 target set by Network Rail. Of particular note was the outstanding performance of the Scotland rail team, the Electrical Projects Group teams based at Doncaster and Manchester and the Fastline Plant depots in Darlington, Cardiff, Eastcroft and Reading all of whom reached more than 1,000 days without incurring a RIDDOR reportable accident.

Jarvis Rail's West Coast A09 project team was also one of the first teams on this project to receive Network Rail's West Coast Route Modernisation Safety Award. This was for the safe delivery of Route Section 3 in Scotland and Route Sections 1, 2, 3 and 7 track works in the North West of England during 2007-08.

Following the implementation of a more rigorous internal safety tour and briefing process the Accident Frequency Rate in Accommodation Services has almost halved compared to the previous year and the division saw a huge reduction in the frequency of minor accidents.

We strive continuously to improve our environmental performance as an integral part of the services and facilities we deliver, because we believe that just a small improvement can make a difference not only to society but to the efficiency of the business. We take any environmental incident very seriously and can report that during the year there was a further 22 per cent reduction in the total volume of oil spillages and leaks within the Plant business compared to the previous year.

Rail

The Rail business has performed well during the period and revenues have exceeded expectations, particularly in the second half, as the planned enhancement work outlined in Network Rail's Strategic Business Plan has finally started to come on line.

The teams in track renewals and enhancement projects north and south of the border have successfully delivered an increasing workload, the majority of which has been undertaken during the weekends. During the year the teams have worked every one of the 52 weekends, including Bank Holidays, and sometimes in very difficult weather conditions.

During the first half of the year the track renewals business took part in a much publicised performance review and competition initiated by Network Rail to select four track renewals contractors from six. The process ran for six months and in September we were very pleased to be

appointed as one of the four successful contractors. This was due to the dedication, hard work and experience of all the teams involved. Our success in this process will result in additional annualised revenue of approximately £17m which will first materialise in 2008-09. We have secured significant additional revenues in the London North East (LNE) region which has been extended to include the Midlands although we have lost some revenue in Scotland. The transition of the contracts has now been completed and all employees affected have been transferred under the TUPE regulations.

Plant (Fastline)

The last twelve months in Plant have been particularly testing. The demand profile for heavy plant such as tampers and ballast regulators and the mix of work in our Rail business meant that revenues were lower than anticipated. However, having developed a fuller understanding of the issues in the Plant and Rail businesses, we were able to react rapidly to improve the position and the performance in the second half was much stronger than in the first.

We continue to pursue our strategy of developing mechanised services which is aimed at improving output, delivery times and safety. Within the year our track renewal system, Slinger[®], has installed 253,440 sleepers, equating to more than 160 kilometres of track, on sites countrywide for a range of customers.

In the last few weeks a team from Fastline broke another record at a site at Orston Lane in Jarvis Rail's LNE Midlands territory by placing more than 1,400 yards of sleepers in just two hours using the track renewal system, Slinger[®]. This further demonstrates the capabilities of the track renewal system, Slinger[®], and is a good example of how people, processes and technology can be brought together to deliver outstanding results. This is typical of what we are aiming to achieve and we believe this approach will assist Network Rail in achieving its goals regarding a 7 day railway.

Freight (Fastline)

The Freight business commenced in June 2006 with three refurbished class 56 locomotives. At the start of this financial year we ran two container services from Thamesport to Doncaster and Birmingham and throughout the year volumes of container traffic have steadily increased. We launched a third service in February 2008 to the North West (Barton Dock Terminal).

The container activity has, as I have previously stated, until now been suboptimal. However, the Freight business is being transformed as we commence the contract to haul coal for E.ON secured earlier in the year. As planned we have now hauled our first coal wagons for E.ON and the introduction of Fastline's five new class 66 locomotives and 94 coal hopper wagons is staged such that the activity will be fully operational shortly.

Accommodation Services

Once again the business has made excellent progress in the year.

All construction contracts are concluded and as such the exit from construction is effectively complete. There are still some residual defects issues to be resolved but these are fully provided for.

In the Facilities Management business, we terminated the 3 significant loss-making contracts in the North. The transaction completed in October and included a fourth contract for geographical reasons. The total number of schools involved in this transaction was 47. We disposed of our 80 per cent share in the Herefordshire Jarvis Services local authority outsourcing business in September and more recently have also terminated two further FM contracts.

The business is now much smaller and more manageable with only 25 contracts of which 23 are long term PFI agreements. With many of these reaching their first benchmarking dates the business is starting to benefit from increased revenues.

In short, the business is no longer a liability which is a substantial achievement when compared to the situation only two years ago.

Central Overheads

A central plank of our strategy was to significantly reduce the Group's overhead costs. I am pleased to report that we are ahead of target, reducing our central overhead costs in the year by £7.7m (before exceptional items), and we will have achieved our target run rate for central overhead costs of £11m a year.

In last year's report I mentioned that we needed to introduce a more appropriate management information system to match our size and shape and assist us with further cost reductions. We have embarked on this course and are approximately half way through the programme.

Overall

Our strategy remains very clear and we have diligently followed the path to achieving our goals. The business has come a long way during the last year. We have encountered some obstacles and worked extremely hard to overcome them. I am pleased to say we have nonetheless made significant progress.

Richard Entwistle

Chief Executive
27 May 2008

Financial Review

The Group achieved a profit at the operating level, before exceptional items, of £9.2m.



Revenue and Operating Profit

The Group's revenue for the period to 31 March 2008 increased by £33.4m to £321.9m, resulting from stronger demand for Rail services in the second half of the year.

The Group achieved a profit at the operating level, before exceptional items, of £9.2m (2007: £4.9m). The improvement was largely due to the increased volumes and margins in the Rail business.

Cash Flow and Net Debt

The operating cash outflow for the period reduced to £18.7m (2007: £35.2m), reflecting lower restructuring and interest costs and a tax refund and interest rebate from HM Revenue & Customs (HMRC) of £6.5m.

Net debt at £38.8m is higher than in the prior year, the 2007 net debt figure having included £21.7m net proceeds from the Placing and Open Offer completed on 2 April 2007. Subsequent to the period end the Group refinanced its subordinated debt facilities and extended the terms of its borrowings to January 2010.

Finance Costs

Net finance costs for the period ended 31 March 2008 of £0.6m were significantly lower than prior year (2007: £4.6m). This was driven by an improvement in finance income from defined benefit pension schemes of £1.0m, reduction of interest charged on borrowings by £1.9m, and the interest benefit of £1.1m from the refund by HMRC.

Taxation

There was a net tax credit in the period of £5.2m, a consequence of the £5.4m tax refund received during the period. Agreement was reached with HMRC to amend corporation tax returns submitted by the Group for the years 2000, 2001 and 2002 following a change in tax legislation in 2007. This resulted in a tax refund of £5.4m and associated interest rebate of £1.1m, both of which have been presented as exceptional items in the period.

Exceptional Items

In addition to the HMRC tax refund, other exceptional items in the period include:

- costs of £2.7m associated with the delayed termination of three loss-making facilities management contracts;
- divisional redundancy costs of £2.0m as part of the ongoing overhead reduction programme: and
- £2.4m profit generated from the disposal of the Group's 80 per cent interest in Herefordshire Jarvis Services Limited.

Operational Restructuring

Significant progress has been made during the period on the continuing operational reorganisation of the Group including:

- disposal of loss-making facilities management contracts in October 2007;
- restructuring of the Accommodation Services Division to achieve profitability; and
- achievement of the planned reduction of central overheads in line with the size of the repositioned business. Central overheads have been successfully reduced from £20.1m in the period ended 2 April 2007 to £12.4m in the period ended 31 March 2008.

Pensions

A formal actuarial valuation of the Streamline Pension Schemes as at 5 April 2007 was completed during the period and showed a funding position of 74 per cent. The last formal actuarial valuation of the Railways Pension Scheme (RPS) was carried out at 31 December 2004 and showed a funding position of 102 per cent.

The position of each of these schemes has been updated by actuaries to 31 March 2008. The IAS 19 surplus on the RPS was £40.4m (2007: £36.4m). The IAS 19 deficit

on the Streamline Pension Schemes reduced to £15.1m (2007: £17.0m).

During the period the Group's contributions to these schemes was £4.1m (2007: £4.2m) and included special contributions to the Streamline Pension Schemes of £1.0m (2007: £1.0m).

Financial Risk Management

The Group has a centralised Treasury function whose primary role is to manage funding, liquidity and financial risks. The Group Treasury function ensures financial risks are identified through:

- receiving regular, formalised reports from all operating divisions;
- review of operational results and executive information, in particular each division's cash generation and usage and working capital position; and
- involvement in, and review of the output from, the planning and forecasting process.

In order to establish the Group's funding requirements the Group Treasury function monitors:

- regular cash flow forecasts prepared by the divisions;
- budgets and forecasts;
- actual trading results and resultant debt and balance sheet positions; and
- capital expenditure requests.

If appropriate, the Group enters into derivative transactions, principally interest rate swaps and forward currency purchases, to manage material interest rate and foreign exchange risks arising from the Group's operations and its sources of finance. No such transactions have been entered into during the period. It is the Group's policy that no trading in financial instruments for speculative purposes shall be undertaken.

The Group's principal financial assets are bank balances, cash, amounts recoverable on contracts and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its amounts recoverable on contracts and trade debtors. Credit risk is managed by monitoring the aggregate

amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Key Financial Performance Indicators

	Actual 2008	Actual 2007
	£m	£m
Revenue*	321.9	288.5
Operating profit*	9.2	4.9
Operating margin*	2.9%	1.7%
Earnings / (loss) per share	5.4p	(13.5)p
Operating cash flow	(18.7)	(35.2)
Net debt	38.8	23.6

* From continuing operations, before exceptional items.

Non-financial key performance indicators are as reported in the Corporate Social Responsibility report on pages 19 to 22.

John O'Kane

Group Finance Director
27 May 2008

Operating Review

Rail

Overview of Activities in the Business

Jarvis Rail Limited (Jarvis Rail) is the rail engineering arm of the business which undertakes rail enhancement projects, signalling and telecommunications, overhead line and track renewals nationwide. The business has maintained its position as a major provider of infrastructure works to the UK rail industry not only through the provision of plain line and switch and crossing renewal as one of Network Rail's chosen track renewals contractors, but also through the delivery of some key enhancement projects north and south of the border.

Safety remains at the top of the agenda with both the Rail and Plant teams continuing on the mission to achieve zero accidents. The period saw the company better the reduced Accident Frequency Rate (AFR) target set by Network Rail of 0.20 accidents per 100,000 hours worked. At the end of the period our Rail and Plant businesses combined achieved a highly credible trackside AFR of 0.18, a reduction of 21 per cent on the previous year.

Revenues exceeded expectations and increased by 45 per cent on the previous year. This was predominantly due to the increase in volume, which picked up in the second half as work came fully on line following the award of contracts earlier in the year. These enhancement contracts included Airdrie to Bathgate, Rugby Station Remodelling, Glasgow Airport Rail Link and Thameslink. The second generation of projects also started to come through as part of Network Rail's West Coast Route Modernisation.

The business has continued to strengthen its relationship with its major client Network Rail and teamwork was central to its success.

A major focus during the first half was our efforts to secure a place as one of the four suppliers for Network Rail's future Track Renewals programme. The decision to select Jarvis Rail is a major vote of support from our biggest client. It generates secure workload until April 2009 with the potential for extensions of up to 5 years and significant additional revenues.

The business undertook renewal work on the network during every single weekend and Bank Holiday of the period. Aside from the high profile overruns which affected the project at Rugby over Christmas, Jarvis Rail has worked closely with Network Rail

to successfully deliver upgrades and improvements on 4,764 worksites including nearly 400 core sites during the year.

Despite challenging weather conditions over the Easter weekend in March, Jarvis Rail and Network Rail worked jointly to safely and efficiently complete engineering works at more than 50 work sites countrywide. These included major engineering projects at Rugby and Northampton.

Network Rail has stated that one of its critical tasks in the coming years is to deliver its '7 day railway' initiative which will necessitate delivery of a minimum 200 yards track renewal in an 8 hour possession and installation of switches and crossings using modular techniques. Jarvis Rail is fully engaged working with Network Rail on this initiative and took significant steps towards achieving this in April 2007 when the modular techniques, designed in house, successfully installed five point ends in a 54 hour possession at Hunterston in Scotland and in September when the required 200 yards were installed at Heaton Sidings in the LNE territory.

West Coast Route Modernisation

Work on the second generation of Network Rail's West Coast Route Modernisation project has now come fully on stream. In this period Jarvis Rail secured substantial new contract work including Trent Valley Four Track (TV4), Ipswich to Ely gauge enhancement and several stages of the A09 – West Coast Line Speed Enhancement project.

Work on the complex remodelling contract at Rugby, which commenced in early 2007, continued throughout this period. Although there were issues at Christmas, the West Coast team continues to deliver its work on the project safely and has worked closely with Network Rail to consistently improve productivity targets. Over Easter the Rugby project team undertook a heavy programme of plain line and overhead line construction works throughout the length of the project area in an overall possession of 101 hours. The team are fully focused on working to ensure that the project remains on schedule for completion in December 2008.

The TV4 project includes the building of two additional railway tracks to separate freight trains and local passenger trains from the fast passenger services. Jarvis Rail has

commenced work on the planning and installation of plain line and switches and crossings elements within this project and will continue throughout 2008.

Throughout the year the West Coast and Scotland Track Renewal Company (strc) teams commenced work on the contracts awarded as part of the West Coast Line Speed Enhancement works. Known as A09, the contracts include work on five route sections between London and the Scottish border. Work on the largest of the projects, Route Section 12 (RS12) commenced in August. The contract comprises development, design, planning and implementation of major civils, plain line track renewals, signalling, telecommunications, overhead line and mechanical and electrical systems as part of the remodelling of the infrastructure between Stoke and Manchester. The Electrical Projects Group (the EPG team) is carrying out the signalling design and installation works to support all of these projects.

The West Coast team continues its excellent safety performance with the A09 teams at Glasgow and Manchester recently receiving one of Network Rail's first safety awards for the contract after completing the period without sustaining any RIDDOR reportable accidents.

Track Renewals

The rationalisation of track renewals contractors by Network Rail dominated the year in Track Renewals. The period commenced as the team were midway through the competition and by September the performance of the LNE and Scotland Integrated Management Teams (IMTs) had ensured Jarvis Rail's success. The result has seen Jarvis Rail extend its LNE territory significantly to include the Midlands region and the switches and crossing framework in Scotland transfer to another contractor.

The remainder of the year was spent ensuring that the planned operations were safely and efficiently delivered, as well as undertaking a complex and demanding transition of all the relevant people under TUPE regulations. In January we welcomed employees into the LNE team from Grant Rail and the transition of the Scotland IMT to another contractor was completed in March. The transition was achieved with minimum disruption to both people and operations.

Throughout all this the team continued to carry out a substantial workload. On top of an exemplary safety performance for the third consecutive year the strc team renewed 43 point ends and more than 8,400 composite yards of plain line in the period. The LNE team continued to make improvements to track quality throughout the year and delivered a total of 428,696 composite yards of plain line and 62 switch and crossing units.

Last summer Jarvis Rail's IMTs delivered notable achievements as part of Network Rail's early deployment initiative. As well as the team in Scotland's modular installation at Hunterston, the LNE team successfully installed a crossover with a double junction and switched diamond in less than 43 hours at Altofts, near Wakefield. These achievements clearly show how Jarvis Rail is at the forefront of the improvements needed in modular processes to aid Network Rail in achieving its 7 day railway.

National Multi-disciplinary Projects

In Scotland the strc team dedicated to multi-disciplinary project and enhancements has undertaken work on major projects including Airdrie to Bathgate, the Glasgow Airport Rail Link, the A09 and LL25 West Coast line speed enhancement programmes and a 14 day blockade at Shields Junction.

The advanced works on the Airdrie to Bathgate project ran throughout the period and extend to early 2009. The work completed this year includes the renewal of the old freight line as part of the redoubling works which equates to more than 15,000 composite yards of track. The successful delivery of these works safely, efficiently and on schedule has been rewarded and the team has secured the switch and crossing contract as part of the overall Airdrie to Bathgate project. These works, which are due to commence early in the 2008-09 financial year include the installation of twelve point ends at Bathgate/Boghall and the remodelling of Newbridge Junction on the main Edinburgh to Glasgow line.

Early in the period a projects team was formed in the South of England to enable Jarvis to maximise the growth opportunities in London and the South West. This team has already completed work on the development programme for the reliability strengthening for Thameslink and in December secured a four year framework to manage and

implement the survey, design and construction of this project.

As well as working alongside Jarvis Rail's West Coast team to deliver the signalling design and build to facilitate the A09 line speed enhancements, the EPG team has completed a number of signalling and multi-disciplinary infrastructure renewals during the period including high profile projects such as the Brough East signalling and level crossing renewal and the Durham Coast interlocking renewal. The EPG team has continued to improve upon its safety performance successfully delivering all projects without sustaining a RIDDOR reportable accident.

In March the EPG team was awarded the Low Row Sector B Signalling Renewal Contract, a significant project consisting of the design and build of a new signal box, two level crossings and the renewal of ten miles of line-side infrastructure. Work has already commenced on this project and the EPG team is also engaged on nine projects under the Minor Signalling Renewals Framework. These design and build projects, part of the five year programme on LNE range in complexity and include level crossing renewals on the East Coast Main Line at Moss, Balne and Widdrington.

The project teams north and south of the border remain focused on delivering current contracts and maximising opportunities by securing a further share of a growing rail market.

Operating Review

Plant

Overview of Activities in the Business

Fastline is the trading name of the Group's Plant business, which operates as a division of Fastline Limited. Fastline provides the rail industry with a wide range of on track machines (OTMs), specialist plant and small plant equipment. Through its transport business Fastline also manages an extensive fleet of commercial vehicles, many of which are purpose built, to serve the rail and other industries.

On Track Machines (OTMs)

The Network Rail National Framework contract has continued to represent a significant proportion of the total revenues for the OTM fleet. This contract expires in March 2009. We understand that Network Rail plans to issue tender documents for new contracts to replace existing arrangements with its current suppliers under the various National Framework Contracts. The reliability of Fastline's machines was outstanding, once again, achieving 98 per cent reliability.

As the workload in the Rail business increased there were significant improvements to the performance of the Plant business during the second half. During the Christmas period for example Fastline OTMs provided an extensive number of additional shifts, which were undertaken at short notice, all of which were delivered efficiently and safely.

Over the Easter weekend in March, Fastline carried out 144 operating shifts across the OTM and specialist plant fleet. The work was spread over four days without any major incidents and incorporated shifts at critical sites on the West Coast Main Line. Despite most of the country experiencing severe weather conditions all the planned works were completed as scheduled. This work was carried out for a range of customers as well as supporting the Jarvis Rail track renewal teams in the London North East (LNE) territory.

Fastline also operates and maintains a total of 64 machines owned by Network Rail. This includes a contract for the operation and maintenance of six Multi-Purpose Vehicles (MPVs), which undertake seasonal railhead treatments (Autumn) and weed killing activities (Spring). Fastline continues to operate a fleet of four Stoneblowers for

Network Rail across the LNE territory and Scotland. The contract for 2008-09 has been secured for the operation of Network Rail's High Output System 1 comprising two Medium Output Ballast Cleaners (MOBC), 18 ballast distribution wagons, 18 spoil handling wagons and 18 multi-functional wagons. During 2007-08 Fastline completed 55,888 metres of ballast cleaning in 65 shifts.

An innovation being developed in house is an automatic lifting beam for use with Fastline's track renewal system, Slinger®. This has been designed to reduce the necessity for the work force to work at height when loading panel lengths of track on to wagons. The successful implementation of this equipment will be a major step forward in providing the industry with a safe and efficient handling solution.

International

During the period, Fastline supplied a number of older and largely unused machines to Central and Eastern Europe, the Middle East and North Africa. These territories are key growth markets for investment in railway infrastructure.

Some of these machines, which left the UK in March 2008, have been supplied to a leading private trackwork contractor in Poland and will be deployed on one of the first EU funded projects in Poznan, Poland.

A small fleet of machines is also being sold for deployment throughout the Middle East and North Africa including Libya, Saudi Arabia and Egypt. One of the major trackwork contractors in the Middle East, will be taking delivery of a Ballast Cleaner, Switch and Crossing Tamper and Plain Line Tamper.

Specialist Plant

The track renewal system, Slinger®, has continued to perform well throughout the year with the customer base now including all major track renewal contractors. In total the fleet of 44 wagons delivered 253,440 sleepers (134,820 concrete and 118,620 steel), which equates to more than 160 kilometres of track.

Fastline's bespoke Rapid Ballast Excavator, Mole™, has seen action during the year on two major projects being delivered by Jarvis Rail on the Airdrie to Bathgate enabling works and the AO9 project in the Carnforth area.

Small Plant

The contract to provide small plant to Metronet, from our London depot in Acton, remains one of our key growth areas. Fastline has now provided this service for 18 months.

Hires throughout this period have gradually increased and this looks set to continue for the duration of the contract.

The provision of Fastline track side lighting to the rail industry continues to expand, with an average of 28 miles of lighting being erected and illuminated every weekend.

The largest growth area for the Small Plant business has been within the rail industry with serious emphasis being placed on supplying our internal market. This has resulted in a significant upturn in plant utilisation. The 'six to four' decision regarding track renewals contractors taken by Network Rail has resulted in the depots in the North East seeing sizeable increases in Fastline plant hires.

