

Jarvis plc

Half Yearly Financial Report 2009

Jarvis plc publishes its interim results for the period ended 16 October 2009. A summary of key points follows:

Financial

- Results slightly ahead of management expectations
- Group turnover for the period: £114.7m (2008: £203.1m)
- Loss before tax and exceptional items: £3.6m (2008: profit £4.4m)
- Exceptional items of £2.3m relating to previously announced restructuring and redundancy costs
- Net debt at 16 October 2009: £22.3m (2008: £34.6m) with overall loan facility extended until January 2011

Strategic highlights

- Stuart Laird appointed Chief Executive Officer in September
- Graham Denton appointed Group Finance Director in October
- Restructuring now largely completed with emphasis placed on improving development capability and developing relationships with new customers

Operational highlights

- **Rail**
 - Rail volumes reduced as anticipated with restructuring now largely completed
 - Selected as one of Network Rail's preferred Multi-Asset Enhancement contractors
 - Successfully commissioned major projects in Stoke, Scotland and the London North East territory
- **Plant**
 - Volumes reduced in line with expectations
 - Increased operating profit through operational efficiencies and restructuring
 - Secured one year extension to National OTM contract to April 2010
- **Freight**
 - Secured 32 month extension to coal haulage contract with E.ON
- **Accommodation Services**
 - Significantly improved performance together with favourable settlement of historic claims

Outlook

- Network Rail's CP4 five year control period has commenced and whilst spend has been delayed this year Network Rail has a programme which is funded to 2014.
- Due to the delay in new projects being awarded we are now anticipating that the full year performance

will be broadly breakeven at the operating level

- Bidding activity both with Network Rail and potential new customers has increased significantly and we are confident this will prove successful in new contract orders in the near future.

Steven Norris Chairman Jarvis plc, said: “As we have said previously, conditions during this financial year will be difficult but due to the hard work and determination of everyone involved we are able to report a first half performance slightly ahead of expectations. It has not been without its pain. We have undergone a huge restructuring programme which I am pleased to say is now largely completed and I thank all our colleagues in the business at every level for their support throughout this time.”

“We have placed particular emphasis on improving our business development capabilities and developing relationships with new customers. We are now beginning to see the fruits of that exercise both with Network Rail and other customers and we are confident that this will prove successful in the award of new contracts in the near future. Reducing our dependency on Network Rail is a key objective of the business and an important way of ensuring we delivery future volume improvements and a healthier business as a result.”

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INTERIM MANAGEMENT REPORT

Overview

The Group is pleased to report that despite a difficult first half, overall performance was slightly ahead of management expectations with the Group incurring a small operating loss, before exceptional items, of £0.9m for the period.

As previously announced Stuart Laird, formerly Chief Operating Officer, became Chief Executive Officer in September and Graham Denton, formerly Finance Director for Jarvis Rail, was appointed Group Finance Director in October.

The restructuring necessitated by Network Rail's decision to reduce national track renewal volumes in the current year by around 30 per cent has been largely completed. Excellent progress has been made in further improving health and safety and operational performance. Particular emphasis has been placed on improving the Group's business development capability and developing relationships with new customers. As a result we are beginning to see a steady increase in bidding activity both with Network Rail and potential new customers.

In September we announced that we had received a tentative inquiry about a possible offer for the Company. The inquiry was extremely preliminary and did not lead to an approach or offer. Subsequently we confirmed in October that the Company was no longer engaged in any such discussions.

Financial Results

As anticipated turnover reduced significantly to £114.7m (2008: £203.1m) and the loss before tax and exceptional items was £3.6m (2008: profit £4.4m).

The reduced volume in the Rail business was primarily due to Network Rail's decision announced in January this year to reduce plain line volumes. Rail turnover in the first half of last financial year was more than double that of the previous year due to the high turnover associated with the completion of the West Coast Route Modernisation project.

Turnover in Rail was still slightly below expectations due to the delay in the flow of new projects coming through from Network Rail. As announced in October, performance of the business in the period was impacted by cost overruns experienced on one of the major contracts albeit this was partially offset by cost efficiencies throughout the Rail business.

As expected this reduction in rail volume also impacted turnover in Plant. The business nonetheless performed slightly ahead of expectations increasing operating profit compared to the same period last year. This was mainly due to restructuring and operational improvements as well as the termination of the poorly performing Freight Container business on 31 March 2009.

