

27 November 2007

**Jarvis plc Half Yearly Financial Report  
For the half year ended 30 September 2007**

Jarvis plc announces interim results for the half year ended 30 September 2007. A summary of key points follows:

**Financial**

- Group turnover for the period\* £136.3m (2006: £143.5m)
- Loss before tax\* £0.6m (2006: profit £0.5m)
- Loss for the period £2.5m (2006: loss £11.6m)
- Net debt at 30 September 2007 £41.4m (2006: £45.8m)
- Exceptional costs of £2.7m resulting from the delayed disposal of the loss making Accommodation Services contracts largely offset by exceptional profit of £2.4m on the disposal of the Group's 80% shareholding in Herefordshire Jarvis Services Limited

**Strategic delivery**

Considerable progress made:

- Selected as one of Network Rail's four primary track renewal contractors generating secure workload of £95m-£100m per annum until 2009 with the potential for extensions of up to five years
- Fastline Freight secured a major contract award for E.ON on track to commence in April 2008
- Termination of the three major loss making FM contracts
- Disposal of non-core Herefordshire Jarvis Services Limited
- Continued focus on reduction in overheads

**Outlook**

- Prospects in Rail renewal business going forward very good with the Government and Network Rail committed to a substantial programme of enhancements
- Full year performance in the current financial year likely to be materially below previous expectations primarily due to the utilisation pattern under the On Track Machine contract and lack of visibility in Plant forward orders (as per detailed statement of 22 November)
- While the pace of recovery has been slowed the overall strategy remains in place. The Company still expects to record its best full year result since 2003

Steven Norris, Executive Chairman Jarvis plc, said:

"We have made considerable progress in the recovery of the Group and are pleased with what has been achieved to date. However we still face considerable challenges as outlined in our recent statement and much remains to be done."

\*From continuing operations, before exceptional items

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## **INTERIM MANAGEMENT REPORT**

### **Introduction**

In the last six months we have made considerable progress towards the recovery of the Group. Whilst we are pleased with what has been achieved to date, the operation of the business during the first half has presented significant challenges, particularly in Plant, and much remains to be done.

Since the period end it has become apparent that market expectations for the second half of the year would not be achieved. We are deeply disappointed to have had to make the announcement, on 22 November, and regret that we were unable to clarify the position earlier. We are working with our customer in an attempt to ensure that we achieve greater visibility going forward and that this cannot happen in future.

Last year we set out on a strategy to build our core business in Rail, Plant and Freight. We aimed to complete and close our construction business, dispose of a number of non performing businesses and significantly reduce our overhead costs. I reported at the Annual General Meeting on 26 July 2007 that we had made good progress with the completion of all outstanding construction contracts and disposal of the loss making Roads business. Since that date we have announced further progress with the disposal of Herefordshire Jarvis Services Limited in August and of the three major loss making Facilities Management contracts in Accommodation Services, which after a tortuous process finally completed in October. This was a great achievement and an important step in our journey to full recovery.

### **Financial Results**

The financial results for the period show a reduced turnover from continuing operations of £136.3m (2006: £143.5m). Increased Rail volumes in the second quarter following new contract awards were offset by reduced demand in Plant. Turnover in Accommodation Services was lower, as expected, due to the exit from construction activities.

Loss before tax for the period, from continuing operations before exceptional items, was £0.6m (2006: profit £0.5m). The loss for the period was £2.5m (2006: loss £11.6m). Exceptional costs of £2.7m resulting from the delayed disposal of the loss making Accommodation services contracts were largely offset by an exceptional profit of £2.4m on the disposal of the Group's 80% shareholding in Herefordshire Jarvis Services Limited.

Cash outflow from operating activities in the period of £19.1m (2006: outflow £25.6m) resulted from an increase in working capital, redundancy costs and debt servicing costs. Net debt at 30 September 2007 was £41.4m (2006: £45.8m).

### **Dividend**

The Board does not recommend the payment of a dividend in respect of the period.