Fastline Transport

Following on from last year's development, the Fastline Transport business has continued to maintain its position as the operator of the UK's largest fleet of welfare vehicles. It was, however, impacted by a reduction in the number of hires as one of its main clients elected to buy vehicles directly from suppliers.

The business has now expanded into the cross hire market, with other van leasing companies, whilst maintaining its customer base in the rail industry, construction, highway maintenance, utilities, councils and government agencies.

The specialist welfare vehicle, Crewmaster®, has maintained its position, as the most popular vehicle provided within the fleet, delivering driver and passenger safety and comfort, and is continuing to develop its market beyond the traditional rail industry customer base.

Freight

Overview of Activities in the Business

Fastline Freight is the trading name of the Group's Freight business, which operates as a division of Fastline Limited. Its results are included in the Plant segment for reporting purposes. Fastline Freight entered into the container freight market in June 2006. The business has achieved steady growth and has now entered into the bulk haulage sector with a major contract hauling coal for E.ON UK plc (E.ON).

Container Services

Fastline Freight launched its first container services from Thamesport to Doncaster in the North East and Birmingham in the Midlands.

In February 2008 Fastline Freight began operating a third route to Barton Dock in the North West. The business utilises its three Class 56 locomotives to service a portfolio of container customers from shipping lines to third party logistics suppliers.

Bulk Haulage

In June 2007 Fastline Freight secured a major contract to haul coal via rail for E.ON, one of the UK's leading power and gas companies. The five year contract, worth in the region of £40m, is Fastline Freight's first coal haulage contract and has the potential to be extended for up to a further five years. This contract marks a major milestone in the development of the Freight business as it enters the bulk haulage sector.

Much of the year was spent preparing for the launch of this contract and the service commenced in May 2008. To operate this contract Fastline Freight secured five new Class 66 locomotives and 94 new coal hopper wagons.

The contract will see Fastline Freight haul coal from Immingham, Liverpool, Bristol and Avonmouth to Ratcliffe-on-Sour and Ironbridge power stations, which are located in Nottinghamshire and Shropshire respectively.

Safety

The Freight business achieved an outstanding 0.00 Accident Frequency Rate (AFR) for the year managing to deliver all its services without sustaining any RIDDOR reportable accidents.

Safety remains our number one priority and the very high priority given to safety at E.ON will work well alongside Fastline Freight's own safety objectives.

Accommodation Services

Overview of Activities in the Business

The Group's Accommodation Services business includes Jarvis Accommodation Services Limited (JAS) and Jarvis Construction (UK) Limited. These companies carry out the Group's facilities management and construction operations respectively.

The Group's exit from construction is effectively complete. There are some remaining construction issues outstanding which have been fully provided for.

The rationalisation of JAS has continued over the past 12 months. This has included the termination of three significant loss-making contracts in the North West, the disposal of the company's 80 per cent share in the Herefordshire Jarvis Services local authority outsourcing business and the termination of a further three facilities management contracts.

Facilities Management

The management team continues to drive service improvement, profit enhancement and safety initiatives throughout the business. Financial and commercial performance is much improved and cash collection – both current and aged – has received particular focus resulting in a reduction in outstanding debtors.

With recent disposals, the Facilities Management (FM) business now comprises 25 contracts, 23 of which are long term private finance initiatives (PFI) and include 15 schools, five hospitals, the Army Foundation College at Harrogate, one District Council Office and Tyne and Wear Fire Stations. Outside these PFI contracts the business operates FM contracts for the British Antarctic Survey and National Express.

Safety

The safety improvement plans instigated across the FM business have successfully increased safety awareness and the reporting and investigation of accidents and incidents. This has resulted in a significant reduction in the accident frequency rate during the year.

Biographies

Chairman



Steven Norris (63)
Executive Chairman
and Chairman of the
Nomination Committee

Steven has an Oxford University degree in Law. He was a Member of Parliament from 1983 until 1997. He was Parliamentary Private Secretary at the Departments of Environment, Trade and Industry and the Home Office and was Minister of Transport in London from 1992 to 1996. He is a former Director General of the Road Haulage Association and is now a director of a number of quoted and private companies. He joined the Jarvis Board in September 2000 and was appointed as Chairman in 2003. Steven is Chairman of the Nomination Committee.

Executives



Richard Entwistle (55)
Chief Executive

Richard has an Engineering degree from Leicester University and is a chartered Civil Engineer. Much of his early career was spent with Shephard Hill Civil Engineering Ltd, a company acquired by Jarvis in 1990. He left the Group in 1994 to join Balfour Beatty where he spent two years developing their fledgling Highway Maintenance business before joining Amey plc in 1996 to manage the rail business which had been acquired as part of rail privatisation. He joined the main Board of Amey plc in 1997 with the responsibility for both Amey Rail and Amey Highways (and latterly Tube Lines). Richard joined Jarvis as Chief Operating Officer with responsibility for the Group's core operations and was appointed Chief Executive in June 2006.



John O'Kane (49)
Group Finance
Director

John is a fellow of the Institute of Chartered Accountants in Ireland. He joined Jarvis after a brief spell as Group Finance Director at Eco-Bat Technologies Limited. Previously he was Group Finance Director of both Peterhouse Group plc and Kelda Group plc. John has also previously held senior management roles with ICL and Samsung Electronics in the UK and KPMG in South Africa. John was appointed to the Board as Group Finance Director in April 2006.

Non-Executives



Elizabeth Filkin (67)
Senior Independent
Non-Executive
Director

Educated at Birmingham University, Elizabeth spent her early career as a lecturer and community worker before becoming Chief Executive of the National Association of Citizens Advice Bureau. In 1988 she became Deputy Chief Executive of the London Docklands Development Corporation, a post she held until 1992. In 1993 she was appointed Adjudicator for the Inland Revenue, and consequently for Customs and Excise and the DSS Contributions Agency in the UK and Northern Ireland. In 1999, Elizabeth became Parliamentary Standards Commissioner, a role she held until 2002. A former member of the Audit Commission, Elizabeth is currently Deputy Chairman of the FSA Regulatory Decisions Committee. Elizabeth was appointed to the Board in August 2003. She is the Senior Independent Director and a member of the Audit, Remuneration and Nomination Committees.



Prof. Brian Mellitt (67)
Non-Executive Director
and Chairman of the
Remuneration
Committee

Brian is Non-Executive Chairman of Building Research Establishment Limited. He is Past President of the Institution of Electrical Engineers. Additionally, he has acted as Rail Adviser to N M Rothschild and Sons Limited for international railway restructuring projects. He has previously held positions as Professor of Electrical Engineering at the University of Birmingham and Director of Engineering for London Underground Limited; from 1995 to 1999 he was the Director of Engineering and Production and a main Board member for Railtrack plc. Brian was appointed to the Jarvis Board in October 2002. He is a member of the Audit and Nomination Committees and is Chairman of the Remuneration Committee.



Christopher Rew (60)
Non-Executive
Director and Chairman
of the Audit
Committee

Chris is a Chartered Accountant and was formerly a partner at RSM Robson Rhodes until April 2004, where he was the partner in charge of Market Sectors, having led the design and implementation of the programme to refocus the firm onto a market sector basis. Chris was also an audit and advisory partner at the firm with a wide range of clients. He was appointed to the Jarvis Board in May 2004. Chris chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

Executive Team



Mark Akinlade (40)
Group Company
Secretary and General
Counsel

Mark has an honours degree in Law and is a practising Solicitor. He started his legal career in London's West End in 1993 and joined the Group's legal team from private practice in June 2003. During his years in private practice he acted for a variety of corporate, commercial and insurance clients in connection with their business affairs, dispute management and commercial property interests. He has been Head of Legal Affairs since January 2005 and Group Company Secretary and General Counsel since the end of May 2007.

Kjell Karlsen (50)
Group Commercial
Director

Kjell has a business degree from Syracuse University in the US and has, besides positions in finance, held senior international management positions in the fields of procurement, marketing and contracts with companies such as Price Waterhouse, United Technologies, Champion Spark Plug Company, ABB and Bombardier. He joined Jarvis as Chief Financial Officer in March 2005 after having worked in several European countries and in Asia. He was appointed Group Commercial Director in April 2006.

Stuart Laird (55)
Chief Operating
Officer

Stuart has extensive experience of working at senior level within both the facilities management and construction markets. Prior to joining Jarvis, Stuart was a main Board Director of The Building & Property Group and helped instigate its sale to Interserve in 2000. His specialism is the turnaround of underperforming projects and businesses. Using these skills he has performed various roles within Jarvis Accommodation Services since June 2003 and became Chief Operating Officer of the Group in April 2008.

Patrick McHale (46)
Managing Director –
Rail

Pat spent the majority of his career to date working within the mining industry. He held numerous senior management positions reaching Board level in 1996 and gaining chartered membership of the Institute of Mining Engineers. He made the transition into the rail industry in February 2000, starting in a senior role within the Plant Division where his skills and leadership ability led to promotion into the post of Managing Director, Track Renewals in 2002 and Managing Director, Jarvis Rail during 2004. He was appointed as Group Managing Director Operations in April 2006 and in April 2008 his role grew to include responsibility for the delivery of all Rail engineering operations as well as operational improvements Groupwide, Jarvis Group Control Centre and the Group's research and development programme.

John Snowdon (60)
Managing Director –
Plant

John started his career as an engineering apprentice at British Gypsum. In 1974 he joined the international division of Laing Plant & Transport and in 1983 he returned to the UK with Laing's Construction division. In 1985 he joined Laing's Plant and Transport division where his work involved setting up its plant hire business. From 1986 John worked overseas for a major Indian contractor and in 1990 joined Amey as Managing Director of its Fleet business. Following Amey's venture into the UK railway industry in 1996 John's responsibility was extended to encompass railway plant and machinery. In April 2007 John joined Jarvis as Managing Director of Plant with responsibility for Fastline's on track machines, specialist plant and small plant businesses. In April 2008, in addition to his existing role, John took on responsibility for the Group's Transport (excluding Freight) and Somerford Equipment businesses.

Richard Thornton (54)
Group Director
Engineering and HSQE

Richard has an honours degree in Civil Engineering and before joining Jarvis in 1998 he spent over 25 years in the rail industry, holding a number of senior positions in track and structures maintenance and renewal, as well as contract management within British Rail and the newly-privatised railway industry. He is a Chartered Engineer and is a Fellow of the Institution of Civil Engineers. He was appointed as Chief Civil Engineer Jarvis Rail in 2000, Engineering Director in 2004 and became Group Director Engineering and HSQE in December 2006. He represents the Railway Infrastructure Contractors on a number of industry bodies.

Bernard Westbrook (61)
Group Human
Resources Director

Bernard is a qualified and seasoned personnel professional. Prior to joining the Jarvis Group in 1997 he spent over 30 years in the railway industry, holding a number of senior posts in the personnel function of various engineering, operational, corporate and subsidiary business divisions of the former British Railways Board. As Group Personnel Director of British Rail Infrastructure Services, he was heavily involved in the railway privatisation process. Bernard is currently a member of the CBI's Employment Policy Committee.

Corporate Governance Statement

Statement of Compliance with the Combined Code

This report explains the Board's application of the principles contained within the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006 (the 'Combined Code'). The Board is committed to the principles and provisions contained in the Combined Code and believes that the Company throughout the period to 31 March 2008, and to the date of signature of this statement, complied with the principles and provisions set out in Section 1 of the Combined Code and the Preamble to the Combined Code save where explained here.

Internal Control

In last year's Corporate Governance report we described the actions then taking place to implement improvements in the Group's control environment. The Board is responsible for the Group's system of internal control and reviewing its effectiveness. This responsibility was delegated to the Corporate Governance Committee which monitored the improvements in internal control and the effectiveness of changes made. The Committee comprised the members of the Audit Committee, together with the Chief Executive, the Group Company Secretary and General Counsel and the Head of Internal Audit. With effect from 25 October 2007 the responsibilities of the Corporate Governance Committee were incorporated into those of the Audit Committee. As such the Corporate Governance Committee ceased to meet as a separate entity from that date.

Particular attention has been devoted to business processes and controls as the Group has changed and developed its organisation during the period. The Board is committed to ensuring that the Group has sound and appropriate systems of internal control. There is continuous appraisal of these controls and improvements to the procedures adopted by the Group have continued throughout the period. However, any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has responsibility for the management of the Group and specific

matters are reserved for the decision of the Board under the Articles of Association, Group policies and delegated authorities. The Board has also adopted a set of corporate responsibility principles, addressing both compliance and aspiration, that deal with health, safety, environmental responsibility risk, Group business methodology and relationships with stakeholders. These responsibilities are kept under review.

The Board also receives and reviews frequent reports on performance against budget, strategic planning, operational issues and the ongoing process improvements being developed within the business. The quality of each report is subject to critical review by both the Board and the Audit Committee. As a result the review of internal control throughout the period has exceeded the annual review minimum recommended by the Combined Code.

The Board continues to pursue improvements in internal controls in all areas of the business. The two key projects outlined in last year's report, for example, have developed further. Firstly, following the refocus on commercial procedures, new finance and commercial procedures manuals have been fully implemented and actively monitored to ensure effectiveness and ongoing compliance with them. Secondly, new business systems have been identified and work to implement them and their associated process improvements has progressed well. Both of these projects focus on the management and mitigation of identified risks and address the process of improvements to the independent review and challenge of complex commercial, legal and contractual issues; the implementation of more robust systems of control; and the provision of more timely flows of information.

The development of new Group procedures and manuals was driven in part by the appointment of new senior management in a number of key areas with specific strengthening in the Commercial and Operational teams. The organisational structure continued to be developed during the period to ensure that it remained appropriate for achieving the Group's defined objectives and maintaining the management structure needed to service operational requirements. Ongoing assessment of internal controls has ensured that the

controls in place are developed appropriately and underpin the revised organisational structure.

The Corporate Governance Committee and now the Audit Committee have been pivotal in leading these improvements and monitoring the progress, implementation and the subsequent quality and consistency of the control environment in which they operate. This has resulted in greater clarity of process in all commercial activities.

Evaluation of Business Risks

During each of the last three financial years we have reviewed risk identification, evaluation and reporting processes by surveying the Board and senior management. This has confirmed that progress has been made and the Group will continue to build on this. The intention of the Board is to ensure that risk identification and evaluation are embedded within the operational processes of the business.

Risk management has been further reinforced through the development and implementation of a programme of 'Control Self Assessments'. Currently, these are undertaken by the finance community but as part of the introduction of the new business systems it is intended to roll these out across other areas of the Company.

During the period business risk continued to be a formal consideration in the Monthly Operating Review meetings of each division. Key issues identified during these meetings are consolidated and any significant issues are reported to and addressed by the Board and the Corporate Governance/Audit Committee as appropriate.

In line with the recommendations of the Smith Report the Audit Committee continues to review the risk control processes, supplementing the Board's formal review of the outputs in this area. The Board confirms that the process for identifying, evaluating and managing significant risks (both financial and non-financial) faced by the Group accords with the Turnbull Guidance on Internal Control and has been in place for the period under review and up to the date of approval of the Annual Report. This is regularly reviewed by the Board.

The number of Board and Committee meetings attended by each Director during the period was as follows:
Executive Directors periodically attended Committee meetings by invitation.

Director	Board	Audit Committee (Note 2)	Remuneration Committee	Nomination Committee	Corporate Governance Committee (Note 2)
Number of Meetings held	15	7	3	–	2
R Entwistle	15	6	–	–	1
E Filkin	15	7	3	–	2
B Mellitt	15	6	3	–	2
S Norris	15	7	–	–	1
J O' Kane	14	6	–	–	1
C J Rew	15	7	3	–	2

1 In addition to the above the Board met as a Committee on ten further occasions during the period to approve other transactions and to deal with the exercise of warrants and the liquidation of dormant subsidiary companies.

2 With effect from 25 October 2007 the responsibilities of the Audit Committee were extended to incorporate those previously assigned to the Corporate Governance Committee. As such the Corporate Governance Committee ceased to meet as a separate committee from that date.

Internal Audit

The Group Internal Audit function provides an independent mechanism for monitoring and reviewing internal control effectiveness across the Group. The Head of Internal Audit reports directly to the Audit Committee and attends all Audit Committee Meetings. The terms of reference for the function continue to be supported by the Audit Committee, with the main focus being the assessment of the internal control environment. Group Internal Audit continues to develop risk assurance within the business risk review process. Audit Committee approval is required for any change in the appointment of the Head of Internal Audit.

The annual audit plan for the period ended 31 March 2008 was developed and agreed with the Audit Committee. In addition, during the period, a number of ad hoc projects were initiated and approved by the Audit Committee to help understand risks and internal control issues associated with the changes taking place in the business. Another key focus has been the provision of project assurance in the development areas outlined in the Internal Control section above.

Insurance

The Group obtains comprehensive insurance cover for its operations, including cover for third party liability, employers' liability and material damage. Network Rail has continued to provide an industry-wide third party legal liability insurance scheme for all infrastructure and associated work to the level of £155m as required by the Office of Rail Regulation. The Group's Rail and railway related Plant operations continue

to benefit from this cover. The Group maintains separate third party liability insurance up to £155m for its Freight operation and all other work is covered to a level of £60m. Directors and Officers of the Company and its subsidiaries have the benefit of a Directors and Officers Liability insurance policy which provides appropriate cover in respect of legal actions brought against the Directors.

The Board

Decisions are taken by the Board as a whole, based on detailed papers sent out in advance of each Board meeting. The quality of Board papers has improved during the period. The first regular item on every Board agenda is safety, with reports provided on both operational and occupational safety matters. Routine Board agenda items include reports from the Chief Executive and Group Finance Director and reports on Corporate Governance and Shareholder matters. On a rotational basis, the Board receives reports on specific topics including risk management and insurance, human resources and corporate development issues as well as Corporate Social Responsibility matters.

Management of day-to-day operations is delegated to the Chief Executive and to an Operational Executive Committee comprising the Chief Executive, the Group Finance Director and the Executive Team. This group also meets on a weekly basis to consider key management issues. Certain commercial matters are delegated to a Committee of any two or more Directors. All matters considered in this way are submitted for ratification at the next regular Board meeting.

The Chairman

Steven Norris has been Executive Chairman since September 2005. Steven had previously been Non-Executive Chairman and had been identified as independent on his appointment to the Board. His other commitments include a number of directorships, some of a charitable nature, and his ownership of Park Place Communications, which is a consultancy specialising in transport and environment matters. Subsequent to the end of the period Steven was appointed to the boards of Transport for London and the London Development Agency. A written division of responsibilities between Chairman and Chief Executive was established in 2005. The Chairman has responsibility for the effective operation of the Board's proceedings and the management of the relationship between Executive and Non-Executive Directors. Richard Entwistle was appointed as Chief Executive on 30 June 2006 and is responsible for the operations of the Group.

Approximately quarterly, the Chairman holds meetings with the Non-Executive Directors without the Executive Directors being present.

Directors

The Board is currently made up of three Non-Executive Directors, all of whom are deemed independent by the Board, the Chairman, and two Executive Directors. During the period under review the ratio of Non-Executive Directors to Executive Directors has been 1:1.

Corporate Governance Statement

The Group intends to maintain the ratio of more than one half of the Directors, excluding the Chairman, being independent Non-Executives and maintains under review the balance of skills currently available amongst the Non-Executive Board members. Elizabeth Filkin is the Senior Independent Director.

Executive Directors' service agreements have notice periods of one year from the Company and six months by the Executive. None of the Executive Directors hold Non-Executive directorships in FTSE 100 companies. Where the Company releases an Executive Director to serve as a Non-Executive Director elsewhere, the impact of this on the Director's remuneration is considered by the Remuneration Committee.

All Directors are appointed for a specific term and are subject to re-appointment by the Company in general meeting at the first Annual General Meeting after their appointment by the Board and every three years thereafter. Biographical material is given to Shareholders prior to the Annual General Meeting each year. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company and are made available for inspection at the Annual General Meeting of the Company.

Attendance statistics at Board and Board Committee meetings during the period are shown in the table on page 15. The figures include attendance at Committee meetings by invited Executive Directors, who do not normally form part of the Committee membership.

Whilst it is not policy to make the Non-Executive Directors readily available, in response to the increasing demands of the investment community, their expertise and knowledge have been utilised where relevant. Additionally, as part of the regular reporting to the Board, information on the issues and concerns of the investment community are considered. At each regular meeting, the Board receives a report from the Group Company Secretary and General Counsel on the relative share price performance of the Company including movement in institutional shareholdings as well as reports on the beneficial holders of the share capital.

Any Director may, if necessary, seek independent external advice at the Company's expense and has access to the Group Company Secretary and General Counsel for his advice and services and to procure such independent advice if requested. Any concerns which a Director may have about the running of the Company, or a proposed action, are recorded in the Board minutes. If any such concerns arise and are not addressed, a Non-Executive Director would be able to provide a written statement to the Chairman setting out the basis of such concern.

On appointment, Directors are entitled to receive any training they consider necessary on issues of relevance to their role and are subsequently entitled and invited to attend relevant training seminars. Site visits and briefings are arranged to coincide with Board meetings, and meetings with major Shareholders are arranged on an ad hoc basis. Details of the composition of the Board during the period are set out in the Directors' Report on page 29. There have been no changes to its composition during the period. Biographical details and Committee memberships of each of the Directors appear on page 12.