Turnover in Accommodation Services was slightly higher than anticipated mainly due to the favourable settlement of historic claims. Overall the business improved its performance substantially compared to the same period last year.

Work has continued on the previously announced restructuring programme to reduce the Group's cost base and implement further operational efficiencies. This is now largely completed and as expected has resulted in exceptional costs of £2.3m during the period.

Net debt at 16 October 2009 had reduced to £22.3m (2008: £34.6m). It was pleasing to be able to report in July that we were able to extend the term of our overall loan facility for a further year to January 2011, particularly given the global financial market conditions.

Principal Risks and Uncertainties

The principal risks and uncertainties essentially remain as outlined in the Principal Risks section of the Directors' Report in our 2009 Annual Report and Accounts and as set out in the Notes to the Condensed Consolidated Financial Statements that accompany this Interim Management Report.

Dividend

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

Operational Performance

Rail

Turnover in the division was £65.2m (2008: £152.1m / 2007: £75.3m). Operating loss before exceptional items was £0.6m (2008: profit £10.2m / 2007: profit £5.2m).

As anticipated work volumes were significantly reduced in the period and as previously announced the team has focussed on restructuring the business to meet these reduced volumes. This is being achieved whilst ensuring we retain key resources to enable the management of new work when volume increases.

The London North East Integrated Management Team (LNE IMT) has now completed the necessary depot rationalisation and headcount reductions. Throughout the restructure the LNE IMT has remained focussed on the safe delivery of its work bank including the first phase of the renewal of the Boston to Skegness line and a major 11 week blockade to upgrade the line between Doncaster and Cleethorpes. Previously on the Doncaster Cleethorpes line ground conditions limited trains to just 10mph and the LNE IMT worked in conjunction with the civil engineering contractor on the £10m project to stabilise the ground and deliver new track.

The projects team successfully commissioned major multi-disciplinary projects at Lugton Loop and Stoke and finalised the remaining works on the West Coast and the Airdrie-Bathgate enabling project. Both the Lugton Loop and Stoke projects demonstrate our versatility as a highly skilled multi-disciplinary rail contractor and involved design and construction of plain line track, installation of overhead lines and civil engineering work such as platform building.

As well as supporting the LNE IMT in the delivery of its key works the Electrical Projects Group performed strongly during the period delivering key projects on behalf of Network Rail and other clients. They provided

specialist overhead line and signalling and telecommunications services on projects including Thameslink and Metrolink. The overhead line team also achieved national accreditation for allocation and construction design.

The projects team was successful in becoming one of Network Rail's preferred Multi-Asset Enhancement contractors. Whilst it does not have a stated financial value and does not guarantee the award of any work, the five-year Multi-Asset Framework Agreement will enable the business to tender for work packages over the term of the agreement alongside 13 other contractors. Each individual work package is expected to be up to £15m in value and will include work such as civil engineering, electrification, signalling, telecommunications and track renewals.

Plant

Turnover in the division was £33.8m (2008: £51.2m / 2007: £40.8m). Operating profit was £2.6m (2008: £1.2m / 2007: £2.4m).

As a direct result of the reduction in national rail volumes and the increased workload during the same period last year on the West Coast Route Modernisation project, turnover in the Plant business was down significantly when compared to the same period last year. Operating profit within Plant was slightly above our expectations as the business moved quickly to restructure, improve operational efficiencies and maintain margins.

On Track Machines performed in line with our expectations and secured a one year extension to the National OTM contract with Network Rail until April 2010. However, as anticipated, volumes decreased significantly compared to the same period last year. As previously mentioned this was impacted by the reduction in rail work and the larger volume last year as the fleet undertook works at Rugby and elsewhere as part of the West Coast Route Modernisation.

Whilst Specialist Plant volumes were down in line with Rail volumes the business performed in line with expectations. Our track renewals system, Slinger®, successfully undertook work on major projects including the Wigan to Kirby blockade for Amey Colas and the Boston to Skegness line upgrade for the LNE IMT.

Transport had reduced turnover in the period as the business decreased the size of the fleet in line with internal and external demand. However, due to operational improvements the business produced higher margins and performed in line with expectations.

As expected Small Plant volumes were directly impacted by the reduction in Rail volumes in the first half and the business has now been restructured to meet the reduced demand.