## **Operational Performance**

### **Rail**

Turnover in the Division was £75.3m (2006: £66.8m). Operating profit before exceptional items was £5.2m (2006: £5.9m).

A major focus during the first half has been our efforts to secure a place as one of the four suppliers for Network Rail's future Track Renewals programme. In September we were delighted with Network Rail's decision to select Jarvis. The outcome is a significant vote of support from our major client. It generates secure workload of £95m-£100m per annum until April 2009 with the potential for extensions of up to 5 years. Key to the award of the new contracts has been our ability to innovate whilst consistently delivering to cost, time, quality and safety.

This year we have seen volumes gradually increasing during the first half following an absence of volume last year across the industry. The business has won substantial new contract work and the prestigious Rugby remodelling project has come fully on line. Contract awards this year include Glasgow Airport Rail Link enabling works, Airdrie to Bathgate enabling works, Milton Keynes enabling works, Trent Valley, Northampton re-signalling, Ipswich to Ely gauge enhancement, A09 – West Coast Line Speed Enhancement and Thameslink Stage 1 works. Rugby is notable as the most complex remodelling contract ever attempted in the UK and our skill in servicing a contract of this complexity is likely to pay dividends as the new batch of enhancement projects come on stream.

The impact of these new awards only really started to materialise in the latter stages of the first half. As we move into the second half we are exceptionally busy. In fact at Shields Junction we will be undertaking the largest job ever carried out in Scotland during a Christmas Blockade.

Our signalling business has struggled in the first half since the volumes forecast in the Network Rail Category C framework contract have simply not materialised. This is disappointing and primarily a function of our client's procurement process. We have better visibility of next year's programme and believe the originally anticipated volumes will be achieved then.

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. We took a significant step towards achieving this in September where we delivered the required 200 yards at Heaton Sidings. Another important part of the initiative is the installation of Switch and Crossings using modular techniques. We first used our modular technique in October last year and then refined the process when completing a second installation at Hunsterston in Scotland in April.

### **Plant**

Turnover in the division was £40.8m (2006: £51.8m). Operating profit before exceptional items was £2.4m (2006: 6.0m).

The Plant business faced a number of challenges in the first half. The business has embarked on a path to introduce a more refined structure aimed at serving the Rail market of the future. We now know that this will involve substantial track renewal activity arising from our success in the 6 to 4 competition, a demanding enhancements programme and a move by Network Rail to a seven day railway.

Whilst this is very positive, there are some obstacles to overcome on the journey. We have been through the uncertainty associated with the 6 to 4 competition, which had some impact on revenues as those in the 6 to 4 competition effectively reduced trading with other contractors. Whilst the award of rail project enhancement work is very welcome news we have limited visibility of the associated plant requirement.

Our On Track Machines business was affected by reduced volumes in heavy duty machines, primarily track renewal machines and ballast regulators, which are outside the national On Track Machines Contract. In Transport our revenue was impacted by a reduction in the number of hires as one of our main clients elected to buy vehicles directly from suppliers. In our statement dated 22 November we identified a number of issues relating to On Track Machines and plant utilisation that will impact on the full year. However, their effect in the first half was limited.

Specialist Plant, which is primarily the equipment for which we own the Intellectual Property Rights (for example the track renewal and sleeper delivery train, Slinger ®) has performed very well. We have seen a general increase in utilisation in the first half.

Freight turnover has increased but with only three locomotives the business is suboptimal and made a loss in the first half, a matter that will be addressed once the five new class 66 locomotives come on line from next April on commencement of the recently awarded five year coal haulage contract with E.ON. We strongly believe that this is an area of the business which provides exciting growth opportunities.

Innovation is at the heart of our plant service offering. Our small research and development team is constantly working on new and progressive solutions and products that improve the performance of our equipment. We expect this to yield benefits in the future.

### **Accommodation Services**

Turnover in the division was £34.4m (2006: £41.5m). Operating loss before exceptional items was £1.4m (2006: profit £1.0m).