Performance Evaluation

A performance evaluation review was undertaken during the period. Interviews with each Board member, structured in accordance with a template in questionnaire form, were conducted by an external facilitator. As required by the Combined Code, the Non-Executives, led by the Senior Independent Director, were responsible for performance evaluation of the Chairman, taking into account the views of Executive Directors. The resultant reports were considered by the Board and adopted. A further performance evaluation in the same format is currently in progress.

Company Secretary

The Group Company Secretary and General Counsel is responsible for ensuring the timely flow of information and provision of sufficient resources to the Board and its Committees as well as ensuring that Directors not only receive a suitable induction to the Board, but also receive any ongoing training, which they require. The appointment and removal of the Group Company Secretary is a matter reserved for the Board as a whole.

Board Committees

The Board has appointed an Audit Committee which during the period expanded its remit to incorporate those responsibilities previously assigned to the Corporate Governance Committee, a Remuneration Committee and a Nomination Committee. These meet regularly throughout the year to scheduled agendas and are discussed in detail below.

Audit Committee

As required by the Combined Code, the Audit Committee comprised at least three independent Non-Executive Directors throughout the period. The Committee has been chaired by Chris Rew since his appointment to the Board and the Committee in May 2004. Chris is Chartered Accountant and has invaluable and relevant financial experience. Elizabeth Filkin, being a former member of the Audit Commission and currently Deputy Chairman of the FSA Regulatory Decisions Committee, is also regarded as having valuable experience and the remaining Committee Member, Professor Brian Mellitt, has extensive business experience. All Committee members are regarded as independent. The Board considers that the membership of all the Non-Executive Directors on each of the Board Committees provides important continuity at the current time. The Group Finance Director and Head of Group Internal Audit attend when requested.

The Company Secretary is the Secretary to the Committee. On more than one occasion during the last period, the Non-Executive Directors have met without the presence of the Executive Directors.

The Committee meets with the external auditors to review the Group's Annual Report and Half Yearly Financial Report and has responsibility for ensuring that appropriate accounting policies and compliance procedures are in place.

Part of this meeting is held without the presence of the Executive Directors. The Committee ensures that the principles of the Combined Code relating to accountability and audit are followed for financial reporting, internal control and the relationship with the Group's auditors. The Committee also reviews the fee ratio of non-audit work undertaken by the external auditors and has adopted a policy that it must give prior approval for any non-audit services provided

by the external auditors with a fee in excess of £100,000. The Committee reviews all other non-audit expenditure with the external auditors. The Audit Committee also regularly addresses the issue of auditor independence and it is considered that adequate provision is made to ensure its protection. For the purpose of compliance the Company can confirm there was no need for a senior partner change during the period under review.

As the members of the Audit Committee and the Corporate Governance Committee were predominately the same and a number of areas of interest overlapped, the Board decided to extend the remit of the former during the period to include the responsibilities of the latter. For example, the Audit Committee considered the findings and observations of the Corporate Governance Committee when reviewing the effectiveness of the system of internal control, which included monitoring and reviewing the effectiveness of the Group's Internal Audit function. As such this now falls within the direct scope of the Audit Committee itself. As before the Audit Committee also receives reports of the activity of the Group's Internal Audit department. The Group Internal Audit function continues to report directly to the Committee with line management of the function being provided by the Group Finance Director. The Head of Internal Audit meets regularly with the Chairman of the Audit Committee on Internal Audit matters. Audit Committee minutes and reports are regularly provided to the Board.

In addition to the Audit Committee's duties described above the Committee reviews the scope and nature of the audit, reviews the auditor's quality control procedures and discusses any problems or reservations arising from audits.

The Audit Committee considers that the above description of its work adequately meets the recommendations of the Combined Code as to disclosure. The Committee's terms of reference are available on the Company's website and have been made available throughout the period.

Since the last Corporate Governance Statement the Audit Committee has undertaken a facilitated self-assessment of its effectiveness in conjunction with Independent Audit Limited, strategic governance consultants who specialise

in improving corporate performance. Overall, the results of this self-assessment were encouraging. The Audit Committee was unanimously regarded as one committed to continuous improvement. Amongst its particular strengths were: its relationships with financial management and the external auditors; its supporting processes; the way its meetings are run; and the follow through after meetings. A number of areas for improvement were identified and considered in detail by the Audit Committee. As a result the Audit Committee has agreed a course of action to address these areas and to build on its existing strengths.

Corporate Governance Committee

As previously described the responsibilities of the Corporate Governance Committee were incorporated into those of the Audit Committee during the period and the Corporate Governance Committee subsequently ceased to meet as a separate entity.

Its role until that time included consideration of the structures, policies and processes of the Group to achieve good corporate governance and proper systems of internal control. This Committee supplemented the work of the Audit Committee and during the period had specifically focused on process and organisational review projects. It had also provided challenge regarding the coordination of the various initiatives underway within the organisation and had considered recommendations about improvements to the control mechanisms following the annual audit and interim reports. The 'Whistleblower' policy which provides the route for employees and others to raise concerns about financial and other matters in the event that normal channels prove insufficient or inappropriate continues to be compliant. The policy is communicated via the website and through a number of other channels and includes an independent email address and a direct phone hotline to provide secure contact for the use of employees. A formal mechanism is in place for the Group Company Secretary and General Counsel to review concerns raised under the policy with the Non-Executive Directors as they occur and to discuss them at the next scheduled Committee meeting with the Non-Executive Directors only. The above activities now continue within the scope of the Audit Committee itself.

During the period the Committee's membership included all of the Directors (other than the Chairman), the Group Company Secretary and General Counsel and a number of nominated senior specialist staff. The Committee, was chaired by Chris Rew, and had met regularly from inception to its incorporation with the Audit Committee.

Remuneration Committee

The Report of the Remuneration Committee and the Group's compliance with the Combined Code in relation to Directors' remuneration is given on pages 23 to 27. The report will be submitted to Shareholders for their approval at the forthcoming Annual General Meeting. The Remuneration Committee is responsible for setting and monitoring the level and structure of the remuneration of Executive Directors, including the Chairman, and the senior management reporting directly to the Chief Executive and consults the Chief Executive on their recommendations. The level of fees payable to Non-Executive Directors and the Chairman are set by the Board as a whole on the recommendations of the Chief Executive and Group Human Resources Director. In preparing these recommendations, the Chief Executive reviews the fees payable to Non-Executive Directors of comparable companies to provide a benchmark. The Committee comprises all the Non-Executive Directors and was chaired during the period by Professor Brian Mellitt. The Group Company Secretary and General Counsel is Secretary to the Committee. The Chief Executive and Group Human Resources Director are invited to attend as appropriate. No Executive Director is present at a meeting where his own remuneration is discussed.

In February 2005 the Board reviewed the terms and conditions of appointment of the Non-Executive Directors and agreed that, given the importance of continuity of the Non-Executive body to the Company, that the notice periods for Non-Executives should be extended to be comparable with those of Executive Directors. Additionally provision was made in the agreements for additional fees to be paid to Non-Executive Directors where the workload of meetings exceeded that identified as normal in their letter of appointment. In the period under review additional fees were paid to the Non-Executive Directors under this provision and details are disclosed in the Report of the Remuneration

Corporate Governance Statement

Committee. The Board will review the fee levels payable to the Non-Executive Directors in the current financial year.

As required by the Combined Code, Shareholders are invited specifically to approve all new long term incentive schemes and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules. The Committee's terms of reference are available on the Company's website and have been made available throughout the period.

Nomination Committee

Nominations for appointments to the Board are dealt with by a Nomination Committee consisting of all the Non-Executive Directors and the Chairman, who is also the Chairman of the Committee.

At all meetings where discussion on the appointment of a Nomination Committee member has taken place, the candidates for the position have absented themselves during such discussions. The Committee meets on an ad hoc basis. The Committee was not called upon to make any changes to the Board during the period. The terms of reference of the Nomination Committee include the responsibility for identifying and nominating for the approval of the Board suitable candidates to fill Board vacancies. In doing so, the Committee takes account of the skills, knowledge and experience required on the Board before commencing a search based on objective criteria. On behalf of the Committee, the Group Human Resources Director and the Group Company Secretary and General Counsel review the experience and qualifications of candidates to enable the Committee to assess issues of independence, time commitment, succession and board balance.

External advice is sought and external search consultants are used by the Committee to ensure that a wide range of candidates is considered. The Committee also has responsibility for succession planning for the Board and senior management and makes recommendations to the Board regarding the re-appointment of all Directors.

As required by the Combined Code, apart from the Chairman the Committee comprised solely independent Non-Executive Directors throughout the period. The terms of reference of the Nomination Committee provide for attendance by the Chief Executive at the Committee's invitation.

Shareholder Communications

During the period institutional Shareholders and their representative bodies had contact with the Chairman, the Chief Executive, the Group Finance Director and the Group Company Secretary and General Counsel. Such meetings were reported to the Board. The Chairman, the Non-Executive Directors and the Group Company Secretary and General Counsel are made available to meet with representatives of investor protection bodies and the views of these bodies are also reported to the Board. The Company welcomes and encourages such Shareholder dialogue, within the constraints of statute and the UK Listing Authority's guidelines.

Shareholders have been kept informed of developments within the Company by the release of news to the regulatory information services and by a number of circulars during the period and after its close.

Private investors are encouraged to attend the AGM and General Meetings or, if they cannot, to vote by proxy. In preparing the agenda for all General Meetings of the Company, care is taken to ensure that substantial issues are the subject of separate resolutions. At the forthcoming Annual General Meeting, as at all recent General Meetings, the numbers and voting intentions of Shareholders voting by proxy will be disclosed to the meeting. Shareholders will have an option to direct their proxy to vote either for or against the resolution or to withhold their vote. It will be clearly stated in the notice to the meeting that a withheld vote is not a vote in law and will not be counted in the determination of the resolution. The Company will continue to give at least 20 working days notice of the Annual General Meeting and the Chairmen of the Audit, Nomination and Remuneration Committees will be available to answer Shareholders' questions relating to the responsibilities of the Committees which they chair.

By order of the Board

Mark Akinlade
Secretary
27 May 2008

Corporate Social Responsibility

Corporate Social Responsibility Framework

Our Mission

The way we do business across the Group reflects our commitment to profitable growth, sustainable development and integrity. Our Principles set the standards that we intend to pursue through our economic goals and business ventures. They define what is acceptable business behaviour, and guide us in what is not.

Norms of Best Practice

The Principles are rooted in national and international law relating to Corporate Responsibility, much of which is guided by the Universal Declaration of Human Rights (UN, 1948), the Labour Standards embodied in the Fundamental Conventions of the International Labour Organisation (ILO, 1930-1999) and the environmental Conventions agreed following the Rio Declaration on Environment and Development (UN, 1992). They also build on associated 'norms' of responsible business practice, the most significant of which are the UN Global Compact (2000), the OECD Guidelines (2000), the UN Norms of Human Rights Responsibilities of Multinational Companies (2002) and the July 2002 Communiqué of the European Commission concerning corporate social responsibility.

Continuous Improvement

These Principles address both compliance and aspiration. Their true force lies in their continuous implementation as part of the way we do business. This is why we continue to develop policies and programmes to support the embedding and communication of these Principles throughout our operations and those of our partners. In the event that our Principles are compromised by those partners with whom we work, we will seek to address any problems – although we will not tolerate consistent failures to adhere to the Principles.

Implementation

We will measure progress by developing relevant indicators to monitor our performance over time systematically. We will report publicly on our progress and open ourselves to scrutiny through independent audit. In this way we seek to promote continuous improvement, demonstrate our accountability to all our stakeholders, and promote Jarvis as a responsible corporate citizen and attractive business partner.

Principle 1: Corporate Governance and Accountability

We will be accountable, promote Shareholder value, and operate transparently and to a high standard of corporate responsibility, to deliver our long-term commitments.

We will work actively to achieve market leadership and to deliver sustained returns for all our Shareholders. In doing so, we are guided by UK law and best practice codes of corporate governance and responsibility. We require all our business activities to be undertaken in accordance with the principles of transparency and accountability. We are committed to ensuring that the way we do business demonstrates long term financial and societal returns, and that our Financial Statements reflect our performance accurately and fairly.

Principle 2: Integrity and Ethics

We will be ethical, lawful, transparent and honest, in our business operations.

Our success depends on our ability to do the right thing. We will work proactively to earn the respect and trust of the public as a whole. We believe in ethical business practice and seek to uphold statutory law and regulations. We reject all dealings that might bias decision-making, and that might discredit Jarvis or our customers. We do not allow the giving or accepting of bribes, and we are all obligated to report potential conflict of interest situations as they arise.

Principle 3: Employees

We will promote a diverse, committed, and well-trained workforce that recognises the rights of all employees.

Our employees make us successful. We are committed to the development of a professional and motivated workforce throughout the business. We are committed to providing a stimulating and diverse working environment, and aim to enhance skills and capacity through continued investment in employee training, effective working practices and career development. We will ensure that the due rights of our employees are protected. We encourage diversity and opportunity, and are dedicated to the provision of fair and equitable conditions of work. We will not discriminate against employees on the basis of gender, age, sexual orientation, marital status, ethnicity or religious belief. We seek to uphold the highest labour standards, rejecting

child or involuntary labour, excessive overtime or unfair rates and terms of pay. We support the rights of our employees to enter into collective bargaining, and to join lawful trade unions or form workers associations.

Principle 4: Business Partnerships

We believe partnerships are a fundamentally important way to do good, successful and meaningful business.

We believe in collaborative working arrangements. We are dedicated to a partnership approach as a means of facilitating sustained improvement in business sector performance, and enhancing our contribution to society. We seek to engage with, and contribute to, communities and society through our work in public infrastructure, education, health, and other services. Our partnerships are a fundamental part of the way we do business.

Principle 5: Supply Chain Responsibility

Our supply chains are important, so we will work to support suppliers and sub-contractors that want to work with us to improve the way we do business. We will stop working with those that do not.

We seek to build long-term relationships and 'value chains' with our customers, partners, suppliers, and sub-contractors. We are committed to ethical and responsible business practice and expect the same from our partners in our supply chains. We are committed to meeting the growing demands and expectations of our customers by delivering superior ethical, social, safety, and environmental standards. We will ensure that the same high standards we expect of ourselves are also requested of our suppliers in our procurement practice, and all companies or persons doing business with Jarvis will receive a copy of our Corporate Responsibility Principles. We will seek to assist willing suppliers or sub-contractors when their performance is found to be of poor quality. We will stop working with any supplier or sub-contractor that consistently fails to improve their social and environmental performance.

Principle 6: Community Engagement

We will work with and in our communities as part of the service we deliver to support their growth and development.

We are committed to improving the quality of life of the communities in which we operate.

Corporate Social Responsibility

We recognise the social impacts of our business, and believe in consultation with local communities about our activities and about the safety and environmental implications of our operations. We are aware that some of our work is in deprived areas, and we are sensitive to the need to promote social inclusion through our local community projects. We are committed to social responsibility, and believe the success of our business is contingent on the quality of the relationships we build with our communities and legitimate public interest groups.

Principle 7: Continuous Improvement in Health and Safety

Safety is our number one priority for employees, users and sub-contractors. We insist on the same level of commitment to safety from our sub-contractors and suppliers. We will do all we reasonably can to design, build and manage safe projects and services.

The health and safety of our employees, customers and communities, and sub-contractors, is our number one priority. We view legal requirements as the minimum standard for minimising the risk of injury, ill health, and damage and loss to property arising from our work activities or equipment. We are committed to making continued investments in safety training, monitoring, and awareness building across our businesses. We will report on our progress. We view operational safety and accident awareness as a responsibility of us all.

Principle 8: Our Ecological Footprint

We view continuous improvement in our environmental performance as an integral part of the services and facilities that we deliver. We will do this in accordance with recognised environmental management systems.

We believe improvements to our environmental performance can make a difference to society and to the efficiency of our core business practices. We are committed to assessing the impacts of our operations on land, water, air, and biodiversity, and to managing our waste in all of its forms by reusing and recycling it, wherever appropriate. We seek to minimise the adverse environmental impacts caused by our work and the services we provide. We will work actively to prevent leaks and spillages, manage any accidents responsibly and to reduce our use of energy and

materials. We will manage and improve our environmental performance in accordance with evolving legal requirements and international standards. We are also committed to the continuing certification and improvement of our environmental management systems in key areas of our business.

Principle 9: Innovation and Risks Review

We will use innovation and robust risk management tools to reduce risk, promote opportunities and improve the services and products that we deliver to our customers and users.

We are committed to continuous innovation in all aspects of our business and to maintaining an effective and robust risk management programme in relation to our operations, services and products. We are committed to understanding the needs of our customers. We will apply technological and management innovation to improve the efficiency and quality of our service provision, extend our market penetration and to manage risk and opportunity responsibly.

Progress Against the Principles Principle 1

Providing Shareholder value and maintaining high standards of Corporate Governance remain fundamental to the Group's operations. Despite the Group's recent history, which has been documented in previous annual reports, the Group has continued to strive hard to deliver Shareholder value in what, over the years, have been difficult circumstances. The continuing recovery of the Group is testament to its determination to achieve this goal. These efforts are underpinned by levels of Corporate Governance and a culture of accountability and transparency which have improved significantly since the inception of the Corporate Governance Committee in 2004 and continue to improve following the Committee's responsibilities being incorporated into those of the Audit Committee in October 2007.

Principle 2

The Board continues to maintain and promote integrity and ethics in the Group's dealings with all its stakeholders. The improved transparency stemming from clear and simple process delivery underpins its ability to do this. The Board has put in place clear policies across the business covering areas such as employment, finance and

procurement. These have been strengthened during the period under review with the implementation of a new Corporate Contracting Manual and a new Group Finance Manual both of which have been actively monitored in terms of effectiveness and ongoing compliance. In addition, as part of an independent monitoring process the Group's established whistleblowing policy has continued to operate throughout the period. This enables any employee to identify a breach of any policy or to raise any concerns they might have with the Non-Executive members of the board via telephone and email hotlines.

Principle 3

Our employees are key to the success of our business. We operate training, retraining and further development programmes to ensure effective working practices and provide for career development. We have adopted policies to prevent discrimination on the basis of disability, gender, age, sexual orientation marital status, ethnicity or religious belief and to encourage diversity and opportunity. We operate in a unionised environment and have worked closely with the appropriate trade unions for the benefit of our employees. Over recent years, however, we recognise that the Group has reduced in size and a major focus has been on protecting the rights of our employees by means of minimising the requirement for compulsory redundancy, ensuring protection of their rights on transfer where businesses have been sold and retraining and redeploying staff wherever possible.

Principle 4

The Group continues to execute its contracts in partnerships with all stakeholders. The use of Integrated Management Teams with its customers is a prime example of the collaborative working arrangements, during the period, which seek to add value not only to the Group but also to its partners. Work under these arrangements was reviewed on a monthly basis as part of the Monthly Operating Reviews. As part of its business development strategy the Group focuses on long-term framework agreements which enable sustainable continuous improvements.

Principle 5

Jarvis has a supplier reduction programme in place which aims to move to fewer better suppliers in its supply chain. Whilst some progress has been made during the period,

the opportunity remains to reduce suppliers further in 2008-09. Critical to any new arrangements that are made are assessments of a supplier's safety, social and environmental standards. Measurement of supplier's performance is essential in our quest for continuous improvement.

New additions to the Jarvis supply chain undergo a rigorous accreditation selection process, which takes into account a broad range of criteria to ensure best practice safety, environmental and commercial performance.

Jarvis applies these same principals to its own business to meet and exceed its customers' expectations, now and in the future.

Principle 6

In our Rail and Plant businesses we try to ensure that all communities affected by our engineering works are fully briefed in advance. We are involved in school safety talks alongside Network Rail and the British Transport Police as part of the 'Track Off' campaign to educate people, especially young people, about the dangers of railway infrastructure and consequences of railway crime.

Our Accommodation Services business faces directly into the communities in many deprived areas offering leisure facilities in our buildings for use by community groups. In addition, our employees across the business have participated in many fundraising projects and Jarvis Training Management Limited currently delivers NVQ training to around 1,000 non-teaching staff in schools covering the 'Every Child Matters' and 'Healthy Eating' initiatives.

Principle 7

Safety remains our number one priority and we insist on the same level of commitment to safety from our sub-contractors and suppliers. In terms of our supply chain, we actively promote this through our supplier accreditation scheme and by holding regular safety forums with our suppliers throughout the year.

Network Rail recognised the exceptional safety performance in Scotland where the strc team achieved an outstanding 1,000 days RIDDOR free working. Elsewhere, the Ballast Cleaner (MOBC) contract, and Darlington and Peterborough Track Renewals depots were recognised for achieving 730 days RIDDOR free working.

A programme to encourage and promote the reporting of every 'near miss' has been undertaken in the year in the Rail and Plant businesses. This was instigated as 'near miss' reporting enables the business to learn from these events and deal with the underlying issues. A similar reporting system is now in place within Accommodation Services. All the businesses within the Group monitor achievements and improvements against an annual Safety and Improvement Plan.

Within the period a Driver SPAD Management Strategy Document was developed and issued to staff and the Rail business successfully complied with Network Rail's Welfare Standard, as well as bettering the target for hours worked on track in a Green Zone environment.

A revised audit programme has now been prepared offering a continued improvement over previous years and will result in a more detailed look at those parts of the business exposed to greatest risk.