Freight has continued to perform in line with expectations following the termination of the container business in March 2009. As reported on 3 June 2009 we secured a 32 month extension to our coal haulage contract

with E.ON which will now run until 31 December 2015. In the second quarter volumes reduced as expected in line with normal seasonal trends and were also affected by the general reduction in demand for electricity in the economy and high stock levels at the power stations.

Jarvis Accommodation Services

Turnover in the division was £27m (2008: £23.3m). Operating profit was £1.4m (2008: loss £0.2m)

The Accommodation Services business has continued to improve margins and reported an operating profit in the period. The business performed substantially better than during the same period last year and traded slightly ahead of expectations mainly due to the favourable settlement of historic claims as announced in October.

The benchmarking of many of the contracts was undertaken during the period and provides the business with the opportunity to improve performance further. The business remains focussed on continuing to improve its service and safety performance whilst reducing costs.

Outlook

The CP4 five year control period has now commenced and, whilst the planned spend during the current financial year has been delayed, Network Rail has a capital works programme which is funded to 2014. There are significant opportunities for a contractor with our level of expertise and we are working hard to take advantage of them.

As we have said previously because of the continued delay in new projects being awarded we are now anticipating the full year performance to be broadly breakeven at the operating level. We have however put a great deal of effort into business development and are now seeing a material increase in our level of bidding activity both with Network Rail and potential new customers. We are confident that this will deliver new contract orders in the near future. Reducing dependency on Network Rail is a key objective of the business and an important way of ensuring we deliver future volume improvements and a healthier business as a result.

Steven Norris

Executive Chairman

25 November 2009

Condensed Consolidated Income Statement

	Notes	Period to 16 October 2009			Period to 10 October 2008		
		Before exceptional items £m	Exceptional items (Note 3) £m	Total £m	Before exceptional items £m	Exceptional items (Note 3) £m	Total £m
Revenue	2	114.7	-	114.7	203.1	-	203.1
Cost of sales		(103.6)	(2.3)	(105.9)	(183.4)	(1.8)	(185.2)
Gross profit		11.1	(2.3)	8.8	19.7	(1.8)	17.9
Administration expenses		(12.0)	-	(12.0)	(13.8)	1.7	(12.1)
Operating (loss) / profit		(0.9)	(2.3)	(3.2)	5.9	(0.1)	5.8
Finance income		-	-	-	1.8	-	1.8
Finance expense		(2.7)	-	(2.7)	(3.3)	-	(3.3)
Net finance costs	4	(2.7)	-	(2.7)	(1.5)	-	(1.5)
(Loss) / profit before taxation		(3.6)	(2.3)	(5.9)	4.4	(0.1)	4.3
Taxation	5	0.1	-	0.1	(1.4)	-	(1.4)
(Loss) / profit for the period attributable to equity shareholders		(3.5)	(2.3)	(5.8)	3.0	(0.1)	2.9
Basic and diluted (loss) / earnings per share	6			(2.7)p			1.4p

The result for the period derives from continuing operations. The Group has no income and expense other than the results reported above, and therefore no separate Statement of Comprehensive Income is presented.

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Special reserve £m	Capital redemption reserve £m	Other reserve £m	Accumulated losses £m	Total equity £m
Period to 16 October 2009							
At 1 April 2009	10.7	63.3	3.7	7.2	89.7	(208.4)	(33.8)
Total comprehensive expense for the period	-	-	-	-	-	(5.8)	(5.8)
At 16 October 2009	10.7	63.3	3.7	7.2	89.7	(214.2)	(39.6)
Period to 10 October 2008							
At 1 April 2008	10.7	63.3	3.7	7.2	89.7	(173.1)	1.5
Total comprehensive income for the period	-	-	-	-	-	2.9	2.9
Equity settled share-based payments	-	-	-	-	-	0.1	0.1
At 10 October 2008	10.7	63.3	3.7	7.2	89.7	(170.1)	4.5
Year ended 31 March 2009							
At 1 April 2008	10.7	63.3	3.7	7.2	89.7	(173.1)	1.5
Total comprehensive expense for the year	-	-	-	-	-	(35.4)	(35.4)
Equity settled share-based payments	-	-	-	-	-	0.1	0.1
At 31 March 2009	10.7	63.3	3.7	7.2	89.7	(208.4)	(33.8)