The focus of our attention has been on the disposal of the three loss making contracts which as I have previously said was completed in October and represents a significant achievement.

The residual business has performed well and reached a level of stability that we had not previously achieved. However, whilst profitable at contract level it is as yet unable to recover all its associated overhead. We also have one contract that has recently become particularly challenging as the client has attempted to make retrospective performance deductions. This is receiving the full attention of the team and we expect to reach resolution in the second half.

### **Overheads**

Our drive to reduce overhead costs continues to plan. At the half year we are slightly ahead of where we expected to be. A significant enabler to reduce costs is the introduction of a new management information system more aligned to our core activity and size. I am pleased to advise that we placed an order with Microsoft for the new system in October and plan to introduce the system in phases over the next twelve months.

## **Health and Safety**

We have once again managed to improve our safety performance through our continued drive to improve safety performance. Our AFR (Accident Frequency Rate) at the half year in Rail and Plant was 0.1, well within the Network Rail target. This represents a significant improvement on the 0.15 figure at the beginning of the year and is testament to the continued focus on safety across the Group. We have also completed over 800 accident free days (RIDDOR reportable accidents) in our Scottish business, 365 days in both our York based renewals business and on our project work on the West Coast. We have received awards for all these achievements.

## **Principal Risks and Uncertainties**

The principal risks and uncertainties remain as outlined in our 2007 Annual Report, with the exception of the risk of non-selection as one of Network Rail's prime rail renewals contractors, which has now disappeared.

## **Outlook**

Trading performance in the first half was in line with management expectations, as the impact on profitability of improved workloads was not anticipated to occur until the second half. However, as detailed in our statement of 22 November, the utilisation pattern under the On Track Machines contract and the lack of visibility on plant forward orders leads us to conclude that the full year performance for the current year is likely to be materially below our previous expectations.

On the other hand, prospects for the rail renewal business going forward appear to be extremely good since the Government and Network Rail have committed themselves to a substantial programme of enhancements to the current network reflecting the increased demand for rail services which has been evident in recent years and is forecast to continue. We are well placed to take advantage of this additional work both north and south of the border and intend to seek out all opportunities to do so. We are keen to expand into markets abroad too, where our plant is of interest in a number of European and Middle East countries where railways have either not yet been fully developed or require extensive renewal. It will be some years before this becomes a significant element of our business but early results have been encouraging.

While the pace of recovery has been slowed the overall strategy remains in place. The Company still expects to record its best full year result since 2003.

We remain convinced that innovation is a key to our future success. It is innovation that gives us an edge. Some processes have not changed significantly in the rail industry for many years and in a significant number of cases introducing mechanisation and the use of technology will transform the time and cost involved. Jarvis is an acknowledged leader in this field and intends to remain so.

Steven Norris  
Executive Chairman

26 November 2007

## Consolidated Income Statement for the half year ended 30 September

	Notes	2007		2006		Total £m
		Before exceptional items £m	Exceptional items (Note 3) £m	Before exceptional items £m	Exceptional items (Note 3) £m	
<b>Continuing operations</b>						
<b>Revenue</b>	2	136.3	-	136.3	143.5	143.5
Cost of sales		(121.1)	(2.7)	(123.8)	(123.2)	(124.9)
<b>Gross profit</b>		15.2	(2.7)	12.5	20.3	18.6
Administration expenses		(14.9)	-	(14.9)	(18.0)	(18.9)
<b>Operating profit / (loss)</b>		0.3	(2.7)	(2.4)	2.3	(0.3)
Finance income		2.1	-	2.1	1.7	1.7
Finance expense		(3.0)	-	(3.0)	(3.5)	(3.5)
<b>Net finance costs</b>	4	(0.9)	-	(0.9)	(1.8)	(1.8)
<b>(Loss) / profit before taxation</b>		(0.6)	(2.7)	(3.3)	0.5	(2.1)
Taxation	5	(1.2)	-	(1.2)	-	-
<b>(Loss) / profit for the period from continuing operations</b>		(1.8)	(2.7)	(4.5)	0.5	(2.1)
Post-tax (loss) / profit from discontinued operations	6	(0.4)	2.4	2.0	(2.5)	(9.5)
<b>Loss for the period attributable to equity shareholders</b>		(2.2)	(0.3)	(2.5)	(2.0)	(11.6)
<b>Basic and diluted (loss) / earnings per share</b>						
- Continuing operations				(2.2)p		(1.4)p
- Discontinued operations				1.0 p		(6.1)p
<b>Total</b>	7			(1.2)p		(7.5)p