During the period the Group participated in the Rail Safety and Standards Board's ROGS Industry Liaison Group. This liaison group published the 'Guide to ROGS requirements for duty of co-operation between transport operators' which has now been adopted as part of Fastline's ROGS Safety Management System. A review was also undertaken of Fastline's 'train operations risk profile' which confirmed that the existing control arrangements remained adequate.

The business continues to look at innovative ways to reduce risk and increase safety. These include the development of an automatic lifting beam to reduce the need for people to work at height.

Following the implementation of a more rigorous internal safety tour and briefing process the Accident Frequency Rate in Accommodation Services has almost halved compared to the previous year and the division saw a huge reduction in the frequency of minor accidents.

Principle 8

Jarvis Rail and Fastline continue to operate an externally accredited environment management system to meet their legal and contractual obligations and to understand and provide effective management for environmental impacts and risks that arise through their activities.

Environmental Management System

We are committed to the continual improvement of our environmental performance under the Jarvis environmental management system and during the period under review have continued to build on our achievements to date as audited by Lloyds against the International Standard ISO 14001:2004.

Progress on 2007 Environmental Objectives

Satisfactory progress has been made on all objectives with particular success in reducing the number and volume of oil spills.

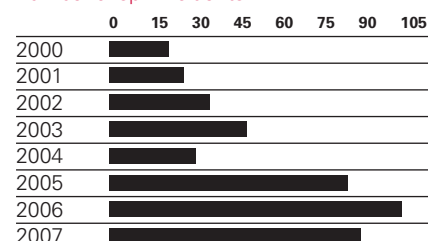
22% Reduction in Volume of Hydraulic Oil Spills (See Table 1).

We continuously aim to improve our environmental performance as an integral part of the services and facilities we deliver as we believe that just a small improvement can make a difference, not only to society but to the efficiency of the business. We take any environmental incident very seriously and can report that during the year there was a further 22 per cent reduction in the total volume of spillages and leaks within Fastline compared to the previous year. Jarvis continues to report all spill incidents, rather than just those that exceed the Environment Agency's reporting requirement of over 20 litres.

There was also a reduction of 13 per cent in the number of spill incidents within Fastline compared with last year. Putting this into context Fastline operated 7,636 OTM shifts last year with 79 spill incidents, some involving less than 0.5 litres and, at an average of ten hours per shift, this equates to nearly 1,000 hours per incident.

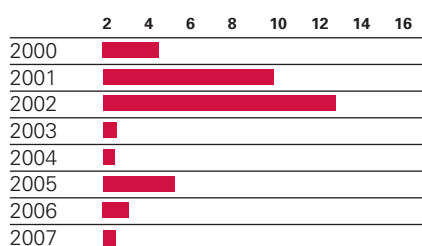
All Fastline OTMs and other vehicles currently carry a 15 litre spill kit, which is adequate for over 80 per cent of all spill incidents. The number of spill kits carried is being increased to two which will contain 90 per cent of all spills.

Table 1 – 2007 OTM Hydraulic Oil Spills
Number of spill incidents

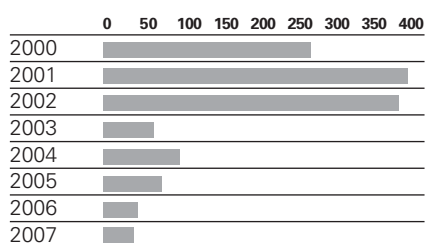


Corporate Social Responsibility

Amount of hydraulic oil lost in litres (000)



Average oil lost in litres/number of spills



Having converted all of its OTM fleet to biodegradable hydraulic oil and introduced a new specification for hoses, Fastline, through its preventative maintenance inspection programme, has again been able to reduce the amounts of hydraulic oil lost per spill year on year.

The number of spill incidents has decreased when compared with 2006, and the average oil lost in litres against number of spills has reduced, the lowest since spill data records began in 1998.

Fastline has normalised the number of spills and amounts lost in 2007 against engine hours of machine worked. This gives a clearer picture of the number of spills against the machines' productivity – effectively 175 hours per spill.

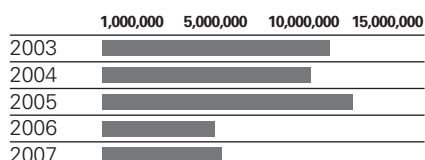
Fuel Consumption

(See Table 2)

Fuel consumption in the year has increased marginally reflecting increased activity within the business.

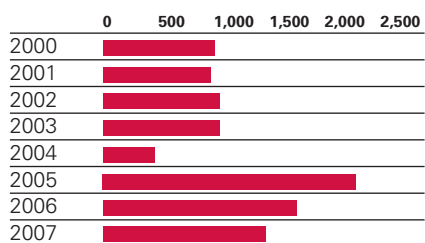
Table 2 – Fuel Consumption

Fuel use (Litres)

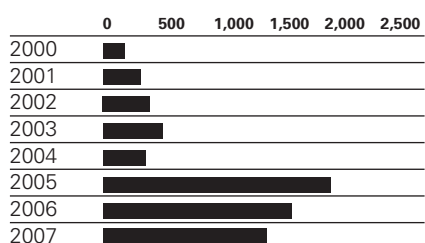


Road Vehicle Small Plant and OTM CO2 Emissions 2000-07

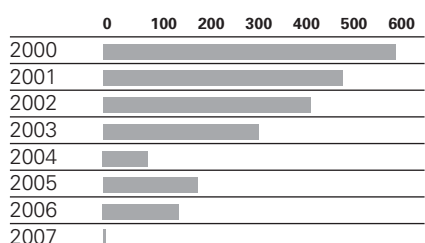
Number of cars/machines



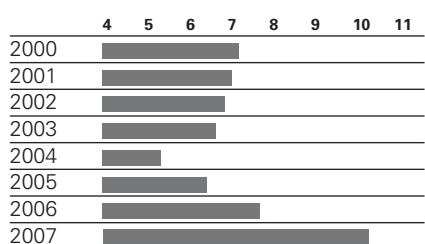
Number with diesel engines



Number with petrol engines



CO2 emissions (Tonnes per M/c/pa)



Conversion factors used from DEFRA web site.

Notes

- 1 All road vehicles and small plant data included from 2005.
- 2 On Track Machines data added from 2006.

Environmental Objectives for 2008

New environmental objectives have been set for 2008 including the delivery of further reductions in the consumption of fuel, carbon dioxide emissions and use of energy.

Principle 9

As well as formal risk reviews undertaken as a normal part of the commercial process we continue to analyse both industry and company data in respect of performance and the causation of failures, accidents and incidents. This enables our teams to clearly identify areas for performance improvement and focus our efforts. The Group has a history of innovation having designed and introduced the first generation track renewal system, Slinger[®], into the UK in 1999-2000 and more recently delivered the combined track renewal process, Accutrack[®], which uses both the track renewal system, Slinger[®], and rapid ballast excavator, Mole[™]. Innovation continues to be a strength and work has continued during the period on several projects which we believe will significantly change the way in which our industry works.

Directors' Remuneration Report

Information Not Subject to Audit

This report, which addresses the requirements of the Directors' Remuneration Report Regulations 2002 also forms part of the Group's report of its activities concerning the principles of good corporate governance outlined in the Combined Code. It has been reviewed and adopted by both the Remuneration Committee and the Board of Jarvis plc and will be the subject of a resolution at the forthcoming Annual General Meeting.

The Remuneration Committee

The Committee determines, on behalf of the Board, the policy of the Group for balanced executive remuneration and specific remuneration packages for each Executive Director and other senior employees who report to the Chief Executive. This authority extends to pension rights, terms of service contracts, and incentive schemes, both equity and non-equity based. The Committee has the discretion to consider corporate performance on environmental, social and governance issues when setting remuneration of Executive Directors and is mindful to ensure that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. The remuneration of Non-Executive Directors is a matter reserved for the Board. Membership of the Remuneration Committee currently comprises Brian Mellitt, Elizabeth Filkin and Chris Rew. The Chairman of the Committee throughout the period was Brian Mellitt.

During the period the Committee met on 3 occasions to consider, inter alia, matters relating to Directors' remuneration. During the period under review Geoff Mason, the Company Secretary until 31 May 2007, Mark Akinlade, the Group Company Secretary and General Counsel from that date forward, and Bernard Westbrook, the Group Human Resources Director, attended such parts of those meetings as did not directly affect their own remuneration. They also provided information and advice relating to the Directors' current entitlements and performance against targets consistent with agreed policies. At the meeting of the Committee to review Directors' remuneration, appropriate consideration was given to comparative remuneration

within both a selected peer group of companies and the FTSE small cap group of companies measured in terms of activity, market capitalisation, turnover and employee numbers using information provided by Hewitt New Bridge Street. Other services provided by Hewitt New Bridge Street, who were formally appointed by the Committee on 13 March 2003, included employee and executive incentive scheme advice.

Remuneration Policy

The key Terms of Reference of the Committee are:

- 1 To ensure that the Group's remuneration policies and practices for Executive Directors and other senior employees facilitate the employment and motivation of top quality personnel, and adequately reward individual contributions made to the Group, while at the same time remaining appropriate in terms of the Group's performance and in comparison to competitor companies.
- 2 To keep under review the long term incentive plans and employee share schemes operated by the Group in light of legislative and market developments and overall remuneration policy, and to determine the awards of options under such schemes together with performance conditions linked thereto.

In order to comply with the Terms of Reference, the remuneration policy is based on the following core principles:

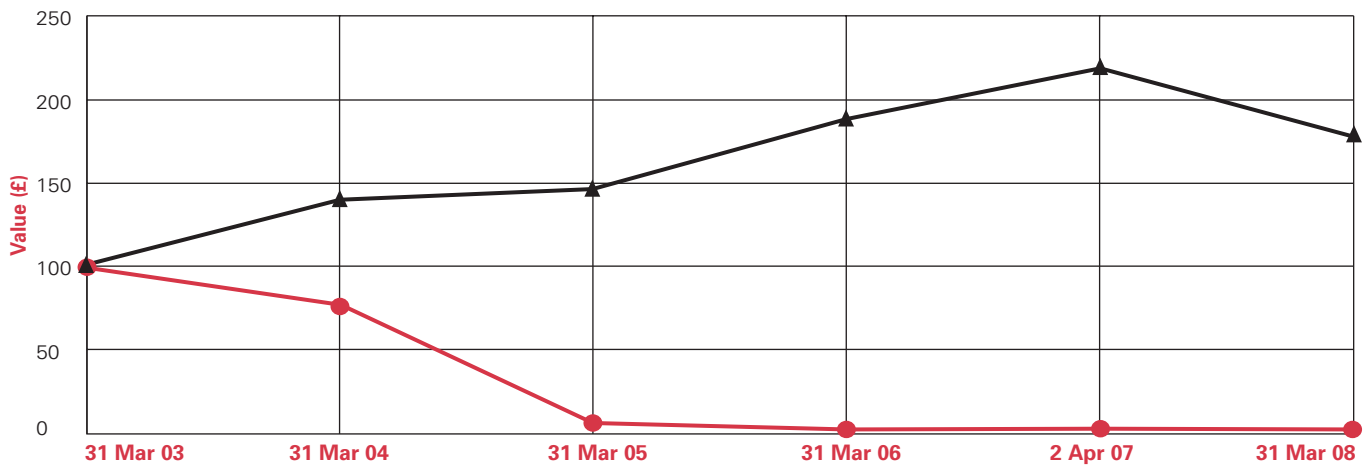
- total rewards are designed to support the Group's strategy and are set at levels that are competitive within the relevant market;
- it remains the general policy of the Committee not to award share options in any year which amount to greater than an Executive Director's annual salary or to award performance shares which would have a value greater than 50 per cent of the Executive Director's salary in any one year;
- incentive based awards can only be earned through the achievement of demanding performance conditions which are designed to be aligned with the interests of the Shareholders in the short, medium and longer terms; and
- composition of remuneration packages are designed to maintain a balance between fixed and variable elements of remuneration which the Committee believes is appropriate.

However, at the 2005 Annual General Meeting the Board sought and obtained Shareholder approval for a Management Incentive Plan specifically designed to incentivise the senior team and to align them with the interests of the Shareholders. During the period under review no options were granted under this scheme. Options were, however, granted under the Executive Share Option Plan to members of the Executive team. In reviewing the performance conditions for the exercise of these options the Remuneration Committee noted previous comments from major Shareholders about the appropriate performance criteria which should be employed by a company recovering from financial restructuring and agreed that the options would only be exercisable after a three year period, provided that during the relevant vesting period, specific share price performance criteria had been achieved. Subsequent to the period end, no further options have been granted.

Total Shareholder Return

The graph on page 24 compares the performance of Jarvis plc Ordinary Shares with the companies comprising the FTSE All Share Support Services Index for the last five years. The Company is a component of this index. Total Shareholder Return has been calculated by Hewitt New Bridge Street using data provided by Datastream.

Directors' Remuneration Report



Source: Datastream

The above graph illustrates the value at 31 March 2008 of £100 invested in Jarvis on 31 March 2003 compared with the value of £100 invested in the FTSE All Share Support Services Index. The other points plotted are the values at the intervening financial year ends.

Key

● Jarvis ▲ FTSE All Share Support Services Index

Elements of Remuneration

Basic Salary

The basic salary of the Executive Directors is reviewed each year by the Remuneration Committee. The review is undertaken to ensure that the remuneration package and benefits for Executive Directors represents a fair return for employment. Due consideration is given to performance and reward relative to that of comparable companies and the Group's position.

Bonus Scheme

For the period under review the normal bonus scheme was re-instated with the expectation that the financial condition of the Group would improve during the period. Bonuses were agreed to be paid on the basis of exceptional individual performance or on the achievement of a mix of personal and corporate performance criteria with an individual's maximum bonus only being payable where performance criteria were exceeded. It is recognised that whilst some of the individual performance criteria have been met the corporate performance targets which were set at the time of the previous budget have largely not been met and whilst the performance of the Group has improved, the targets set at the beginning of the period have not been met. The target bonuses of up to 50 per cent of basic salary for the Executive team have therefore not been triggered for the period. Limited bonuses have only been paid on

the basis of exceptional individual personal performances during the period.

New objectives were set for the Executive Directors at the beginning of the 2008-09 financial year. These objectives are a blend of common primary objectives for the Group as a whole and additional objectives in line with their respective corporate role and the Group's strategic direction, which are personal to each Director. For individual Directors objectives include:

- the delivery of the overhead reduction targets identified in the budget;
- the continuous improvement in the management of occupational and operational safety;
- the achievement of relevant divisional / Group budget, turnover, profit and operating cash flow targets;
- the delivery of profitable forward order book growth;
- the development of environmental sustainability within operations;
- effective risk management; and
- the re-engineering of business processes to ensure the company derives maximum benefit from investment in new systems and that these deliver demonstrable improvements in Shareholder value.

These performance conditions have been selected in order to align the individual Director's targets with the Group's overall performance objectives, which

include social responsibility and environmental sustainability targets.

Performance against objectives is assessed through a formal process during and after the year end. Typically this involves interviews and the review of objective measurements where targets represent discrete aims. If the objectives are achieved, a pre-determined percentage of salary, currently 50 per cent of basic salary, is paid in the following financial period as a bonus to the Director. The Remuneration Committee reviews the performance of each Director after the end of each financial period and, where the targets have been achieved will award the bonus. In the event that a target has been significantly exceeded, the Remuneration Committee has the option to increase the normal percentage applied, to reflect that achievement.

Employment Benefits

Benefits provided to Directors typically include a fully financed company car or car allowance, private medical insurance and life assurance, and permanent health insurance.

Pensions

The Group contributes to defined contribution schemes for some of the Executive Directors. None of the Executive Directors are members of any of the defined benefit schemes operated by the Group.

Share Incentive Schemes

In 2003, Shareholders approved the introduction of a new Share Option Plan and a Performance Share Plan to comply with ABI guidelines and current best practice. Although the performance criteria adopted for recent grants under the Plans have reflected the need for specific share price targets, going forward options granted under the new Share Option Plan will vest on the basis of a range of earnings per share (EPS) performance conditions. Performance will be measured over a single, three year period. Vesting of shares under the Performance Share Plan will be conditional on achievement of a range of EPS and total shareholder return performance conditions with each condition applying to 50 per cent of the award. Performance will again be measured over a single three year period.

Management Incentive Plan

At the 2005 Annual General Meeting the Company sought and obtained approval from Shareholders for the introduction of an option based Management Incentive Plan. The plan was designed to be a one-off arrangement with grants only capable of being made in the first year from the date of adoption by the Board. The authority to grant further options under the plan has now lapsed. Under the scheme, participants were granted awards over shares with an aggregate value of up to 200 per cent of base salary with an exception being made for one individual where it was agreed on recruitment that a specific number of shares would be granted under option. The vesting of awards is dependent on the increase in the Company's share price with the option price being set at a volume weighted market average price over an extended period and vesting being triggered at price increases of 25 per cent, 50 per cent and 75 per cent with each vesting being for one third of the original grant.

Executive Directors' Service Agreements

When appointing Executive Directors, the Remuneration Committee considers it appropriate to offer Service Agreements with a rolling one year term which can be terminated by the employing company upon not less than twelve months' notice, and by the individual Director upon not less than six months' notice. The Group intends to retain these terms for future appointments, believing them to be appropriate to the nature of the business.

The authority of the Remuneration Committee extends to the compensation terms on any early termination of a Director's service agreement. The Committee considers it fair and reasonable to respect these existing contractual terms in the event of termination of an Executive Director's service contract.

Ordinarily a Director will be entitled to payment in respect of full salary for the relevant notice period together with any accrued holiday entitlement, subject to a balanced view of reasonable mitigation. Options granted to a Director may become exercisable dependent upon the reasons for the termination. The effective date of each Director's service contract is shown in the table shown on page 26.

Non-Executive Directors

Brief details of the letters of appointment between the Group and the Non-Executive Directors are set out in the table on page 26. There are no provisions for compensation on early termination of these contracts. In February 2005, in the light of the exceptional demands made on the Non-Executive Directors, it was agreed that the period of notice to be given to them by the Company be increased from 3 months to 12 months and that any days service in excess of the 24 days per annum for which they originally contracted, be remunerated in future at a rate per day of 1/24 of their basic fee. During the period under review the Non-Executive Directors have been called upon to give additional assistance to the Executive on significantly fewer occasions than in the previous year.

The Non-Executive Directors also receive additional compensation in respect of the additional responsibility assumed for chairing Committees or assuming specific roles. The following additional fees are paid and are included in the amounts of Directors' remuneration disclosed:

Chair of Audit Committee – £10,000 p.a.

Chair of Remuneration Committee – £7,500 p.a.

Senior Independent Director – £5,000 p.a.

Directors' Remuneration Report

Executive Directors

Director	Effective date of contract	Unexpired term	Notice period by Company	Notice period by Director
R W Entwistle	08/09/2005	Rolling one year	12 months	6 months
S J Norris	08/09/2005	Rolling one year	12 months	6 months
J P O'Kane	24/04/2006	Rolling one year	12 months	6 months

Non-Executive Directors

Director	Effective date of appointment	Notice period by Company	Notice period by Director
E Filkin	07/08/2003	12 months	3 months
B Mellitt	05/10/2002	12 months	3 months
C J Rew	13/05/2004	12 months	3 months

Information Subject to Audit

Directors' Remuneration

The table below reflects amounts paid or confirmed as payable in respect of the financial period ended 31 March 2008.

	Note	Salary or Fees £000	Benefits £000	Bonus £000	Pension Supplement £000	Total £000	Prior year Total £000	Pensions current period Note 2 £000	Pension prior year Note 2 £000
Executive Directors									
R W Entwistle		309	17	–	–	326	358	62	59
S J Norris		170	–	–	–	170	161	–	–
J P O'Kane	1	205	17	–	–	222	246	38	28
Non-Executive Directors									
E Filkin		40	–	–	–	40	40	–	–
B Mellitt		57	–	–	–	57	112	–	–
C J Rew		47	–	–	–	47	47	–	–

The benefits shown in the table include the use of Company vehicles, private medical insurance, car allowance or reimbursed fuel costs.

Notes

- The comparative figures for J P O'Kane reflect only the period from his appointment to 2 April 2007.
- Directors' pension contributions comprise the amounts paid by the Group to defined contribution arrangements. Pension contributions are calculated and payable on basic salary only.

Director's Shares and Share Options
(Ordinary shares of 5p each)

	Shares held at 3 April 2007 or date of appointment	Shares acquired during the period	Shares sold during the period	Shares held at 31 March 2008
R W Entwistle	41,337	28,500	0	69,837
E Filkin	7	0	0	7
S J Norris	44,476	140,000	0	184,476
J P O'Kane	0	10,000	0	10,000

No other shares were bought or sold by Directors during the period 1 April 2008 to 27 May 2008.

Share Options

Options held by Executive Directors over ordinary shares under the Share Option Schemes of the Company were as follows. Further details of the Jarvis share-based payment schemes are given in Note 24 to the Consolidated Financial Statements.