Condensed Consolidated Balance Sheet

	Notes	16 October 2009 £m	10 October 2008 £m	31 March 2009 £m
Non-current assets				
Intangible assets		6.0	4.3	5.4
Property, plant and equipment		13.4	17.9	14.8
Deferred tax assets		7.6	10.5	7.5
Retirement benefit assets	7	2.9	42.0	3.2
		29.9	74.7	30.9
Current assets				
Inventories		2.0	2.5	2.2
Trade and other receivables		45.4	102.1	69.5
Cash and cash equivalents		2.8	4.2	6.2
		50.2	108.8	77.9
Total assets		80.1	183.5	108.8
Current liabilities				
Borrowings		(2.4)	(14.8)	(27.6)
Trade and other payables		(72.9)	(103.5)	(82.7)
Current tax liabilities		(1.9)	(2.5)	(1.9)
Provisions		(6.9)	(4.7)	(16.9)
		(84.1)	(125.5)	(129.1)
Non-current liabilities				
Borrowings		(22.7)	(24.0)	(0.1)
Trade and other payables		(0.2)	(0.6)	(0.4)
Retirement benefit obligations	7	(9.6)	(14.7)	(9.9)
Deferred tax liabilities		(3.1)	(14.2)	(3.1)
		(35.6)	(53.5)	(13.5)
Total liabilities		(119.7)	(179.0)	(142.6)
Net (liabilities) / assets		(39.6)	4.5	(33.8)
Equity				
Share capital		10.7	10.7	10.7
Share premium		63.3	63.3	63.3
Special reserve		3.7	3.7	3.7
Capital redemption reserve		7.2	7.2	7.2
Other reserve		89.7	89.7	89.7
Accumulated losses		(214.2)	(170.1)	(208.4)
Total equity		(39.6)	4.5	(33.8)

Condensed Consolidated Cash Flow Statement

	Notes	Period to 16 October 2009 £m	Period to 10 October 2008 £m
Operating activities			
Cash flows from operating activities	8	1.3	8.6
Net interest costs paid		(1.4)	(2.8)
Net cash (used in) / from operating activities		(0.1)	5.8
Investing activities			
Purchase of intangible assets		(0.8)	(1.2)
Purchase of property, plant and equipment		(0.1)	(0.7)
Disposal of property, plant and equipment		0.2	0.3
Net cash used in investing activities		(0.7)	(1.6)
Financing activities			
Proceeds from new debt		0.2	11.1
Repayment of old debt		(2.8)	(14.5)
Net cash used in financing activities		(2.6)	(3.4)
Net (decrease) / increase in cash and cash equivalents		(3.4)	0.8
Opening cash and cash equivalents		6.2	3.4
Closing cash and cash equivalents		2.8	4.2
Cash and cash equivalents comprise:			
- Unrestricted cash		0.4	1.1
- Restricted use cash*		2.4	3.1
		2.8	4.2

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

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim financial reporting' as adopted by the European Union. They have been prepared applying the accounting policies and presentation that were applied in the preparation of the 2009 Jarvis plc Annual Report and Accounts, other than as noted below:

- IFRS 8 "Operating segments" was adopted during the period. This more closely aligns the disclosure of segmental information to that reported internally. Adoption of this standard has no impact on the Group's reported results or financial position; and

- IAS 1 (Revised 2007) "Presentation of financial statements" was adopted during the period. This results in a number of terminology changes and changes in presentation and disclosure, including the presentation of a consolidated statement of changes in equity as a primary statement rather than a note. Since this change is presentational only, there is no impact on the Group's reported results or financial position.

The preparation of interim financial information 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. In preparing these interim financial statements the Group's key areas of estimation uncertainty and accounting judgement are as disclosed in the 2009 Jarvis plc Annual Report and Accounts.

The length and severity of current economic conditions may continue to have an impact on the Group's operations during the remainder of the financial year. In addition, performance continues to be dependent upon the pace at which planned railway infrastructure works programmes are undertaken. The timing, nature and terms of related contractual awards and the phasing of revenue are risks inherent to the railway industry. These risks could affect performance during the remainder of the current financial year particularly as the Group is largely dependent on one customer. If anticipated contract awards and improved rail volumes are not realised during the remainder of the current financial year then this, given that the Group's borrowing facility is partly secured against receivables, has implications for the timing of working capital availability and could also impact the Group's ability to meet its forecasts and comply with the technical tests under the terms of its facility.