## Consolidated Statement of Recognised Income and Expense for the half year ended 30 September

	2007 £m	2006 £m
Net actuarial gains on defined benefit pension schemes	-	-
Tax in respect of items taken directly to equity	-	-
<b>Net income recognised directly in equity</b>	-	-
(Loss) / profit for the period		
- From continuing operations	(4.5)	(2.1)
- From discontinued operations	2.0	(9.5)
<b>Total recognised expense for the period attributable to equity shareholders</b>	(2.5)	(11.6)

## Consolidated Balance Sheet at 30 September

	Notes	2007 £m	2006 Restated* £m	2 April 2007 £m
<b>Non-current assets</b>				
Intangible assets	8	1.0	0.7	-
Property, plant and equipment		20.9	23.1	22.8
Interests in associates		-	2.3	-
Interests in joint ventures		-	1.0	-
Deferred tax assets		8.4	7.7	10.0
Retirement benefit assets		38.4	23.4	36.4
		<b>68.7</b>	<b>58.2</b>	<b>69.2</b>
<b>Current assets</b>				
Inventories		4.6	4.1	3.4
Trade and other receivables		84.6	89.4	87.0
Cash and cash equivalents		4.9	5.1	27.6
		<b>94.1</b>	<b>98.6</b>	<b>118.0</b>
Assets held for sale		-	15.1	-
<b>Total assets</b>		<b>162.8</b>	<b>171.9</b>	<b>187.2</b>
<b>Current liabilities</b>				
Borrowings		14.2	9.3	18.3
Trade and other payables		99.4	114.8	113.8
Current tax liabilities		1.4	0.5	1.0
Provisions		3.6	4.3	6.4
		<b>118.6</b>	<b>128.9</b>	<b>139.5</b>
<b>Non-current liabilities</b>				
Borrowings		32.1	39.3	32.9
Retirement benefit obligations		17.1	17.9	17.0
Deferred tax liabilities		11.5	7.0	11.2
Provisions		0.2	5.6	0.9
		<b>60.9</b>	<b>69.8</b>	<b>62.0</b>
Liabilities associated with assets held for sale		-	8.0	-
<b>Total liabilities</b>		<b>179.5</b>	<b>206.7</b>	<b>201.5</b>
<b>Net liabilities</b>		<b>(16.7)</b>	<b>(34.8)</b>	<b>(14.3)</b>
<b>Equity</b>				
Share capital		10.2	8.2	10.2
Share premium		60.7	561.0	581.4
Special reserve		3.7	-	-
Capital redemption reserve		7.2	7.2	7.2
Other reserve		89.7	89.7	89.7
Accumulated losses		(188.2)	(700.9)	(702.8)
<b>Equity shareholders' deficit</b>	9	<b>(16.7)</b>	<b>(34.8)</b>	<b>(14.3)</b>

\*Details of the 30 September 2006 restatement are given in Note 5 to the Consolidated Financial Statements.