	Options held at 3 April 2007 or date of appointment	Exercise price Pence	Granted (lapsed/ surrendered) during the period	Exercised during the period	Options held at 31 March 2008 or date of resignation	Date exercisable	Date of expiry of option
R W Entwistle							
Savings Related Share Option Scheme	13,357	70.00	–	–	13,357	01/06/2009	01/12/2009
2003 Share Option Plan – Note 1	550,000	54.50	–	–	550,000	04/10/2009	04/10/2016
2003 Share Option Plan – Note 2	–	66.00	461,400	–	461,400	03/04/2010	03/04/2017
S J Norris							
Savings Related Share Option Scheme	13,357	70.00	–	–	13,357	01/06/2009	01/12/2009
2003 Share Option Plan – Note 1	303,000	54.50	–	–	303,000	04/10/2009	04/10/2016
2003 Share Option Plan – Note 2	–	66.00	250,000	–	250,000	03/04/2010	03/04/2017
J P O'Kane							
Management Incentive Plan	450,000	56.26	–	–	450,000	Note 3	08/08/2011
2003 Share Option Plan – Note 1	376,000	54.50	–	–	376,000	04/10/2009	04/10/2016
2003 Share Option Plan – Note 2	–	66.00	315,000	–	315,000	03/04/2010	03/04/2017

Notes

- 1 The options issued under the 2003 Share Option Plan at an exercise price of 54.50 pence will vest in three separate tranches. Each tranche, over one-third of the shares under option, will vest on the basis of an improvement in share price against the grant price by 20 per cent, 40 per cent and 60 per cent respectively for a period of 10 consecutive dealing days prior to the date of vesting. The performance conditions have to be satisfied within three years of the date of grant. Subject to the rules of the scheme the options cannot be exercised before the third anniversary of the date of grant.
- 2 The options issued under the 2003 Share Option Plan at an exercise price of 66.00 pence will vest in three separate tranches.

Each tranche over one third of the shares under option will vest on the basis of an improvement of share price by 25 per cent; two-thirds on an improvement of 50 per cent and the remainder on an improvement of 75 per cent over the grant price. A further performance criteria of earnings per share growth will be required for shares exercised after the third anniversary of the date of grant.

- 3 The options are exercisable in the three tranches, each on the achievement of an increase in the share price of the Company for a sustained period of 10 days. The tranches are exercisable on the share price achieving respectively a 25 per cent, 50 per cent and 75 per cent increase over the grant price.

No options were held by other Directors during the period under review.

The closing middle market price of the Ordinary Shares as at 31 March 2008 was 17.25p and the range during the period was between 9.20p and 87.00p.

This report will be submitted for approval at the Annual General Meeting of the Company.

By order of the Board

Mark Akinlade
Secretary
27 May 2008

Directors' Report

Principal Activities and Business Review

The principal activities of the Group during the financial period under review were rail infrastructure renewal and enhancement, plant hire, freight and facilities management. During the period, the Group secured its position as one of Network Rail's four prime contractors for its track renewals programme; secured further multi-disciplinary rail contracts across the network; secured a five year contract to haul coal for E.ON UK plc, the UK's largest integrated power and gas company; exited six facilities management contracts, three of which were significantly loss-making, and sold its 80 per cent share in Herefordshire Jarvis Services Limited.

Review of Position and Prospects

The Chairman's and Chief Executive's Statements together with the Operating and Financial Reviews which are contained in this report between pages 2 and 11 report on Jarvis' principal activities and business performance during the period and give a description of the principal risks and uncertainties within the business as well as considering prospects for the future. These statements and the reviews are included in this report by reference.

Principal Risks

This annual report contains certain forward looking statements. These statements are made by the Directors in good faith, based on the information available to them up to the time of approval of this report. Actual results may differ to those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the Group's services, levels of demand in the market, restrictions to market access, competitive pressure on pricing or additional costs, failure to retain or recruit key personnel and overall economic conditions. A risk inherent in the industry occurs in the nature, timing and contractual conditions

which exist at the time of contract procurement and its dependency on one large customer, Network Rail. The Office of Rail Regulation reported that at the end of Q3 2007-08 Network Rail had underspent its year to date budget on renewals by £280m and on enhancements by £74m, the former reflecting expenditure deferred into 2008-09. If Network Rail's anticipated level of spend for 2008-09 is not implemented, the Group's business, financial position and cashflows could be adversely affected. However, Jarvis believes that given its pricing structure, history of innovation and safety record, together with its selection as one of Network Rail's four prime contractors for its track renewals programme, it is well positioned to continue to be selected to undertake renewal and enhancement work on Network Rail's behalf.

Results and Dividends

The profit after taxation for the financial period attributable to Shareholders, dealt with in the Consolidated Financial Statements, amounted to £11.1m (2007: loss £21.7m). The Directors recommend that no final dividend be paid in respect of the period (2007: nil). The profit for the period transferred to reserves is £11.1m (2007: loss £21.7m).

Share Capital

Details in respect of the authorised and issued share capital together with movements in the Company's share capital during the period are shown in the following paragraph and in Note 22 to the Consolidated Financial Statements.

During the financial period under review changes were made to the Company's share capital as a result of the exercise of warrants totalling 8,639,732 and the allotment of 273,645 shares under employee share schemes: 13,978 under the Savings Related Share Option Scheme, 79,667 under the

2003 Share Option Plan, and 180,000 under the Management Incentive Plan. As at 31 March 2008, the Company's authorised share capital was £17,000,000, consisting of 340,000,000 ordinary shares of 5p each, of which 213,292,874 were in issue and fully paid. No shares were held in treasury.

A holder of Ordinary Shares is entitled, without payment, to one certificate for all shares registered in his name. Holders of Ordinary Shares are also entitled to attend, speak and vote (unless if moneys are due and payable on those shares or if the holders have not complied with the disenfranchisement notice). In addition, they have the right to be sent notices of general meetings, a copy of the Company's annual accounts and reports, and to appoint one or more proxies or corporate representatives to attend general meetings and to exercise voting rights. Subject to meeting certain thresholds, they may also require Directors to circulate resolutions which may be moved at AGMs and statements relating to a matter to be dealt with at general meetings, call general meetings, demand a poll, and require Directors to obtain an independent report on any poll taken, or to be taken.

Restrictions on the Transfer of Shares

The Directors may, in their absolute discretion and without assigning any further reason therefor, refuse to register any share transfer unless: (i) it is in respect of a fully paid share; (ii) it is in respect of a share on which the Company does not have a lien; (iii) it is in respect of only one class of shares; (iv) it is in favour of not more than four joint holders as transferees; or (v) the usual requirements under the Articles of Association in respect of the actual registration of shares have been satisfied in respect thereof provided that in the case of a partly paid share the Directors do not exercise their discretion so as to prevent dealings in the share from taking place on an open and proper basis.

Analysis of Shareholders at 31 March 2008

	Shareholders Number	Shareholders %	Shares Number	Shares %
Range of holdings of Ordinary 5p Shares				
1 – 10,000	6,749	95.19	2,556,756	1.20
10,001 – 100,000	214	3.02	6,981,729	3.27
100,001 – 250,000	40	0.56	6,580,977	3.09
Over 250,000	87	1.23	197,173,412	92.44
	7,090	100	213,292,874	100

Substantial Shareholdings

At 27 May 2008 the Company had been notified, pursuant to the Disclosure and Transparency Rules (DTR 5), of the following interests in three per cent or more of the voting rights over the Company's Ordinary Shares. The disclosed shareholdings recognise the interests of different parties in the share capital and therefore some shareholdings are disclosed by both the beneficial owner and their Nominee holder:

Artemis Investment Management Limited	15.89%
Gartmore Investment Limited	10.15%
Investeringselskabet Luxor A/S	9.14%
Barclays plc	6.25%
JPMorgan Chase & Co	4.51%
Legal & General Group plc	3.03%

Restrictions on Voting

Every member present in person or by proxy at a general meeting has one vote upon a show of hands and every member present in person or by proxy shall upon a poll have one vote for every 5p in nominal amount of the shares held by him. A member who is a patient within the meaning of the Mental Health Act 1983 may vote, whether on a show of hands or on a poll, by his receiver or *curator bonis* and such receiver or *curator bonis* may, on a poll, vote by proxy.

If two or more members are jointly entitled to shares for the time being conferring a right to vote, and more than one such joint holders be present at any meeting, either personally or by proxy, the member whose name stands first on the Register as one of the holders of such shares, and no other, shall be entitled to vote in respect of the same.

No member shall, unless the Directors otherwise determine, be entitled to be present or to vote, either in person or by proxy, at any general meeting in respect of any shares for which any call or other sum payable remains unpaid. Also, no member shall be entitled to attend or vote if served with a disenfranchisement notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Under the Company's Articles of Association, the deadline for submission of proxy forms is not less than 48 hours before the meeting.

Authority to Allot Securities

At the forthcoming Annual General Meeting to be held on 31 July 2008, an ordinary resolution will be proposed in accordance with Section 80 of the Companies Act 1985

to renew the Directors' authority to allot the authorised but unissued share capital of the Company. The authority sought will be for a period of five years unless revoked, renewed or varied and supersedes all previous authorities. Although the authority will not expire for five years the Directors consider it appropriate (and in line with current practice) to seek renewal of the authority on an annual basis and therefore intend to seek renewal of the authority at next year's Annual General Meeting. Subject to the approval of this ordinary resolution by the Shareholders, authority will also be sought from Shareholders to disapply Section 89 of the Companies Act 1985. This authority, which has been sought from and granted by Shareholders in previous years, will permit the Directors to issue for cash no more than five per cent of the current issued share capital of the Company at the date hereof, without first offering them pro-rata to existing Shareholders. The Directors believe that the resolution, disapplying Section 89 in this way, is in the best interests of the Company.

Amendment of the Company's Articles of Association

The Company's articles of association may be amended by special resolution of the Company's shareholders. A resolution will be put to the Annual General Meeting on 31 July 2008 to adopt new Articles of Association. Details of the specific changes being proposed are set out in the explanatory notes to the notice of the 2008 AGM.

Financial Instruments

Details of the Group's financial risk management policies and objectives are disclosed in the Financial Review on pages 6 and 7.

Directors

The names of the Directors and Officers who held office on 31 March 2008 are as follows:

Mr R W Entwistle °
Ms E Filkin * ° † ‡ (Non-Executive)
Professor B Mellitt * ° † ‡ (Non-Executive)
Mr S J Norris ‡
Mr J P O'Kane °
Mr C J Rew * ° † ‡ (Non-Executive)

Company Secretary: Mr M A A Akinlade.

Members of the * Remuneration, ° Corporate Governance, † Audit and ‡ Nomination Committees. With effect from 25 October 2007 the responsibilities of the Corporate Governance Committee were incorporated into those of the Audit Committee and from that date the Corporate Governance Committee ceased to meet as a separate entity. Full biographical details of the Company's Directors at the date of the report are given on page 12.

There were no changes to the composition of the Board during the period. However, Mr G K H Mason resigned as Company Secretary on 31 May 2007. Mr M A A Akinlade was appointed as Company Secretary with effect from the same date.

In accordance with the Company's Articles of Association having served one three year term, Richard Entwistle will retire by rotation as Executive Director. Richard Entwistle will offer himself for re-election.

Directors' Report

Details of the Directors' Remuneration, shareholdings and options over the shares in the Company are given in the Directors' Remuneration Report on pages 23 to 27 which forms part of this report.

All of the Executive Directors who served during the period held service agreements with the Company, details of which are given in the Directors' Remuneration Report on pages 23 to 27.

Powers of Directors

The business of the Company is managed by the Directors who may exercise all such powers, and do all such acts and things as may be exercised or done by the Company as are not required to be exercised or done by the Company in general meeting, subject to such directions as may be given by the Company in general meeting.

The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities and superannuation or other allowances or benefits to any persons (and their relatives or dependants) who are or have at any time been Directors of or employed by or in the service of the Group.

Directors' Indemnities

The Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. Directors and Officers of the Company and its subsidiaries have the benefit of a Directors' and Officers liability insurance policy which provides appropriate cover in respect of legal actions brought against the Directors.

Appointment and Replacement of Directors

Directors may be appointed by the Company by ordinary resolution. Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected and is then eligible for re-election.

The Company may by ordinary resolution remove any Director before the expiration of his term of office.

Compensation for Loss of Office

The contracts of employment in respect of the Executive Directors and the Executive Team (as referred to on page 13 but with the exception of the Group Director, Engineering & HSQE who has separate arrangements under a railways related scheme which are not relevant for the purposes of this paragraph) contain provisions relating to compensation for loss of office on a change of control. In the event that an Executive Director or a member of the Executive Team (with the exception of the Group Director, Engineering & HSQE) is made redundant because of a takeover then he would receive an additional redundancy payment. The additional payment would be equal to 12 months' base salary in respect of an Executive Director and 6 months' base salary in respect of a member of the Executive Team.

Significant Agreements

There are a number of commercial agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Save for in respect of the Group's working capital facilities, none is considered to be significant in terms of its potential impact on the business of the Group as a whole. Under the terms of the Group's working capital facilities, if any single person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) acquires or agrees to acquire control (as defined in Section 416 of the Income and Corporation Taxes Act 1988) of the Company, the Company must immediately notify its lenders and, on or before the acquisition takes effect, prepay the facilities in full, together with prepayment fees, interest, costs and expenses, and the facilities will be automatically cancelled.

Corporate Governance

This is the subject of a separate statement on pages 14 to 18 which forms an integral part of this Directors' report and is intended to address the requirements of the Combined Code incorporated in the Listing Rules issued by the Financial Services Authority.

Creditor Payment Policy

When entering into commitments for the purchase of services and goods, the Company gives due consideration to quality, delivery, price and the terms of payment. Suppliers are made aware of these terms.

The Company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with agreed terms and conditions. In the event of disputes, efforts are made to resolve them quickly. During the period ended 31 March 2008, the Company on average paid its creditors within 62 days (2007: 70 days) of receipt of invoice.

Employee Share Schemes

Where, under an employee share scheme operated by the Company, participants are beneficial owners of shares, but not the registered owners, the voting rights are normally exercised at the discretion of the participants.

Employment Policies

The Directors recognise the need for communication with employees at every level. All employees have access to a copy of the Annual Report and Accounts, which together with staff briefings, internal noticeboard statements and newsletters, keeps them informed of the Group's progress. The Directors are actively considering ways to increase further the involvement of employees in the Group's performance.

The Group continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health & Safety at Work Act 1974, and all other relevant regulatory and legislative requirements. It is the policy of the Group that there shall be no discrimination or less favourable treatment of employees, workers or job applicants in respect of race, colour, ethnic or national origins, religious beliefs, sex, sexual orientation, disability, political beliefs, age or marital status.

Full consideration will be given to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in the same or in another position. Jarvis and its subsidiaries engage, promote, and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Group.

Environmental Policy

The Board is fully committed to minimising any adverse effects that the Group's operations may have on the environment and to finding alternative ways of operating where its activities may cause environmental damage.

Each of the operating businesses has developed environmental policies and procedures appropriate to its business and these have been co-ordinated at Group level in order to ensure that the Board's commitment is applied consistently throughout the Group. Further details and information on key performance indicators used are provided in the Corporate Social Responsibility Report on pages 19 to 22.

Ethics and Whistleblower Policies

The Company has established ethics and whistleblowing policies in place and has continued to operate these and the associated whistleblowing structure during the financial period under review.

Close Company Provisions

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Going Concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Political and Charitable Donations

The Group made charitable donations of £500 during the period (2007: nil), and made no political donations (2007: nil).

Post Balance Sheet Events

On 22 May 2008 the Company announced that it had entered into documentation to refinance its working capital facilities through its existing senior lenders, Burdale Financial Limited, a subsidiary of Bank of Ireland, and Bank of America, N.A.. This refinancing was completed on 27 May 2008. As part of the refinancing, the remaining £10m of the Group's subordinated debt was replaced with £5m of additional

senior debt and a £5m cash flow loan, and the term in respect of the overall facility was extended to 31 January 2010. The overall impact of this upon the Group's cost of debt would be to reduce it by approximately 0.75 per cent per annum. The Group had previously communicated that the £67m of loan facilities entered into in July 2006 would amortise down to £62m by June 2008. As a further £2m of debt has now been repaid following asset disposals, the Group's overall bank borrowing facilities will stand at £60m, following this refinancing.

Disclosure of Information to Auditors

At the date of making this report each of the Company's Directors, as set out on page 29, confirm the following:

- so far as each Director is aware, there is no relevant information needed by the Company's Auditors in connection with preparing their report of which the Company's Auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

Auditors

A resolution to reappoint Grant Thornton UK LLP as Auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Mark Akinlade

Secretary
27 May 2008

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The Directors are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the EU and have elected to prepare the Parent Company Financial Statements in accordance with UK Generally Accepted Accounting Practice.

In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company Financial Statements state whether applicable UK Generally Accepted Accounting Practice have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Parent Company will continue in business.

The Directors confirm that the financial statements comply with these requirements.

The Directors are also responsible for:

- ensuring that the Company and the Group maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 1985
- safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.
- the maintenance and integrity of the corporate and financial information on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm to the best of our knowledge that:

- 1 the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- 2 the business review and future developments (which cross refers to the Chairman's statement) which is incorporated into the Directors' report includes a fair review of the development and performance of the business and the position of the Group, the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

John O'Kane

Group Finance Director
27 May 2008

Consolidated Income Statement

For the period ended 31 March 2008

	Notes	2008			2007		
		Before exceptional items £m	Exceptional items (Note 5) £m	Total £m	Before exceptional items £m	Exceptional items (Note 5) £m	Total £m
Continuing operations							
Revenue	2, 3	321.9	–	321.9	288.5	–	288.5
Cost of sales		(282.8)	(4.7)	(287.5)	(248.2)	(13.1)	(261.3)
Gross profit		39.1	(4.7)	34.4	40.3	(13.1)	27.2
Administration expenses		(29.9)	0.6	(29.3)	(35.4)	(0.3)	(35.7)
Operating profit / (loss)	4	9.2	(4.1)	5.1	4.9	(13.4)	(8.5)
Finance income		4.3	1.1	5.4	3.4	–	3.4
Finance expense		(6.0)	–	(6.0)	(8.0)	–	(8.0)
Net finance costs	6	(1.7)	1.1	(0.6)	(4.6)	–	(4.6)
Profit / (loss) before taxation		7.5	(3.0)	4.5	0.3	(13.4)	(13.1)
Taxation	8	(0.2)	5.4	5.2	2.0	–	2.0
Profit / (loss) for the period from continuing operations		7.3	2.4	9.7	2.3	(13.4)	(11.1)
Post-tax (loss) / profit from discontinued operations	9	(0.4)	1.8	1.4	(4.2)	(6.4)	(10.6)
Profit / (loss) for the period attributable to equity shareholders		6.9	4.2	11.1	(1.9)	(19.8)	(21.7)
Basic and diluted earnings / (loss) per share							
– Continuing operations				4.7p			(6.9)p
– Discontinued operations				0.7p			(6.6)p
Total	10			5.4p			(13.5)p

Consolidated Statement of Recognised Income and Expense

For the period ended 31 March 2008

	Notes	2008 £m	2007 £m
Net actuarial gains on defined benefit pension schemes	14.2	1.5	11.4
Tax in respect of items taken directly to equity		–	(3.5)
Net income recognised directly in equity		1.5	7.9
Profit / (loss) for the period			
– From continuing operations		9.7	(11.1)
– From discontinued operations		1.4	(10.6)
Total recognised income / (expense) for the period attributable to equity shareholders		12.6	(13.8)

Consolidated Balance Sheet

At 31 March 2008

	Notes	2008 £m	2 April 2007 £m
Non-current assets			
Intangible assets	11	2.8	–
Property, plant and equipment	12	18.6	22.8
Deferred tax assets	13	12.7	10.0
Retirement benefit assets	14	40.4	36.4
		74.5	69.2
Current assets			
Inventories	15	3.3	3.4
Trade and other receivables	16	98.0	87.0
Cash and cash equivalents		3.4	27.6
		104.7	118.0
Total assets		179.2	187.2
Current liabilities			
Borrowings	18	(10.6)	(18.3)
Trade and other payables	19	(96.1)	(113.8)
Current tax liabilities		(2.5)	(1.0)
Provisions	20	(5.9)	(6.4)
		(115.1)	(139.5)
Non-current liabilities			
Borrowings	18	(31.6)	(32.9)
Trade and other payables	19	(0.8)	–
Retirement benefit obligations	14	(15.1)	(17.0)
Deferred tax liabilities	13	(15.0)	(11.2)
Provisions	20	(0.1)	(0.9)
		(62.6)	(62.0)
Total liabilities		(177.7)	(201.5)
Net assets / (liabilities)		1.5	(14.3)
Equity			
Share capital	22	10.7	10.2
Share premium	23	63.3	581.4
Special reserve	23	3.7	–
Capital redemption reserve	23	7.2	7.2
Other reserve	23	89.7	89.7
Accumulated losses	23	(173.1)	(702.8)
Equity shareholders' funds / (deficit)		1.5	(14.3)

The Financial Statements were approved by the Board on 27 May 2008 and were signed on its behalf by:

R Entwistle Chief Executive

J O'Kane Group Finance Director

Consolidated Cash Flow Statement

For the period ended 31 March 2008

	Notes	2008 £m	2007 £m
Operating activities			
Cash flows from operating activities	28	(17.8)	(21.0)
Restructuring costs paid		(2.2)	(7.7)
Income taxes received		6.4	1.0
Net interest costs paid		(5.1)	(7.5)
Net cash used in operating activities		(18.7)	(35.2)
Investing activities			
Dividends received from joint ventures and associates		–	3.2
Purchase of intangible assets		(2.4)	–
Purchase of property, plant and equipment		(0.4)	(4.2)
Disposal of businesses, net of cash and cash equivalents disposed		1.9	5.1
Disposal of property, plant and equipment		1.2	–
Net cash from investing activities		0.3	4.1
Financing activities			
Net proceeds from issue of ordinary shares		3.2	27.4
Proceeds from new debt		1.0	51.2
Repayment of old debt		(10.0)	(29.1)
Finance lease principal repayments		–	(0.5)
Net cash from financing activities		(5.8)	49.0
Net (decrease) / increase in cash and cash equivalents		(24.2)	17.9
Opening cash and cash equivalents		27.6	9.7
Closing cash and cash equivalents		3.4	27.6
Cash and cash equivalents comprise:			
– Unrestricted cash		–	24.7
– Restricted use cash*		3.4	2.9
		3.4	27.6

*Use is restricted to certain contracts in accordance with defined contractual obligations.