Having made appropriate enquiries and reviewed trading and cash flow forecasts, the Directors consider that there is 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 of accounting in preparing these interim financial statements. On 9 July 2009 the Group extended its existing loan facility with Burdale Financial Limited and Bank of America N.A. until 31 January 2011.

The interim results to 16 October 2009 are unaudited and have not been reviewed by the auditors. The comparative financial information for the year ended 31 March 2009 are not the Group's statutory accounts for that financial year but are an extract from those accounts. A copy of the statutory accounts for the financial year ended 31 March 2009, prepared under International Financial Reporting Standards, 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.

Notes to the Condensed Consolidated Financial Statements

2 Segmental analysis

	Rail £m	Plant £m	Accommodation Services £m	Central costs and eliminations £m	Total £m
Period to 16 October 2009					
External revenue	65.2	22.5	27.0	-	114.7
Inter-segment revenue	-	11.3	-	(11.3)	-
Total revenue	65.2	33.8	27.0	(11.3)	114.7
Operating (loss) / profit	(0.6)	2.6	1.4	(4.3)	(0.9)
Exceptional items	(2.3)	-	-	-	(2.3)
(Loss) / profit before interest and tax	(2.9)	2.6	1.4	(4.3)	(3.2)
Net finance costs					(2.7)
Taxation					0.1
Loss for the period					(5.8)

Period to 10 October 2008

External revenue	152.1	27.7	23.3	-	203.1
Inter-segment revenue	-	23.5	-	(23.5)	-
Total revenue	152.1	51.2	23.3	(23.5)	203.1
Operating profit / (loss)	10.2	1.3	(0.2)	(5.4)	5.9
Exceptional items	-	(0.1)	-	-	(0.1)
Profit / (loss) before interest and tax	10.2	1.2	(0.2)	(5.4)	5.8
Net finance costs					(1.5)
Taxation					(1.4)
Profit for the period					2.9

3 Exceptional items

	2009 £m	2008 £m
Proceeds from lease termination	-	1.7
Restructuring costs	(2.3)	(1.8)
	(2.3)	(0.1)

Restructuring costs in the period relate to the rationalisation of the Rail business.

4 Net finance costs

	2009 £m	2008 £m
Finance income		
Net finance income from defined benefit pension schemes	-	1.4
Other interest	-	0.4
	-	1.8
Finance expense		
Net finance expense from defined benefit pension schemes	(1.5)	-
Interest payable on bank and other loans	(0.7)	(2.4)
Other interest	(0.5)	(0.9)
	(2.7)	(3.3)
Net finance costs	(2.7)	(1.5)

5 Taxation	2009	2008
	£m	£m
UK current tax	-	-
Deferred tax	0.1	(1.4)
	0.1	(1.4)

The tax charge is calculated using the estimated effective tax rate for the full year.

6 Earnings per share	2009	2008
	£m	£m
(Loss) / profit for the period	(5.8)	2.9

Number of shares	Number (m)	Number (m)
Weighted average number of shares in issue during the period	213.3	213.3

Basic and diluted (loss) / earnings per share	(2.7)p	1.4p
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7 Retirement benefits

The retirement benefit assets and obligations at 16 October 2009 are calculated on a year-to-date basis, using the actuarial valuations at 31 March 2009. An interim revaluation has not been carried out and accordingly there is no actuarial gain or loss reported in the condensed statement of comprehensive income. The actuarial gain or loss for the year to 31 March 2010 together with the position as at that date will be presented in the 2010 Jarvis plc Annual Report and Accounts.

8 Cash generated from operations	2009	2008
	£m	£m
Operating (loss) / profit	(3.2)	5.8

Adjustments for non-cash movements

Depreciation of property, plant and equipment and amortisation of intangible assets	1.8	1.8
Difference between contributions to retirement benefit schemes and amounts recognised	(0.6)	0.2
Profit on disposal of property plant and equipment	(0.2)	(0.2)
	1.0	1.8

Movement in working capital

Decrease in inventories	0.2	0.8
Decrease / (increase) in receivables	23.5	(4.1)
(Decrease) / increase in payables and provisions	(20.2)	4.3
	3.5	1.0

Cash flows from operating activities	1.3	8.6
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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 the Disclosure and Transparency Rule 4.2.7 and 4.2.8.

By order of the Board.

S Laird Chief Executive Officer

G Denton Group Finance Director

25 November 2009