## Consolidated Cash Flow Statement for the half year ended 30 September

	Notes	2007 £m	2006 £m
<b>Operating activities</b>			
Cash flows from operating activities	11	(15.5)	(15.7)
Restructuring costs paid		(1.8)	(7.0)
Income taxes received		1.0	-
Net interest costs paid		(2.8)	(2.9)
Net cash used in operating activities		(19.1)	(25.6)
<b>Investing activities</b>			
Purchase of intangible assets		(1.0)	-
Purchase of property, plant and equipment		(0.1)	(3.6)
Disposal of businesses, net of cash and cash equivalents disposed		1.9	0.9
Disposal of property, plant and equipment		0.4	-
Net cash from investing activities		1.2	(2.7)
<b>Financing activities</b>			
Net proceeds from issue of ordinary shares		0.1	4.9
Proceeds from new debt		1.0	62.4
Repayment of old debt		(5.9)	(43.1)
Finance lease principal repayments		-	(0.5)
Net cash from financing activities		(4.8)	23.7
Net decrease in cash and cash equivalents		(22.7)	(4.6)
Opening cash and cash equivalents		27.6	9.7
<b>Closing cash and cash equivalents</b>		<b>4.9</b>	<b>5.1</b>
Cash and cash equivalents comprise:			
- Unrestricted cash		2.1	2.6
- Restricted use cash*		2.8	2.5
		<b>4.9</b>	<b>5.1</b>

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

## Notes to the Consolidated Financial Statements

### 1 Basis of preparation

These half year financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and in accordance with the Disclosure and Transparency Rules of the Financial Services Authority. The accounting policies used are consistent with those followed in the preparation of the 2007 Jarvis plc Annual Report and Accounts.

The financial information contained herein does not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. A copy of the statutory accounts for the financial year ended 2 April 2007, prepared under International Financial Reporting Standards ('IFRS'), has been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 237(2) or section 237(3) of the Companies Act 1985.

Results are presented for the half year period 3 April 2007 to 30 September 2007, 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 half year period 1 April 2006 to 30 September 2006. The results for the half year ended 30 September 2007 and comparatives to 30 September 2006 are unaudited but have been reviewed by the auditors.

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 year ending 31 March 2008, including IFRIC 10 'Interim Financial Reporting and Impairment', IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' and IFRS 7 'Financial Instruments: Disclosures'.

## Notes to the Consolidated Financial Statements

### 2 Segmental analysis for continuing business

#### 2.1 Performance by business segment for the half year ended 30 September 2007

	Rail £m	Plant £m	Accommodation Services £m	Centre, eliminations and unallocated £m	Total £m
External revenue	75.3	26.6	34.4	-	136.3
Inter-segment revenue	-	14.2	-	(14.2)	-
<b>Total revenue</b>	<b>75.3</b>	<b>40.8</b>	<b>34.4</b>	<b>(14.2)</b>	<b>136.3</b>
<b>Operating profit / (loss) before exceptional items</b>	<b>5.2</b>	<b>2.4</b>	<b>(1.4)</b>	<b>(5.9)</b>	<b>0.3</b>
Exceptional items	-	-	(2.7)	-	(2.7)
Operating profit / (loss)	5.2	2.4	(4.1)	(5.9)	(2.4)
Centre recharges	(2.0)	(2.0)	(1.4)	5.4	-
Operating profit / (loss) after centre recharges	3.2	0.4	(5.5)	(0.5)	(2.4)
Net finance costs					(0.9)
Taxation					(1.2)
<b>Loss for the period from continuing operations</b>					<b>(4.5)</b>

#### 2.2 Performance by business segment for the half year ended 30 September 2006

	Rail £m	Plant £m	Accommodation Services £m	Centre, eliminations and unallocated £m	Total £m
External revenue	66.8	35.2	41.5	-	143.5
Inter-segment revenue	-	16.6	-	(16.6)	-
<b>Total revenue</b>	<b>66.8</b>	<b>51.8</b>	<b>41.5</b>	<b>(16.6)</b>	<b>143.5</b>
<b>Operating profit / (loss) before exceptional items</b>	<b>5.9</b>	<b>6.0</b>	<b>1.0</b>	<b>(10.6)</b>	<b>2.3</b>
Exceptional items	(0.6)	(0.9)	(0.2)	(0.9)	(2.6)
Operating profit / (loss)	5.3	5.1	0.8	(11.5)	(0.3)
Centre recharges	(3.2)	(3.1)	(2.1)	8.4	-
Operating profit / (loss) after centre recharges	2.1	2.0	(1.3)	(3.1)	(0.3)
Net finance costs					(1.8)
Taxation					-
<b>Loss for the period from continuing operations</b>					<b>(2.1)</b>