Notes to the Consolidated Financial Statements

1 Summary of significant accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU) and in accordance with the provisions of the Companies Act 1985. The Company has elected to prepare its Parent Company Financial Statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). These are presented on pages 57 to 60.

The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee (IFRICs) relevant to its operations and effective for the period ending 31 March 2008 including IFRIC 11 'IFRS 2 – Group and treasury share transactions' and IFRS 7 'Financial instruments: Disclosures'. Standards that have been issued in the period but are not yet effective include:

- IFRS 8 'Operating segments' effective for periods commencing on or after 1 January 2009. This is not believed to be significant over and above the current disclosure the Group provides in accordance with IAS 14, but it will require additional disclosure in respect of the turnover attributable to the Group's largest customer.
- IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Effective for periods commencing on or after 1 January 2008.

Other standards that have been issued but are not yet effective are: IAS 1 (Revised 2007) 'Presentation of Financial Statements'; IFRS 3 (Revised 2008) 'Business combinations'; IAS 27 (Revised 2008) 'Consolidated and Separate Financial Statements'; IAS 23 'Amendment to borrowing costs'; IFRIC 12 'Service concession arrangements'; IFRIC 13 'Customer loyalty programmes'. None of these are expected to have a significant impact on the Consolidated Financial Statements.

Results are presented for the financial year 3 April 2007 to 31 March 2008, the Group having extended its 2007 financial year-end by two days to incorporate the Placing and Open Offer transaction completed on 2 April 2007, as disclosed in the 2007 Annual Report and Accounts. The comparative results are for the financial year 1 April 2006 to 2 April 2007.

The Consolidated Financial Statements are prepared on the historical cost basis, except that share-based payments are measured at their fair value as of the date of grant, and retirement assets and liabilities are stated at fair value at the balance sheet date.

1.2 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of Jarvis plc and subsidiaries controlled by the Group at each period end.

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 financial statements of subsidiaries are prepared using accounting policies consistent with those of the Group.

Inter-company balances and transactions including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 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 three main business segments: Rail, Plant and Accommodation Services. The secondary format for segmental information is geographical area, which is based on the location of the Group's operations.

1.4 Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current taxation

The tax currently payable 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.

(ii) 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 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.

Notes to the Consolidated Financial Statements

1.4 Taxation (continued)

(ii) Deferred taxation (continued)

Deferred taxation is provided in full on temporary taxable differences associated with pension scheme surpluses. Deferred tax assets arising from unused tax losses eligible to cover such differences are recognised accordingly.

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. This requires judgment to be made in respect of the forecast of future taxable income.

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

Accruals for tax contingencies require management to make judgements and estimates of ultimate exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions can be ascertained with reasonable certainty. Once considered probable, management reviews each material tax benefit to assess whether a provision should be taken against a full recognition of that benefit on the basis of potential settlement through negotiation or litigation.

Current and deferred tax charges or credits are recognised in the Consolidated Income Statement except where they relate to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

1.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the useful economic lives of the assets concerned, from the date they are brought into operational use. Computer software and licenses are the only intangible assets held by the Group at 31 March 2008. They have an estimated life of 3 to 5 years.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises the purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate for any decommissioning obligations, and, for qualifying assets, any borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised values of any finance leases are also included within property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and 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, the expenditure is capitalised.

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 to 20 years or period of the lease if shorter
Plant and machinery	3 to 15 years
Fixtures, fittings and office equipment	3 to 10 years

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in expected useful lives and residual values are accounted for prospectively.

1.7 Impairment

The carrying amount of property, plant and equipment, and intangible assets, with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent of other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first in first out method and comprises direct purchase costs, and, where applicable, costs of production, transportation and any directly attributable overheads.

Notes to the Consolidated Financial Statements

1.9 Financial instruments

(i) Financial assets

The company's financial assets relate to trade and other receivables, and cash and cash equivalents. Trade and other receivables are classified as loans and receivables and are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for any impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement. No financial assets are classified as fair value through profit and loss or as held to maturity or available for sale.

All financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is evidence that a loss event has occurred and that estimated future cash flows of the financial asset have been impacted. For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and the average credit period, as well as observed changes in the national or local economic conditions that correlate with default on receivables.

(ii) Financial liabilities

Financial liabilities, which includes bank loans, overdrafts and trade and other payables are measured initially at fair value net of transaction costs under the effective interest method and thereafter at amortised cost. Finance charges are accounted for on an accruals basis to the Consolidated Income Statement using the effective interest method.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at amortised cost and comprise cash at bank and in hand and deposits available upon demand. Cash at bank includes amounts where the use is restricted to certain contracts in accordance with defined contractual obligations. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents also include bank overdrafts, as they are an integral part of the Group's cash management.

1.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation.

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. The present value of long-term provisions is determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the risk and time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the change in the provision due to the passage of time and changes in discount rates is included within other finance expense.

1.12 Leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. They are capitalised at the lease's inception at the lower of the fair value of the plant and equipment and the present value of the minimum lease payments, and depreciated over the shorter of the asset's useful life and the lease term.

Lease payments are apportioned between the finance charge and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Consolidated Income Statement, the corresponding rental obligations, net of finance charges, are included in borrowings.

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.

1.13 Retirement benefits

The Group operates both defined contribution and defined benefit pension schemes. The Group contributes to these schemes according to the arrangements agreed with employees. Contributions paid by the Group to defined contribution pension schemes are charged to the income statement as they become payable in accordance with the rules of the schemes.

The defined benefit schemes are valued every three years by a qualified actuary, the rates of contribution payable being determined by the actuary. In the intervening years the appropriateness of the last valuation is reviewed annually. Obligations to employees are measured at discounted present value whilst plan assets are measured at fair value. The operating and finance costs of such plans are recognised separately in the Consolidated Income Statement. Service costs are spread systematically over the lives of employees and financing costs are recognised in full in the periods in which they arise. Actuarial gains and losses are recognised immediately in the SORIE. The asset or liability recognised in the Consolidated Balance Sheet is the fair value of plan assets less the present value of the defined benefit obligations.

Notes to the Consolidated Financial Statements

1.14 Share-based payments

The Group operates equity-settled share-based payment schemes for certain employees. The cost of share-based payments is measured at fair value at the date of grant, excluding the effect of non market-based vesting conditions. The cost is recognised in the Consolidated Income Statement on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The fair value of employee share option plans is calculated by using the Black-Scholes-Merton valuation model.

1.15 Revenue

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 according to the services provided to date. All other service and construction related contracts recognise revenue according to the degree of completion of each individual contract, based on amounts certified by the customer.

1.16 Long-term contracts

Long-term contracts are accounted for in accordance with IAS 11 'Construction 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. 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.

All costs incurred in advance of contracts being awarded are written off to the Consolidated Income Statement, until the date that, in the opinion of the Directors, it is probable that the contract will be secured. Costs incurred during the period between the contract being probably secured and the eventual award are carried as work in progress to the extent they are expected to be recovered.

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.

1.17 Exceptional items

Exceptional items are material items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence because of their relevance to understanding the entity's financial performance.

1.18 Critical accounting judgements and key areas of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, which may differ from actual results. The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are identified below.

(i) Defined benefit pension schemes

Details of the Group's defined benefit pension schemes are set out in Note 14 to the Consolidated Financial Statements. These are accounted for in accordance with IAS 19 'Employee Benefits' which, in order to calculate the value of pension scheme liabilities, requires estimates to be made in relation to future salary increases, rates of increase of pension benefits, mortality rates and inflation. These calculations are performed by the scheme actuary, with whom the Directors have agreed the underlying assumptions to be applied. The discount rates used are from market rates on corporate bonds matched to the profile of the ages of the scheme members and the maturity of the scheme liabilities at the balance sheet date.

(ii) Revenue recognition

Long-term contracts are accounted for in accordance with IAS 11 'Construction Contracts', which require estimates to be made for future contract costs and revenues. Provisions are made where contracts are estimated to result in losses or where further rectification work will be required to complete the project. In making these provisions, management consider the detailed criteria for revenue recognition set out in IAS 18 'Revenue' and in particular whether the risks and rewards have been transferred.

(iii) Deferred tax

Deferred tax is accounted for on temporary differences using the liability method. Management consider it reasonable to recognise deferred tax assets attributable to defined benefit pension scheme deficits and the unused tax losses (as detailed in Note 13 to the Consolidated Financial Statements), based on future profit projections.

Notes to the Consolidated Financial Statements

2 Segmental analysis for continuing business

Segmental information is presented in respect of the Group's business segments, which are the primary format of segmental reporting and reflect the Group's management reporting structure. The Group is organised into three main business segments:

Rail – provides rail infrastructure works to the UK rail industry, including rail renewal, major track development, electrical and signalling services.

Plant – provides on-track machinery, small plant equipment and manages an extensive fleet of purpose-built vehicles for the rail and other industries; provides bulk haulage and container freight services.

Accommodation Services – undertakes facilities management and residual construction operations.

Inter-segment pricing is determined on an arm's length basis.

Discontinued operations in the period ended 31 March 2008 relate to Herefordshire Jarvis Services Limited, previously reported as part of the Accommodation Services segment. For the period ended 2 April 2007 discontinued operations also include the Prismo Road Markings business, previously reported as the Roads segment. The disclosure in respect of the segmental information for discontinued operations is shown in Note 9.

2.1 Performance by business segment for the period ended 31 March 2008

	Rail £m	Plant £m	Accommodation Services £m	Centre, eliminations and unallocated £m	Total £m
External revenue	206.3	53.4	62.2	–	321.9
Inter-segment revenue	–	35.1	–	(35.1)	–
Total revenue	206.3	88.5	62.2	(35.1)	321.9
Operating profit / (loss) before exceptional items	14.7	9.0	(2.1)	(12.4)	9.2
Exceptional items	(0.9)	(0.2)	(3.0)	–	(4.1)
Operating profit / (loss)	13.8	8.8	(5.1)	(12.4)	5.1
Centre recharges	(4.3)	(4.3)	(3.0)	11.6	–
Operating profit / (loss) after centre recharges	9.5	4.5	(8.1)	(0.8)	5.1
Net finance costs					(0.6)
Taxation					5.2
Profit for the period from continuing operations					9.7
Segment assets	80.5	60.0	15.6	7.0	163.1
Unallocated assets	–	–	–	16.1	16.1
Total assets	80.5	60.0	15.6	23.1	179.2
Segment liabilities	(62.4)	(24.9)	(19.4)	(11.2)	(117.9)
Unallocated liabilities	–	–	–	(59.8)	(59.8)
Total liabilities	(62.4)	(24.9)	(19.4)	(71.0)	(177.7)
Net assets / (liabilities)	18.1	35.1	(3.8)	(47.9)	1.5
Capital expenditure	0.1	0.4	–	2.8	3.3
Depreciation	0.1	3.1	–	–	3.2

Unallocated assets represent cash and cash equivalents and deferred tax assets. Unallocated liabilities represent current and non-current borrowings, current tax liabilities and deferred tax liabilities.

Notes to the Consolidated Financial Statements

2.2 Performance by business segment for the period ended 2 April 2007 (restated)

	Rail £m	Plant £m	Accommodation Services £m	Centre, eliminations and unallocated £m	Discontinued operations £m	Total £m
External revenue	142.3	68.0	78.2	–	–	288.5
Inter-segment revenue	–	35.8	–	(35.8)	–	–
Total revenue	142.3	103.8	78.2	(35.8)	–	288.5
Operating profit / (loss) before exceptional items	9.4	13.3	2.3	(20.1)	–	4.9
Exceptional items	(1.8)	(1.9)	(8.9)	(0.8)	–	(13.4)
Operating profit / (loss)	7.6	11.4	(6.6)	(20.9)	–	(8.5)
Centre recharges	(5.0)	(7.4)	(3.4)	15.8	–	–
Operating profit / (loss) after centre recharges	2.6	4.0	(10.0)	(5.1)	–	(8.5)
Net finance costs						(4.6)
Taxation						2.0
Loss for the period from continuing operations						(11.1)
Segment assets	53.7	60.6	25.5	5.8	4.0	149.6
Unallocated assets	–	–	–	37.6	–	37.6
Total assets	53.7	60.6	25.5	43.4	4.0	187.2
Segment liabilities	(42.0)	(32.0)	(40.3)	(19.8)	(4.0)	(138.1)
Unallocated liabilities	–	–	–	(63.4)	–	(63.4)
Total liabilities	(42.0)	(32.0)	(40.3)	(83.2)	(4.0)	(201.5)
Net assets / (liabilities)	11.7	28.6	(14.8)	(39.8)	–	(14.3)
Capital expenditure	–	4.5	0.1	–	–	4.6
Depreciation	0.2	2.8	0.1	0.1	–	3.2

The assets and liabilities presented for discontinued operations relate to Herefordshire Jarvis Services Limited, sold in the period ended 2 April 2007, in accordance with the presentation requirements of IFRS 5 'Non-current Assets Held for sale and Discontinued Operations'.

2.3 Performance by geographic origin

The Group's trading activities are all transacted in Europe.

3 Revenue

Revenue from continuing operations is analysed below.

	2008 £m	2007 £m
Service revenue	313.8	276.6
Construction contract revenue	8.1	11.9
	321.9	288.5

Notes to the Consolidated Financial Statements

4 Operating profit before exceptional items

Operating profit before exceptional items is stated after charging / (crediting):

	2008 £m	2007 £m
Repairs and maintenance expenditure on property, plant and equipment	8.6	9.2
Goodwill written off	–	0.7
Trade receivables (impairment reversal) / impairment	(1.1)	0.1
Inventories impairment / (impairment reversal)	–	(0.2)
Cost of inventories recognised as an expense	3.3	2.2
Depreciation of property, plant and equipment	3.2	3.2
Operating lease rentals	16.4	18.3
Fees payable to Company's auditor for the audit of the Consolidated Financial Statements and Parent Company	0.1	0.2
Fees payable to the Company's auditor for other services		
– Audit of the Company's subsidiaries	0.3	0.4
– Other services supplied pursuant to legislation	0.1	0.1
– Services relating to corporate finance transactions	–	0.6

5 Exceptional items

	2008 £m	2007 £m
Termination costs of facilities management contracts	(2.7)	(6.9)
Provision for construction defects	–	(1.6)
Redundancy costs	(2.0)	(4.6)
Professional fees associated with financial restructuring	–	(0.3)
Profit on disposal of property, plant and equipment	0.6	–
Corporation tax refund	5.4	–
Interest on corporation tax refund	1.1	–
Exceptional items relating to continuing operations	2.4	(13.4)
Exceptional items relating to discontinued operations (Note 9)	1.8	(6.4)
Total exceptional items	4.2	(19.8)

On 23 October 2007 the Group completed the termination of three loss-making facilities management contracts. The £2.7m exceptional costs in the period are a result of the delayed disposal of these contracts.

Agreement was reached during the period with Her Majesty's Revenue and Customs to amend corporation tax returns submitted by the Group for the years 2000, 2001 and 2002, following a change in tax legislation in 2007. This resulted in a tax refund of £5.4m and associated interest rebate of £1.1m.

6 Net finance costs

	2008 £m	2007 £m
Finance income		
Interest receivable from short term bank deposits	–	0.2
Net finance income from defined benefit pension schemes	4.1	3.1
Other interest	0.2	0.1
	4.3	3.4
Finance expense		
Interest payable on bank and other loans	(5.6)	(6.7)
Finance charges payable under finance leases	–	(0.1)
Other interest	(0.4)	(1.2)
	(6.0)	(8.0)
Net finance cost before exceptional items	(1.7)	(4.6)
Exceptional finance income (Note 5)	1.1	–
Total net finance cost for continuing operations	(0.6)	(4.6)

Notes to the Consolidated Financial Statements

7 Employees

The average number of persons employed by the Group during the period, including Executive Directors, analysed by operating division is shown below. The 2007 numbers have been restated to reflect operations sold during the period ended 31 March 2008.

	2008 Number	2007 Restated Number
Rail	1,293	1,236
Plant	696	818
Accommodation Services	1,605	2,151
Central	111	141
Continuing operations	3,705	4,346
Discontinued operations	176	687
	3,881	5,033

The employment costs of all employees included in continuing operations are shown below.

	2008 £m	2007 £m
Wages and salaries	106.0	108.7
Social security costs	10.5	10.7
Share-based payments	0.1	0.3
Defined contribution pension scheme costs	2.3	2.6
Current service cost of defined benefit pension schemes	3.8	4.6
	122.7	126.9

8 Income tax recognised in the Consolidated Income Statement

8.1 Taxation credit for continuing operations

	2008 £m	2007 £m
UK corporation tax at the standard rate:		
– Current period	–	0.4
– Adjustment in respect of prior period	(6.3)	(0.8)
Total current tax credit	(6.3)	(0.4)
UK deferred tax:		
– Current period	1.1	(2.3)
– Adjustment in respect of prior period	–	0.7
Total deferred tax credit (Note 13)	1.1	(1.6)
Total income tax credit	(5.2)	(2.0)

There is no taxation charge in the period attributable to discontinued operations (2007: £nil).

8.2 Factors affecting the tax credit for the period

The tax credit for the period and effective tax rate are reconciled to the profit / (loss) for the period in the analysis below.

	2008 £m	2007 £m
Profit / (loss) before taxation	4.5	(13.1)
Tax at the UK standard rate of 30%	1.4	(3.9)
Expenses not deductible for tax purposes	0.3	0.2
Utilisation of previously unrecognised tax losses	(4.5)	(1.2)
Tax provision for specific identified risk	–	0.5
Tax losses for which no deferred tax asset was recognised	3.9	2.6
Adjustments to tax charge in respect of prior years	(6.3)	(0.2)
Total tax credit for period	(5.2)	(2.0)

Notes to the Consolidated Financial Statements

9 Discontinued operations

On 31 August 2007 the Group sold its 80 per cent interest in Herefordshire Jarvis Services Limited to Amey plc and its results, detailed below, have been classified as discontinued operations. Prior period comparatives, which have been restated accordingly, also include the results of the Prismo Road Markings business, the sale of which was completed on 1 December 2006, and the Accord Jarvis Limited Joint Venture, the Group's 50 per cent holding having being sold on 27 February 2007.

	2008 £m	2007 £m
Revenue	8.9	44.7
Cost of sales	(8.3)	(41.6)
Gross profit	0.6	3.1
Administration expenses	(1.0)	(7.6)
Operating loss before exceptional items	(0.4)	(4.5)
Exceptional items	–	(0.2)
Operating loss	(0.4)	(4.7)
Net finance costs	–	(0.1)
Share of post-tax profits from joint ventures sold	–	0.6
Loss before taxation	(0.4)	(4.2)
Taxation	–	–
Loss after taxation	(0.4)	(4.2)
Net profit / (loss) on disposals	1.8	(6.4)
Post-tax profit / (loss) from discontinued operations	1.4	(10.6)

The net profit on disposals in the period to 31 March 2008 relates to the £2.4m profit on disposal of Herefordshire Jarvis Services Limited (detailed below) offset by £0.6m of additional expenses incurred in relation to previously discontinued businesses.

Herefordshire Jarvis Services Limited disposal	£m
Net assets disposed of:	
Inventories	0.1
Trade and other receivables	3.7
Trade and other payables	(4.3)
	(0.5)
Sale proceeds	3.5
Working capital adjustment	(1.5)
Costs of disposal	(0.1)
Net cash consideration received	1.9
Profit on disposal	2.4

10 Earnings / (loss) per share

	2008 £m	2007 £m
Profit / (loss) for the period		
– Continuing operations	9.7	(11.1)
– Discontinued operations	1.4	(10.6)
Total	11.1	(21.7)
Number of shares	Number (m)	Number (m)
Weighted average number of shares in issue – basic	208.0	160.6
Effect of share options and warrants	0.3	–
Weighted average number of shares in issue – diluted	208.3	160.6
Basic and diluted earnings / (loss) per share		
– Continuing operations	4.7p	(6.9)p
– Discontinued operations	0.7p	(6.6)p
Total	5.4p	(13.5)p

Notes to the Consolidated Financial Statements

11 Intangible assets

	Goodwill £m	Computer software and licenses £m	Total £m
Cost			
At 1 April 2006	65.9	–	65.9
Written off	(65.9)	–	(65.9)
At 2 April 2007	–	–	–
Additions	–	2.8	2.8
At 31 March 2008	–	2.8	2.8
Accumulated amortisation			
At 1 April 2006	65.2	–	65.2
Written off	(65.2)	–	(65.2)
At 2 April 2007	–	–	–
Charge for the period	–	–	–
At 31 March 2008	–	–	–
Net book value			
At 31 March 2008	–	2.8	2.8
At 2 April 2007	–	–	–

During the period £1.6m of costs have been incurred in the development of the Group's new Enterprise Resource Planning (ERP) business system, and software licenses with a value of £1.2m have been purchased. Amortisation of the ERP costs will commence when the system is brought into operational use during the 2008/09 financial year. The software licenses are being amortised over a period of 5 years, from 1 March 2008.