Discontinued operations in the half year ended 30 September 2007 relate to Herefordshire Jarvis Services Limited, previously reported as part of the Accommodation Services segment. For the half year ended 30 September 2006 discontinued operations also include the Prismo Road Markings business, previously reported as the Roads segment.

### 3 Exceptional items

	2007 £m	2006 £m
Termination costs of Facilities Management contracts	2.7	-
Restructuring costs	-	1.7
Professional fees associated with financial restructuring	-	0.9
	<b>2.7</b>	<b>2.6</b>

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

The profit made from the disposal of Herefordshire Jarvis Services Limited has been presented as an exceptional item associated with discontinued operations.

## Notes to the Consolidated Financial Statements

4 Net finance costs	2007	2006
	£m	£m
<b>Finance income</b>		
Net finance income from defined benefit pension schemes	2.0	1.6
Other interest	0.1	0.1
	2.1	1.7
<b>Finance expense</b>		
Interest payable on bank and other loans	(2.7)	(3.0)
Finance charges payable under finance leases	-	(0.1)
Other interest	(0.3)	(0.4)
	(3.0)	(3.5)
<b>Net finance costs</b>	<b>(0.9)</b>	<b>(1.8)</b>

## 5 Taxation

The tax charge for the half year ended 30 September 2007 has been calculated using the estimated effective tax rate for the full year.

Deferred tax assets and deferred tax liabilities for the half year ended 30 September 2006 have both been restated by £7.0m to reflect recognition under IAS 12 'Income Taxes' of deferred tax assets arising from unused tax losses, sufficient to cover taxable temporary differences associated with pension scheme surpluses. This is consistent with the restatement of the deferred tax balances for the year ended 31 March 2006, presented in the 2007 Annual Report and Accounts.

## 6 Discontinued operations

On 31 August 2007 the Group sold its 80% 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.

	2007	2006
	£m	£m
Revenue	8.9	29.8
Cost of sales	(8.3)	(27.2)
Gross profit	0.6	2.6
Administration expenses	(1.0)	(5.1)
Operating loss before exceptional items	(0.4)	(2.5)
Exceptional items	-	(0.1)
Operating loss	(0.4)	(2.6)
Net finance costs	-	-
Share of post-tax profits from joint ventures sold	-	0.1
Loss before taxation	(0.4)	(2.5)
Taxation	-	-
Loss after taxation	(0.4)	(2.5)
Profit / (loss) on disposal	2.4	(7.0)
<b>Post-tax profit / (loss) from discontinued operations</b>	<b>2.0</b>	<b>(9.5)</b>

The carrying values of the assets and liabilities sold, and the profit on disposal of Herefordshire Jarvis Services Limited, are detailed below.

	£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
<b>Profit on disposal</b>	<b>2.4</b>

## Notes to the Consolidated Financial Statements

<b>7 (Loss) / profit per share</b>	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
<b>(Loss) / profit for the period</b>		
- Continuing operations	<b>(4.5)</b>	(2.1)
- Discontinued operations	<b>2.0</b>	(9.5)
Total	<b>(2.5)</b>	(11.6)

<b>Number of shares</b>	<b>Number (m)</b>	Number (m)
Weighted average number of shares in issue during the period	<b>204.4</b>	155.6

### Basic and diluted (loss) / earnings per share

- Continuing operations	<b>(2.2)p</b>	(1.4)p
- Discontinued operations	<b>1.0p</b>	(6.1)p
Total	<b>(1.2)p</b>	(7.5)p

### 8 Intangible assets

During the half year ended 30 September 2007 the Group incurred costs of £1.0m associated with the development of its new Enterprise Resource Planning (ERP) business system and as at 30 September 2007 is committed to further expenditure of £1.2m. Depreciation of these costs will commence when the business system is brought into operational use during the 2008/09 financial year.