The intangible asset at 1 April 2006 related to goodwill associated with the previously reported Roads business segment, discontinued in the period ended 2 April 2007.

12 Property, plant and equipment

	Short leasehold properties £m	Leasehold improvements £m	Plant, vehicles and equipment £m	Total £m
Cost or valuation				
At 1 April 2006	0.2	1.9	57.1	59.2
Additions	–	0.1	4.5	4.6
Disposals	(0.2)	(0.2)	(0.1)	(0.5)
In respect of business disposals	–	–	(13.6)	(13.6)
At 2 April 2007	–	1.8	47.9	49.7
Additions	–	0.1	0.4	0.5
Written off	–	–	(0.9)	(0.9)
Disposals	–	–	(5.8)	(5.8)
At 31 March 2008	–	1.9	41.6	43.5
Accumulated depreciation				
At 1 April 2006	0.2	1.5	29.5	31.2
Charge for the period	–	0.2	3.8	4.0
Disposals	(0.2)	–	(0.3)	(0.5)
In respect of business disposals	–	–	(7.8)	(7.8)
At 2 April 2007	–	1.7	25.2	26.9
Charge for the period	–	0.1	3.1	3.2
Written off	–	–	(0.9)	(0.9)
Disposals	–	–	(4.3)	(4.3)
At 31 March 2008	–	1.8	23.1	24.9
Net book value				
At 31 March 2008	–	0.1	18.5	18.6
At 2 April 2007	–	0.1	22.7	22.8

Notes to the Consolidated Financial Statements

13 Deferred taxation

Deferred tax assets / (liabilities) are attributable as shown below.

	Assets		Liabilities		Net	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Accelerated capital allowances	0.1	0.3	(3.7)	(0.2)	(3.6)	0.1
Retirement benefit asset	4.2	–	–	–	4.2	–
Retirement benefit liability	–	–	(11.3)	(10.9)	(11.3)	(10.9)
Taxation losses	8.4	9.7	–	–	8.4	9.7
Other short term temporary differences	–	–	–	(0.1)	–	(0.1)
	12.7	10.0	(15.0)	(11.2)	(2.3)	(1.2)

Movements in net deferred tax assets / (liabilities) are analysed below.

	Accelerated capital allowances £m	Retirement benefit asset £m	Taxation losses £m	Other £m	Total £m
At 1 April 2006	–	(6.6)	6.6	0.7	0.7
Credit / (charge) to Consolidated Income Statement	0.1	(0.8)	3.1	(0.8)	1.6
Charge to equity	–	(3.5)	–	–	(3.5)
At 2 April 2007	0.1	(10.9)	9.7	(0.1)	(1.2)
Credit / (charge) to Consolidated Income Statement	(1.8)	3.8	(3.2)	0.1	(1.1)
At 31 March 2008	(1.7)	(7.1)	6.5	–	(2.3)

The Group has not recognised deferred tax assets of £76.5m (2007: £81.3m) in respect of losses amounting to £273.5m (2007: £271.1m) that can be carried forward against future taxable income.

14 Retirement benefits

14.1 Overview

For the disclosure requirements of IAS19 'Employee Benefits', the Railways Pension Scheme (RPS) and the Streamline Pension Schemes are the only material defined benefit pension schemes operated by the Group. All other schemes are accounted for as defined contribution.

Railways Pension Scheme

The scheme is administered in accordance with its trust deed, and is commonly known as a shared cost scheme, under which the employer and employees are liable for the costs and any surplus or deficit arising under the scheme in the proportion of 60:40 respectively. Eligible employees participate in three shared cost sections of the RPS, being the Relayfast, Fastline and Jarvis Facilities sections. The latest triennial actuarial valuation of the RPS was as at 31 December 2004, and was undertaken by professionally qualified and independent actuaries. At that date the market value of the assets was £270.6m and the average funding level was 102%.

For the period ended 31 March 2008, employer contributions to the three Jarvis sections of the RPS were 16.74%, 16.56% and 16.2% of pensionable pay for the Relayfast, Fastline and Jarvis Facilities sections respectively. The employer contributions to the RPS were £2.9m in the period ended 31 March 2008 (2007: £2.9m).

Streamline Pension Schemes

The schemes comprise the Streamline Pension Fund (SPF) and the Streamline Local Government Pension Scheme (SLG). The latest triennial actuarial valuation for the SLG was as at 5 April 2007 and at that date the market value of the assets was £6.3m and the funding level was 84.8%. Following this triennial actuarial valuation, the employer contribution rates for the SLG were maintained at 20% of pensionable salaries. In addition, special employer contributions of £85,000 per annum continue to be payable over a 10 year period. The employer contributions (including the special employer contribution) to the SLG were £0.2m in the period ended 31 March 2008 (2007: £0.3m).

The latest triennial actuarial valuation for the SPF was as at 5 April 2007 and at that date the market value of the assets was £26.5m and the funding level was 72.0%. Following this triennial actuarial valuation, the employer contribution rates for the SPF were maintained as 23.9%, 16.5% and 12.9% of pensionable salaries for the 1968, 1984 and 1992 sections respectively. In addition, special employer contributions have been increased from £0.9m to £1.1m, the revised amount being payable for 10 years effective from 5 April 2008. The employer contributions (including the special employer contribution) to the SPF were £1.0m in the period ended 31 March 2008 (2007: £1.1m).

The total employer contribution to the defined benefit pension schemes for the period ending 31 March 2009, including special contributions, is estimated to be £4.0m.

Notes to the Consolidated Financial Statements

14 Retirement benefits (continued)

14.1 Overview (continued)

All Group defined benefit pension schemes are closed to new entrants, other than for new employees who qualify for participation in the RPS and employees transferring from the public sector, where conditions are specified in the terms of their transfer, who are admitted into the SLG. Other eligible new employees are offered participation in the Group's defined contribution schemes.

Contributions made to defined contribution arrangements for other eligible Group employees are based on a pre-determined percentage of individual salaries. Contributions by the Group into defined contribution schemes and non-material defined benefit schemes are disclosed in Note 7.

14.2 IAS 19 disclosures

Assets and liabilities for IAS 19 accounting purposes have been estimated by independent qualified actuaries, updating the most recent triennial actuarial valuations. The weighted averages of the principal assumptions used are shown below.

	2008 %	2007 %
Discount rate for scheme liabilities	6.10	5.20
Retail price inflation	3.50	3.10
Rate of increase in salaries*	3.95	3.55
Rate of increase to pensions in payment	3.50	3.10
Rate of increase to deferred pensions	3.50	3.10
Expected return on scheme assets**	6.96	6.93

* Plus promotional increases, where applicable.

** The expected return on scheme assets is based on the market expectations at the beginning of the period for returns over the life of the benefit obligation.

For both the RPS and Streamline Schemes the mortality basis is in line with the basis used by the respective Trustees at the last valuation. The Streamline schemes have adopted the 'PA92(C=2015)mc + 2 years' table for all members (the previous bases were 'PA92(C=2004) – 2 years' for non-retired members and 'PA92(C=2004) – 1 year' for retired members). The RPS uses scheme specific assumptions based on industry experience.

The life expectancies, for a male aged 65, implied by the mortality assumptions used are shown below.

	2008	2007
Streamline Pension Schemes		
Active / deferred	19.8	20.2
Pensioner	19.8	19.4
Railways Pension Scheme		
Active / deferred	19.0	19.0
Pensioner	17.8	17.8

Expected rates of return and analysis of scheme assets as at 31 March 2008	Expected long term rate of return %	Railways Pension Scheme		Streamline Pension Schemes		Total	
		Market value £m	Share of total scheme assets %	Market value £m	Share of total scheme assets %	Market value £m	Share of total scheme assets %
Equity	7.70	124.1	60.3	14.6	50.0	138.7	59.0
Property	6.50	17.2	8.3	–	–	17.2	7.3
Bonds (including gilts)	5.05	23.5	11.4	14.6	50.0	38.1	16.2
Hedge funds	7.84	18.5	9.0	–	–	18.5	7.9
Cash	5.25	22.6	11.0	–	–	22.6	9.6
Fair value of scheme assets	6.96	205.9	100.0	29.2	100.0	235.1	100.0

As at 2 April 2007

Equity	7.70	130.0	60.9	16.1	49.9	146.1	59.4
Property	6.50	17.8	8.3	–	–	17.8	7.2
Bonds (including gilts)	5.05	28.3	13.2	15.9	49.3	44.2	17.9
Hedge funds	7.34	19.5	9.1	–	–	19.5	7.9
Cash	5.25	18.3	8.5	0.3	0.8	18.6	7.6
Fair value of scheme assets	6.93	213.9	100.0	32.3	100.0	246.2	100.0

Notes to the Consolidated Financial Statements

14 Retirement benefits (continued)

14.2 IAS 19 disclosures (continued)

The expected long term rate of return for equity, property and bonds is based on the yield to redemption on 20 year fixed interest gilts of 4.60% (2007: 4.60%) plus an adjustment to reflect market expectations of the equity, property and bond asset classes respectively. The expected long term rate of return for hedge funds is based on the London LIBOR plus an adjustment of 2% (2007: 2%) to reflect market expectations. Cash comprises mainly of cash holdings and the expected long term rate of return reflects the current short term returns on such deposits.

Amounts recognised in the Consolidated Income Statement	Railways Pension Scheme £m	Streamline Pension Schemes £m	2008 Total £m	Railways Pension Scheme £m	Streamline Pension Schemes £m	2007 Total £m
Current service cost	(3.6)	(0.2)	(3.8)	(4.2)	(0.4)	(4.6)
Curtailment gain	–	–	–	–	1.1	1.1
Total charged to operating profit	(3.6)	(0.2)	(3.8)	(4.2)	0.7	(3.5)
Interest cost	(9.2)	(2.5)	(11.7)	(8.6)	(2.4)	(11.0)
Expected return on pension assets	14.3	1.5	15.8	12.6	1.5	14.1
Total amount credited / (charged) to finance income	5.1	(1.0)	4.1	4.0	(0.9)	3.1
Total credited / (charged) to the Consolidated Income Statement	1.5	(1.2)	0.3	(0.2)	(0.2)	(0.4)

Amounts recognised in the Consolidated Statement of Recognised Income and Expense	Railways Pension Scheme £m	Streamline Pension Schemes £m	2008 Total £m	Railways Pension Scheme £m	Streamline Pension Schemes £m	2007 Total £m
Actual return less expected return on pension scheme assets	(15.8)	(1.8)	(17.6)	8.4	(1.3)	7.1
Gain / (loss) arising from changes in the assumptions underlying the present value of scheme liabilities	15.4	3.7	19.1	3.3	1.0	4.3
Net actuarial (loss) / gain in the Consolidated Statement of Recognised Income and Expense	(0.4)	1.9	1.5	11.7	(0.3)	11.4

The actual loss on scheme assets for the period ended 31 March 2008 was £1.7m (period ended 2 April 2007: return of £21.2m).

Balance sheet analysis	Railways Pension Scheme £m	Streamline Pension Schemes £m	2008 Total £m	Railways Pension Scheme £m	Streamline Pension Schemes £m	2007 Total £m
Present value of funded defined benefit obligations brought forward	(177.5)	(49.3)	(226.8)	(177.0)	(50.0)	(227.0)
Current service cost	(3.6)	(0.2)	(3.8)	(4.2)	(0.4)	(4.6)
Curtailment gain	–	–	–	–	1.1	1.1
Contributions paid	–	–	–	–	(0.1)	(0.1)
Interest cost	(9.2)	(2.5)	(11.7)	(8.6)	(2.4)	(11.0)
Benefits paid	9.4	4.0	13.4	9.0	1.5	10.5
Net actuarial gain / (loss) recognised in the Consolidated Statement of Recognised Income and Expense	15.4	3.7	19.1	3.3	1.0	4.3
Present value of funded defined benefit obligations carried forward	(165.5)	(44.3)	(209.8)	(177.5)	(49.3)	(226.8)
Pension assets brought forward	213.9	32.3	246.2	199.0	32.1	231.1
Expected return on scheme assets	14.3	1.5	15.8	12.6	1.5	14.1
Benefits paid	(9.4)	(4.0)	(13.4)	(9.0)	(1.4)	(10.4)
Actuarial gains	(15.8)	(1.8)	(17.6)	8.4	(1.3)	7.1
Contributions paid by employer	2.9	1.2	4.1	2.9	1.3	4.2
Contributions paid by the employees	–	–	–	–	0.1	0.1
Pension assets carried forward	205.9	29.2	235.1	213.9	32.3	246.2
Net defined benefit obligation	40.4	(15.1)	25.3	36.4	(17.0)	19.4

Notes to the Consolidated Financial Statements

14 Retirement benefits (continued)

14.2 IAS 19 disclosures (continued)

Pension surplus / (deficit) recognised as a non-current asset / (liability)	Railways Pension Scheme £m	Streamline Pension Schemes £m	2008 Total £m	Railways Pension Scheme £m	Streamline Pension Schemes £m	2007 Total £m
Fastline	14.4	–	14.4	12.6	–	12.6
Relayfast	5.6	–	5.6	5.5	–	5.5
Jarvis Facilities	20.4	–	20.4	18.3	–	18.3
Streamline LG Fund	–	(1.9)	(1.9)	–	(3.3)	(3.3)
Streamline Pension Fund	–	(13.2)	(13.2)	–	(13.7)	(13.7)
Net defined benefit pension obligation	40.4	(15.1)	25.3	36.4	(17.0)	19.4

History of experience gains and losses – Railways Pension Scheme	2008	2007	2006	2005
Present value of defined benefit obligations (£m)	(165.5)	(177.5)	(177.0)	(162.3)
Fair value of scheme assets (£m)	205.9	213.9	199.0	166.7
Surplus in scheme (£m)	40.4	36.4	22.0	4.4
Experience (losses) / gains on scheme assets (£m)	(15.8)	8.4	28.6	17.7
Percentage of scheme assets (%)	(7.7)	3.9	14.4	10.6
Total amount recognised in the Consolidated Statement of Recognised Income and Expense (£m)	(0.4)	11.7	17.2	11.1
Percentage of the present value of scheme liabilities (%)	(0.2)	6.6	9.7	6.8

History of experience gains and losses – Streamline Pension Schemes	2008	2007	2006	2005
Present value of defined benefit obligations (£m)	(44.3)	(49.3)	(50.0)	(48.7)
Fair value of scheme assets (£m)	29.2	32.3	32.1	28.5
Deficit in scheme (£m)	(15.1)	(17.0)	(17.9)	(20.2)
Experience (losses) / gains on scheme assets (£m)	(1.8)	(1.3)	1.9	0.7
Percentage of scheme assets (%)	(6.2)	(3.9)	5.9	2.5
Experience gains on scheme liabilities (£m)	–	–	–	1.0
Percentage of the present value of scheme liabilities (%)	–	–	–	2.1
Total amount recognised in the Consolidated Statement of Recognised Income and Expense (£m)	1.9	(0.3)	2.4	(3.2)
Percentage of the present value of scheme liabilities (%)	4.3	(0.6)	4.8	(6.6)

The cumulative amount of actuarial gains and losses since 1 April 2004 recognised in the Consolidated Statement of Recognised Income and Expense is £40.5m (2007: £38.9m). In accordance with IFRS, the Group has taken exemption from disclosing experience gains and losses for the years prior to 31 March 2005.

15 Inventories

	2008 £m	2007 £m
Raw materials and consumables	1.1	0.2
Work in progress	0.8	1.9
Finished goods and goods for resale	1.4	1.3
	3.3	3.4

The above balances include an impairment provision of £0.3m (2007: £0.3m).

Notes to the Consolidated Financial Statements

16 Trade and other receivables

	2008 £m	2007 £m
Trade receivables	16.5	23.5
Amounts due from customers on contracts	62.8	42.5
Other receivables	9.2	14.0
Prepayments and accrued income	9.5	7.0
	98.0	87.0

Other receivables include £0.8m (2007: £3.4m) relating to cash balances held in separate trust accounts. 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 then past practical completion or that had material future cash outflows associated with them), 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 the trusts is recognised within other receivables.

17 Construction contracts

Contracts in progress at the balance sheet date are analysed below.

	2008 £m	2007 £m
Due from customers for contract work, included in trade and other receivables	0.7	3.0
Due to customers for contract work, included in trade and other payables	–	(0.1)
	0.7	2.9

The aggregate amount of costs incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £8.1m (2007: £8.3m).

18 Borrowings

18.1 Summary of borrowings

	Fixed £m	Floating £m	2008 Total £m	Fixed £m	Floating £m	2007 Total £m
Current						
Bank loans and loan notes	–	10.1	10.1	–	18.3	18.3
Other loans	0.5	–	0.5	–	–	–
	0.5	10.1	10.6	–	18.3	18.3
Non-current						
Bank loans and loan notes	–	31.5	31.5	–	32.9	32.9
Other loans	0.1	–	0.1	–	–	–
	0.1	31.5	31.6	–	32.9	32.9
Total borrowings	0.6	41.6	42.2	–	51.2	51.2

All borrowings are denominated in sterling.

18.2 Maturity profile of borrowings

	Other loans £m	Bank loans and loan notes £m	2008 Total £m	Bank loans and loan notes £m	2007 Total £m
Not later than one year	0.5	10.1	10.6	18.3	18.3
Between one and two years	0.1	31.5	31.6	3.9	3.9
Between two and five years	–	–	–	29.0	29.0
	0.6	41.6	42.2	51.2	51.2

Notes to the Consolidated Financial Statements

18 Borrowings (continued)

18.3 Borrowing facilities

The Group's floating rate borrowings relate to its committed facility of £67m arranged by Burdale Financial Limited, the secured asset-based lending subsidiary of the Bank of Ireland, secured by way of a fixed and floating charge on the Group's assets, in particular its plant, machinery and receivables under its rail renewal and plant hire contracts.

At 31 March 2008 the Group had available £20.2m of undrawn borrowing facilities (2007: £15.8m).

Subsequent to the period end, on 27 May 2008 the Group completed the refinancing of its subordinated debt facilities through its existing senior lenders, Burdale Financial Limited. As part of the refinancing, the remaining £10.0m of the Group's subordinated debt will be replaced with £5.0m of additional senior debt and a £5.0m cash flow loan, in each case with a term lasting to 31 January 2010. The Group has previously communicated that the £67.0m of loan facilities entered into in July 2006 would amortise down to £62.0m by June 2008. A further £2.0m of debt has now been repaid following asset disposals. Accordingly the Group's overall bank borrowing facilities will stand at £60.0m following this refinancing.

18.4 Effective interest rates

The effective interest rates on the Group's interest bearing borrowings at the balance sheet date are shown below.

	2008 %	2007 %
Loan notes and bank loans	11.0	10.7
Other loans	12.2	–

19 Trade and other payables

	2008 £m	2007 £m
Current		
Trade payables	37.6	33.8
Other payables	8.5	4.9
Accruals and deferred income	33.1	56.2
Advance payments on contracts	1.1	1.3
Other taxation and social security	15.8	17.6
	96.1	113.8
Non-current		
Other payables	0.8	–
	0.8	–

20 Provisions

	Onerous leases £m	Restructuring £m	Other £m	Total £m
At 3 April 2007	1.0	3.6	2.7	7.3
Provisions utilised during the period	(0.6)	(2.3)	(0.5)	(3.4)
New provisions charged to the Consolidated Income Statement during the period	–	1.0	1.6	2.6
Businesses disposed	–	–	(0.5)	(0.5)
At 31 March 2008	0.4	2.3	3.3	6.0
Disclosed within:				
Current liabilities	0.3	2.3	3.3	5.9
Non-current liabilities	0.1	–	–	0.1
	0.4	2.3	3.3	6.0

Provisions represent the best estimate of obligations at the balance sheet date. The provision for onerous leases has been calculated at the net present value of rent payable less rents receivable (having taken account of potential void periods and lease incentives) up to the end of the lease. Allowance has been made for empty rates and agents' fees.

The restructuring provision relates to the costs associated with the ongoing operational restructuring. The other provisions relate to liabilities in respect of contracts and third party claims and represent the net present value of the expected cash outflow in relation to these obligations.

Notes to the Consolidated Financial Statements

21 Financial Instruments

There were no derivative financial instruments outstanding at the balance sheet date.

Non-derivative financial instruments consist of cash at bank, short term deposits, trade and other receivables, bank overdrafts, borrowings and trade and other payables. The fair value of these approximate the carrying value in the balance sheet. The fair value of the non-current borrowings is their net present value computed at the market rate that would arise if the commitment had been entered into at the balance sheet date. The fair value of all other non-derivative financial instruments approximate their carrying values because of the short term maturity of these instruments. A summary of the carrying value of financial assets and liabilities held by the Group is given below.