The intangible asset at 30 September 2006 related to goodwill associated with the previously reported, and now discontinued, Roads business segment.

### 9 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)
Loss for the period	-	-	-	-	-	(2.5)	(2.5)
Transfer between reserves - capital reduction	-	(520.7)	3.7	-	-	517.0	-
Equity settled share-based payments	-	-	-	-	-	0.1	0.1
<b>At 30 September 2007</b>	<b>10.2</b>	<b>60.7</b>	<b>3.7</b>	<b>7.2</b>	<b>89.7</b>	<b>(188.2)</b>	<b>(16.7)</b>
At 1 April 2006	7.6	556.6	-	7.2	89.7	(689.3)	(28.2)
Loss for the period	-	-	-	-	-	(11.6)	(11.6)
Issue of shares to existing warrant holders	0.2	2.2	-	-	-	-	2.4
Shares issued in connection with warrant exercise	0.4	2.2	-	-	-	-	2.6
At 30 September 2006	8.2	561.0	-	7.2	89.7	(700.9)	(34.8)

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.

During the half year ended 30 September 2007 185,767 ordinary shares were issued following the exercise of employee share options and additional options over 4,016,873 ordinary shares were granted under the 2003 Jarvis Share Option Plan. Subsequent to the Balance Sheet date 8,639,732 share warrants have been exercised.

### 10 Related party transactions

Related party transactions in the half year ended 30 September 2007 are limited to compensation for key management. Key management compensation for the financial year ended 2 April 2007 is detailed in the 2007 Annual Report and Accounts.

## Notes to the Consolidated Financial Statements

### 11 Notes to the Consolidated Cash Flow Statement

#### 11.1 Cash generated from operations

	2007	2006
	£m	£m
<b>Loss from operations</b>		
Operating loss from continuing operations	(2.4)	(0.3)
Operating loss from discontinued operations (Note 6)	(0.4)	(2.6)
	<b>(2.8)</b>	<b>(2.9)</b>
<b>Adjustments for non-cash movements</b>		
Depreciation of property, plant and equipment		
- Continuing operations	1.5	1.8
- Discontinued operations	-	0.6
Non-cash pension costs	0.4	0.3
Restructuring costs	-	2.9
	<b>1.9</b>	<b>5.6</b>
<b>Movement in working capital</b>		
Increase in inventories	(1.3)	(0.4)
Decrease in receivables	2.6	10.0
Decrease in payables	(11.1)	(27.1)
Decrease in provisions	(4.8)	(0.9)
	<b>(14.6)</b>	<b>(18.4)</b>
<b>Cash flows from operating activities</b>	<b>(15.5)</b>	<b>(15.7)</b>

#### 11.2 Analysis of movement in net debt

	2007	2006
	£m	£m
Opening net debt	(23.6)	(22.2)
Net decrease in cash and cash equivalents	(22.7)	(4.6)
New debt	(1.0)	(62.4)
Repayment of old debt	5.9	43.1
Finance lease principal repayments	-	0.3
	<b>(41.4)</b>	<b>(45.8)</b>

### Statement of Directors' responsibilities

The Directors confirm that this set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8. The Directors of Jarvis plc are listed in the 2007 Annual Report and Accounts.

By order of the Board

**R Entwistle** Chief Executive

**J O'Kane** Group Finance Director

# Independent review report to Jarvis plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2007 which comprises the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in APB Statements of Standards for Reporting Accountants 'International Standard on Review Engagements (UK and Ireland) 2410'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusion we have formed.

## Directors' Responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP  
Chartered Accountants  
Leeds  
26 November 2007