	2008 £m	2007 £m
Financial assets		
Trade and other receivables	98.0	87.0
Cash and cash equivalents	3.4	27.6
	101.4	114.6
Financial liabilities		
Trade and other payables	96.9	113.8
Borrowings	42.2	51.2
	139.1	165.0

The maturity profile of the Group's financial liabilities is detailed below.

	Borrowings £m	Trade and other payables £m
31 March 2008		
Due within one year	10.6	96.1
Due between one and two years	31.6	0.4
Between two and five years	–	0.4
	42.2	96.9
2 April 2007		
Due within one year	18.3	113.8
Due between one and two years	3.9	–
Between two and five years	29.0	–
	51.2	113.8

Financial risk management

The Group has a centralised Treasury function whose primary role is to manage the financial risks that the Group is exposed to, within parameters approved by the Group Board. These risks include interest rate risk, liquidity risk, and credit risk. The Group does not undertake any material transactions in foreign currencies.

Interest rate risk

The Group's floating rate borrowings relate to its Burdale Financial Limited banking facilities, further details of which are given in Note 18. These borrowings are subject to floating rates of interest linked to the LIBOR. A one percentage point rise in interest rates would increase the annual net interest charge on these borrowings by approximately £0.4m.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient banking facilities and continuously monitoring its forecast and actual cash flows. Details of undrawn borrowing facilities, and a maturity profile of the Group's borrowings are given in Note 18.

Notes to the Consolidated Financial Statements

21 Financial Instruments (continued)

Credit risk

Credit risk arises on financial instruments held by the Jarvis Group, being trade receivables and cash and cash equivalents. Policies and procedures are in place to ensure that credit is only given to customers that have an appropriate credit history and cash is deposited with highly credit-rated authorised counterparties based on ratings issued by the major rating agencies. A significant proportion of the Group's trading is with one customer, Network Rail, which gives rise to a concentration of credit risk.

Trade receivables are included in the balance sheet net of provision for impairment, estimated by the Group's management on an individual customer by customer basis. This is based on prior experience and their assessment of the current economic environment. The ageing of trade receivables and provision for impairment are detailed in the table below. There are no reasons to believe that those debts past due but not impaired are not recoverable.

	Gross receivables 2008 £m	Impairment 2008 £m	Gross receivables 2007 £m	Impairment 2007 £m
Not past due	8.8	–	14.0	(0.2)
Past due up to three months	4.1	–	4.7	–
Past due three to six months	1.7	–	2.3	(0.3)
Past due six to twelve months	0.9	–	2.2	(0.3)
Past due more than twelve months	1.4	(0.4)	2.2	(1.1)
	16.9	(0.4)	25.4	(1.9)

The movement in the provision for impairment of trade receivables during the period is shown below.

	2008 £m	2007 £m
Provision at start of the period	1.9	8.9
Increase in provision during the period	0.1	1.4
Provision utilised during the period	(0.4)	(7.8)
Provision released during the period	(1.2)	(0.6)
Provision at end of the period	0.4	1.9

22 Share capital

22.1 Authorised

	2008 Number	2008 £m	2007 Number	2007 £m
Ordinary shares of 5p each	340,000,000	17.0	340,000,000	17.0

22.2 Allotted, called up and fully paid

	Number	£m
At 3 April 2007	204,379,497	10.2
Shares authorised / issued in the period	8,913,377	0.5
At 31 March 2008	213,292,874	10.7
At 1 April 2006	152,126,241	7.6
Shares authorised / issued in the period	13,768,015	1.9
Placing and Open Offer	38,485,241	0.7
At 2 April 2007	204,379,497	10.2

During the period 8,639,732 share warrants have been exercised and 273,645 ordinary shares were issued following the exercise of employee share options.

Notes to the Consolidated Financial Statements

23 Reconciliation of movement in shareholders' equity

	Share capital £m	Share premium £m	Special reserve £m	Capital redemption reserve £m	Other reserve £m	Accumulated losses £m	Total equity £m
At 3 April 2007	10.2	581.4	–	7.2	89.7	(702.8)	(14.3)
Profit for the period	–	–	–	–	–	11.1	11.1
Transfer between reserves – capital reduction	–	(520.7)	3.7	–	–	517.0	–
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	1.5	1.5
Shares issued in connection with exercise of warrants	0.5	2.6	–	–	–	–	3.1
Equity settled share-based payments	–	–	–	–	–	0.1	0.1
At 31 March 2008	10.7	63.3	3.7	7.2	89.7	(173.1)	1.5
At 1 April 2006	7.6	556.6	–	7.2	89.7	(689.3)	(28.2)
Loss for the period	–	–	–	–	–	(21.7)	(21.7)
Placing and Open Offer (net of expenses)	1.9	19.8	–	–	–	–	21.7
Issue of shares to existing warrant holders	0.2	2.2	–	–	–	–	2.4
Shares issued in connection with exercise of warrants	0.5	2.8	–	–	–	–	3.3
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	11.4	11.4
Tax in respect of items taken directly to equity	–	–	–	–	–	(3.5)	(3.5)
Equity settled share-based payments	–	–	–	–	–	0.3	0.3
At 2 April 2007	10.2	581.4	–	7.2	89.7	(702.8)	(14.3)

By special resolution, confirmed by the High Court on 2 May 2007, the Company reduced its share premium account by £520.7m, eliminating the accumulated deficit on the Company's profit and loss account and creating a special reserve of £3.7m.

The capital redemption reserve arose from the Placing and Open Offer completed on 29 September 2005, when £7.2m of ordinary shares were cancelled.

The other reserve arose on the acquisition of Streamline Holdings plc in the year ended 31 March 1998, the Company taking advantage of merger relief under section 131 of the Companies Act 1985.

24 Share-based payments

The Group has appraised its share options granted on or after 7 November 2002 and not vested at 1 April 2005, in accordance with IFRS 1 and IFRS 2. In the period ended 31 March 2008 the amount charged to the Consolidated Income Statement in relation to share-based payments totalled £0.1m (2007: £0.3m).

With the exception of the Savings Related Share Option Scheme (SAYE scheme) there are share price performance conditions applicable to each of these schemes, with all schemes requiring continuous employment.

Options are valued using the Black-Scholes option pricing model. All options have a life of three years. The expected volatility used in the valuation model is based on historical volatility over the last three years of a peer group and a nil dividend yield has been assumed. The principal assumptions and key data used in the calculations are shown below.

Grant date	Share price at grant date Pence	Exercise price Pence	Expected volatility %	Risk free interest rate %	Fair value per option Pence		
					Tranche 1	Tranche 2	Tranche 3
The Management Incentive Plan							
30 November 2005	87	108 – 152	21.3	4.0	17	14	9
8 August 2006	56	70 – 98	20.5	5.0	11	9	6
4 October 2006	45	57 – 80	20.5	5.0	9	7	4
SAYE scheme							
4 April 2006	70	70	20.5	5.0	14	–	–
The 2003 Share Option Plan							
4 October 2006	55	65 – 87	20.5	5.0	11	9	6
3 April 2007	66	83 – 116	28.8	4.6	18	18	18
5 September 2007	72	90 – 125	28.8	4.6	20	20	20

Notes to the Consolidated Financial Statements

24 Share based payments (continued)

The options outstanding and movements during the period are shown below.

Grant date	Outstanding at 1 April 2006	Granted during the period	Surrendered, cancelled or exercised	Outstanding at 2 April 2007	Granted during the period	Surrendered, cancelled or exercised	Outstanding at 31 March 2008
The Management Incentive Plan							
30 November 2005	5,355,000	–	(2,700,000)	2,655,000	–	(2,565,000)	90,000
8 August 2006	–	550,000	–	550,000	–	–	550,000
4 October 2006	–	1,338,000	(42,000)	1,296,000	–	(313,000)	983,000
SAYE Scheme							
4 April 2006	–	3,200,213	(446,833)	2,753,380	–	(696,013)	2,057,367
The 2003 Share Option Plan							
4 October 2006	–	2,798,000	–	2,798,000	–	(239,000)	2,559,000
3 April 2007	–	–	–	–	1,026,400	–	1,026,400
5 September 2007	–	–	–	–	2,990,473	–	2,990,473

25 Commitments

25.1 Capital commitments

The Group had no capital commitments at 31 March 2008 (2007: nil).

25.2 Operating leases

The Group has entered into commercial leases on certain properties, motor vehicles and items of plant and equipment. The total of future minimum lease payments under non-cancellable operating leases is shown in the table below.

	Vehicles, plant and equipment £m	Property £m	2008 Total £m	Vehicles, plant and equipment £m	Property £m	2007 Total £m
Within one year	8.4	3.7	12.1	9.8	3.5	13.3
More than one year but within five years	12.1	9.8	21.9	13.5	10.3	23.8
After five years	1.2	14.8	16.0	1.8	16.3	18.1
	21.7	28.3	50.0	25.1	30.1	55.2

Operating lease charges recognised in the Consolidated Income Statement are shown in Note 4.

26 Contingent liabilities

The Group has guaranteed performance bonds and given guarantees in respect of contracts entered into by subsidiary undertakings in the normal course of business.

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.

The Group's banking facilities are subject to certain financial covenants and events of default. Breaches of financial covenants or events of default can be waived or consented to by the lenders but such waivers or consents may require the payment of fees and costs to the lenders.

Notes to the Consolidated Financial Statements

27 Related party transactions

Related party transactions in the period are limited to compensation for key management. Key management personnel comprise the Executive and Non-Executive Directors, as identified in the Directors' Remuneration Report on pages 23 to 27, along with the Executive Team. The remuneration of these key personnel is detailed below.

	2008 £m	2007 £m
Salaries and short-term benefits	2.4	2.9
Post employment benefits	0.3	0.3
Termination payments	0.2	0.1
	2.9	3.3

28 Cash generated from operations

	2008 £m	2007 £m
Profit / (loss) from operations		
Operating profit / (loss) from continuing operations	5.1	(8.5)
Operating loss from discontinued operations (Note 9)	(0.4)	(4.7)
	4.7	(13.2)
Adjustments for non-cash movements		
Depreciation of property, plant and equipment		
– Continuing operations	3.2	3.2
– Discontinued operations	–	0.8
Non-cash pension costs / (income)	1.1	(0.7)
Restructuring costs	1.0	4.9
Profit on disposal of property plant and equipment	(0.6)	–
Share of post-tax profits from joint ventures	–	0.5
	4.7	8.7
Movement in working capital		
Decrease in inventories	0.1	3.6
(Increase) / decrease in receivables	(14.0)	12.3
Decrease in payables and provisions	(13.3)	(32.4)
	(27.2)	(16.5)
Cash flows from operating activities	(17.8)	(21.0)

29 Principal subsidiary undertakings and associates at 31 March 2008

The subsidiaries of Jarvis plc which, in the opinion of the Directors, principally affect Group trading results and net assets are listed below.

Company	Nature of business
Fastline Limited*	Rail and other plant hire business
Jarvis Rail Limited	Rail infrastructure services
Jarvis Accommodation Services Limited	Facilities management
Jarvis Construction (UK) Limited	Construction management
On Track Plant Limited	Rail plant hire
Jarvis Property Company Limited	Property investment, dealing and development
Jarvis Estates Limited	Property investment
Somerford Equipment Limited*	Specialist vehicle delivery
Jarvis Plant Hire Limited*	Plant hire

* Indirectly owned by Jarvis plc.

All principal subsidiary undertakings are incorporated in England and Wales and are wholly owned.

Company Balance Sheet

At 31 March 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Intangible assets	5	2.8	–
Investments in subsidiary undertakings	7	73.9	74.3
		76.7	74.3
Current assets			
Debtors	8	93.3	93.0
Cash at bank and in hand		–	23.8
		93.3	116.8
Creditors: amounts falling due within one year	9	(11.8)	(17.3)
Net current assets		81.5	99.5
Total assets less current liabilities		158.2	173.8
Creditors: amounts falling due after more than one year	9	(0.8)	–
Provisions for liabilities	10	(1.7)	(3.0)
Net assets		155.7	170.8
Capital and reserves			
Share capital	11	10.7	10.2
Share premium	11	63.3	581.4
Special reserve	11	3.7	–
Capital redemption reserve	11	7.2	7.2
Other reserve	11	89.6	89.6
Profit and loss account	11	(18.8)	(517.6)
Equity shareholders' funds		155.7	170.8

The Financial Statements were approved by the Board on 27 May 2008 and were signed on its behalf by:

R Entwistle Chief Executive

J O'Kane Group Finance Director

Notes to the Company Balance Sheet

1 Principal accounting policies

1.1 Basis of accounting

The Company's Financial Statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985. The Company has not presented its own profit and loss account, in accordance with the exceptions allowed by Section 230(4) of the Companies Act 1985.

1.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the useful economic lives of the assets concerned, from the date they are brought into operational use. Computer software and licenses are the only intangible assets held by the Company at 31 March 2008. They have an estimated life of 3 to 5 years.

1.3 Investments

Investments are stated at cost less provision for any impairment in value.

1.4 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value.

1.5 Share-based payments

The Company operates equity-settled share-based payment schemes for certain employees. The cost of share-based payments is measured at fair value at the date of grant, excluding the effect of non market-based vesting conditions. The cost is recognised in the profit and loss account on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The fair value of employee share option plans is calculated by using the Black-Scholes-Merton valuation model.

1.6 Current taxation

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account 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.

1.7 Deferred taxation

Full provision has been made for deferred taxation in respect of timing differences that have originated but not reversed at the balance sheet date as the result of an event which results in an obligation to pay more or less tax in the future, except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement assets.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the period in which the timing differences reverse, based on tax rates enacted at the balance sheet date.

Notes to the Company Balance Sheet

2 Auditors' remuneration

The auditors' remuneration for audit services to the Parent Company for the period ended 31 March 2008 was £0.1m (2007: £0.1m).

3 Payroll costs and employee numbers

	2008 £m	2007 £m
Wages and salaries	5.8	6.8
Social security costs	0.7	0.8
Pension costs	0.5	0.5
	7.0	8.1

The average number of employees in the period, including Executive Directors, was 111 (2007: 141).

4 Dividends

No dividends were paid during the period (2007: nil).

5 Intangible assets

Intangible assets held at 31 March 2008 relate to computer software and licenses. During the period £1.6m of costs have been incurred in the development of the Group's new Enterprise Resource Planning (ERP) business system, and software licenses with a value of £1.2m have been purchased. Amortisation of the ERP costs will commence when the system is brought into operational use during the 2008/09 financial year. The software licenses are being amortised over a period of 5 years, from 1 March 2008.

6 Tangible assets

	Leasehold improvements £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 3 April 2007	0.1	0.9	1.0
Written off	(0.1)	(0.9)	(1.0)
At 31 March 2008	-	-	-
Depreciation			
At 3 April 2007	0.1	0.9	1.0
Written off	(0.1)	(0.9)	(1.0)
At 31 March 2008	-	-	-
Net book value			
At 3 April 2007 and 31 March 2008	-	-	-

7 Fixed asset investments in subsidiary undertakings

	£m
At 3 April 2007	74.3
Additions in the period	0.2
Impairment provision	(0.6)
At 31 March 2008	73.9

Investments in subsidiary undertakings primarily relate to the subsidiary undertakings disclosed in Note 29 to the Consolidated Financial Statements.

8 Debtors

	2008 £m	2007 £m
Amounts owed by Group undertakings	88.6	86.7
Other debtors	4.5	6.1
Prepayments and accrued income	0.2	0.2
	93.3	93.0

Notes to the Company Balance Sheet

9 Creditors

	2008 £m	2007 £m
Amounts falling due within one year		
Bank loans and loan notes	0.6	–
Trade creditors	1.7	3.2
Accruals and deferred income	7.5	13.1
Taxation and social security	0.2	1.0
Corporation tax payable	1.8	–
	11.8	17.3
Amounts falling due after more than one year		
Other creditors	0.8	–
	0.8	–

Details of borrowing and security arrangements are set out in Note 18 to the Consolidated Financial Statements.

10 Provisions for liabilities and charges

	Onerous leases £m	Restructuring £m	Total £m
At 3 April 2007	1.0	2.0	3.0
Utilised	(0.6)	(0.7)	(1.3)
At 31 March 2008	0.4	1.3	1.7

Provisions represent the best estimate of obligations at the balance sheet date. The provision for onerous lease commitments has been calculated at the net present value of rent payable less rents receivable (having taken account of potential void periods and lease incentives) up to the end of the lease. Allowance has been made for empty rates and agents' fees. The restructuring provision relates to the costs associated with the ongoing operational restructuring.

11 Capital and reserves

	Other reserves £m	Profit and loss account £m
At 3 April 2007	89.6	(517.6)
Loss for the period	–	(18.3)
Movements relating to share-based payments	–	0.1
Transfer between reserves – capital reduction	–	517.0
At 31 March 2008	89.6	(18.8)

Details of the Company's authorised and issued share capital, share premium and capital redemption reserve are given in Notes 22 and 23 to the Consolidated Financial Statements.

The cumulative amount of goodwill written off direct to reserves in respect of acquisitions prior to 31 March 1998 is £89.2m (2007: £89.2m) which arose in connection with the acquisition of rail businesses.

12 Capital commitments

The Company had no capital commitments at 31 March 2008 (2007: £nil).

13 Contingent liabilities

Details are given in Note 26 to the Consolidated Financial Statements.

Group Historical Summary

	2008 £m	2007 £m	2006 £m	2005 £m
Consolidated Income Statement				
Revenue*	321.9	288.5	335.3	432.9
Operating profit / (loss)*	9.2	4.9	15.2	(62.5)
Net finance costs*	(1.7)	(4.6)	(67.8)	(27.7)
Exceptional items	(3.0)	(13.4)	(1.1)	(289.1)
Profit / (loss) before tax*	4.5	(13.1)	(53.7)	(379.3)
Taxation	5.2	2.0	0.1	2.6
Profit / (loss) for the period*	9.7	(11.1)	(53.6)	(376.7)
Post-tax profit / (loss) from discontinued operations	1.4	(10.6)	(3.0)	44.6
Profit / (loss) for the period attributable to equity shareholders	11.1	(21.7)	(56.6)	(332.1)
Basic and diluted earnings / (loss) per share	5.4p	(13.5)p	(39.4)p	(231.2)p
Capital employed				
Equity shareholders' funds / (deficit)	1.5	(14.3)	(28.2)	(414.3)
Net debt	(38.8)	(23.6)	(23.5)	(307.5)

*From continuing operations, before exceptional items.

Figures for the four years ended 31 March 2008 shown above were prepared under International Financial Reporting Standards (IFRS). The Group's annual report and accounts for 2004 and prior years were prepared under UK Generally Accepted Accounting Principles (UK GAAP) and as these results are not comparable with results under IFRS, they are not presented above.

Report of the Independent Auditor to the members of Jarvis plc

We have audited the group and parent company financial statements (the "financial statements") of Jarvis plc for the year ended 31 March 2008 which comprise the group income statement, the group and parent company balance sheets, the group cash flow statement, the group statement of recognised income and expense and notes 1 to 29 for the group consolidated accounts and notes 1 to 13 in respect of the parent company accounts. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985

and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the chairman's statement, the chief executive review, the financial review, and the operating review that is cross referred from the Business Review section of the Directors' Report.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003/6 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chairman's statement, Chief Executive review, the financial review, the operating review, the biographies, the corporate governance statement and the corporate social responsibility statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's

circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

Registered Auditor
Chartered Accountants
Leeds
27 May 2008

Investor Information

Shareholder Services

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Amalgamation of Accounts

Shareholders who receive duplicate sets of Company mailings as a result of multiple accounts registered in their names should write to the Registrar to have their accounts amalgamated.

Gifting Your Shares to Charity

Shareholders who have a small number of shares can often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support other UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from www.ShareGift.org. There is no implication for Capital Gains Tax (no gain or loss) when you donate shares to charity and UK taxpayers may be able to claim income tax relief on the value of their donation.

Investor Centre Website

The Company's Investor Centre website provides users with timely access to up-to-date and historical information on Jarvis, including results announcements, presentations, annual reports, regulatory announcements and other investor relations materials and tools including a real time share price feed and share price calculator. The Investor Centre can be accessed at: www.jarvisplc.com/jarvisplc/investor/.

Unsolicited Mail

The Company is obliged by law to make its Share Register available to other organisations who may then use it for a mailing list. If you wish to limit the receipt of unsolicited mail you may do so by registering with the Mailing Preference Service (MPS). Registration can be made in writing to: The Mailing Preference Service (MPS), Freepost 29 LON20771, London, W1E 0ZT or online at www.mpsonline.org.uk.

Company Details

Registered Office

Meridian House
The Crescent
York YO24 1AW

Company Registration

Registered in England
No. 2238084

Our Advisers

Auditors

Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds LS1 4BN

Bankers

Bank of America
Business Capital Europe
5 Canada Square
London E14 5AQ

Burdale Financial Limited

53 Queen Anne Street
London W1G 9HP

Lloyds TSB

City Office
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Corporate Finance

Close Brothers Group plc
10 Crown Place
London EC2A 4FT

Solicitors

Addleshaw Goddard LLP
Sovereign House
Sovereign Street
Leeds LS1 1HQ

Eversheds LLP

One Wood Street
London EC2V 7WS

Slaughter and May

One Bunhill Row
London EC1Y 8YY

Stockbrokers

KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH



Jarvis plc
Meridian House
The Crescent
York
YO24 1AW

T +44 (0)1904 712712
F +44 (0)1904 712011
www.jarvisplc.com