



Jarvis plc Running services for life

Interim results for the half year ended 30 September 2001

'In the last year we've painted enough white lines to go round the world one and a quarter times'

'In a typical year we re-lay some 350,000 railway sleepers'



'Our control centre deals with some 685,000 calls per year'

'We manage over 10,000 student rooms'



Jarvis plc

The Jarvis vision

Our ambition is to be the number one provider of services in our chosen business areas. These markets and disciplines are characterised by four key factors:

- they present high barriers to entry – in terms of skills, resources and infrastructure;
- price is far from being the only determining factor in purchasing decisions;
- they are not highly exposed to economic cycles, so there is consistency of demand; and
- they deliver long-term income and consistent profit margins.

By continuing to achieve market leadership in a growing number of these horizontal and vertical markets, Jarvis will continue to deliver better returns and better value for all our stakeholders: our customers, our investors, our staff and the communities in which we operate.

Running services for life

'At the Army Foundation College we have seen the largest single site intake of recruits since the second world war'



'Every day, 83,000 children attend schools run by Jarvis'



'Air support, vans and bikes have dramatically reduced our rapid response times'

Highlights

The Group reports a strong financial performance for the period across all its established core operating activities. Highlights of the announcement include:

- pre-tax profit more than doubled to £17.7 million (2000: £8.7 million);
- turnover including joint ventures increased by 27.1% to £443.3 million (2000: £348.7 million);
- improved operating margins;
- basic earnings per share increased by 116.2% to 8.0p (2000: 3.7p);
- interim dividend of 4.0p per share (2000: 3.5p); and
- the strong increase in profitability arose from significant turnover growth in rail, benefits from restructuring of the roads business and the continuing growth of long term contracts in the education and student accommodation businesses.

Chairman and Chief Executive’s statement

We are delighted to report on an excellent period for the Company, reflecting a strong trading performance at all levels throughout the Group. The Group’s strategy has placed it in a position to participate fully in an increasing range of opportunities in its chosen markets. Since the beginning of the financial year, Jarvis has further strengthened its leading position as a high value-added service provider to the transport, education and, increasingly, health sectors.

Profit before tax for the period more than doubled to £17.7 million (2000: £8.7 million) while turnover, including the Group’s share of joint ventures, grew to £443.3 million from £348.7 million, a rise of 27.1%. Operating profit before goodwill increased by 34.0% to £25.6 million (2000: £19.1 million.) Basic earnings per share for the period increased by 116.2% to 8.0p (2000: 3.7p).

The Board has declared an interim dividend increased by 14.3% to 4.0p per share (2000: 3.5p), which will be paid on 8 April 2002, to shareholders on the register at 7 December 2001.

The strong improvement in profitability arises from significant turnover growth in rail, a realisation of benefits from the restructuring of the roads business and the continuing growth of long-term contracts in Accommodation Services.

Overall Group operating margins before goodwill amortisation improved to 6.0% in the period from 5.6% in the first half of 2000. The first half year typically produces lower margins overall and the Board confidently expects target margins in each business to be achieved in the year as a whole. There is an improved operating cash inflow of £10.1 million in the period (2000: £1.8 million). This improvement is after funding a £20.3 million increase in working capital to support the substantial growth in activity in the period. Net Group borrowings at 30 September 2001 stood at £109.4 million (2000: £104.6 million). This included funding in respect of the Group’s acquisition of its interest in the Estonian Freight Railway, of which £8.8 million is temporary finance, which is now being refinanced.

Of note is the increase in profit before interest and tax of our European businesses from £3.2 million to £5.9 million. This is the result of improved margins in the roads business, which benefits our first half, and development of the business in Estonia and the Republic of Ireland.

Jarvis Infrastructure Services

Turnover in the Division, which encompasses Jarvis’ rail and traffic systems businesses, increased to £284.8 million (2000: £203.4 million). Rail turnover increased 57.6% to £206.5 million, (2000: £131.0 million) and the roads business increased its turnover by 8.1% to £78.3 million (2000: £72.4 million). Operating profits in the rail business increased from £5.1 million to £11.3 million on the back of substantially increased turnover and improved efficiency.

The period under review covered the first six months of the Division’s contract for all maintenance on the key East Coast Main Line (ECML). Since assuming the contract on 1 April 2001, Jarvis Infrastructure Services has met or exceeded most of its financial and non-financial key performance targets, resulting in significant improvements in service delivery. By combining the management of the ECML maintenance contract with our existing maintenance and renewals contracts in the area, we have been able to reduce the management overhead whilst increasing the number of engineering and maintenance personnel.

Notwithstanding the highly publicised problems on the totality of the West Coast Route Modernisation project, our segment of the work, which is plain line track renewal, continues to set production records for the laying of new track.

The appointment of Administrators to Railtrack plc on 7 October 2001 has had little impact on the day-to-day operations of our business. All indications are that Government intends to continue the modernisation process. As the lowest cost provider, we look forward to continuing to provide a high quality service, delivering a modern, safe and reliable network to the rail industry, whatever its future structure. With our increased capacity in signalling, we await the decision in respect of the award of the major and prestigious signalling and telecommunications project, Thameslink 2000, which would signify continuing commitment to the modernisation of the rail network.

The Group is working towards the timely completion of the London Underground PPP. Jarvis is a member of the Tube Lines Consortium, which is preferred bidder for the Jubilee, Northern and Piccadilly (JNP) Infraco, one of the three 30-year infrastructure and rolling stock management concessions.

The operating performance of the roads business improved strongly during the period, with operating profits rising by 50.9% to £8.0 million (2000: £5.3 million) and margins rising to 10.3% from 7.4%. This reflects the benefits of the synergies realised from the restructuring embarked upon in the previous financial year.

We anticipate that revenues from the roads business should continue to rise, underpinned by a strong pipeline of potential road maintenance contracts. In highway maintenance, for example, Cheshire County Council earlier this month extended its term maintenance contract with Jarvis for a further two years, to October 2004. The original contract, worth £12 million per annum when awarded in 1997, has been enlarged and the project is now valued at £20 million per annum. Overall, the roads business has pre-qualified and is bidding for some £500 million of roads and highways maintenance work.

During the period, a new consortium was created, comprising Accord Jarvis and WS Atkins, in order to bid for the new generation of Highways Agency Managing Agent Contractor (MAC) maintenance contracts. Also, the Division has widened its market to take advantage of Private Finance Initiative (PFI) opportunities and is currently actively bidding for a number of major trunk road schemes and street lighting schemes.

Elsewhere, the Group is continuing to extend its customer base in the transport market, not only through its improving roads business, but also through partnerships such as the Estonia freight rail consortium, which formally came on stream in September this year. This venture, which represents Europe’s first privatised vertically integrated railway, has taken the business into a wider area of owning and operating train services, as well as maintenance and renewals. It is already exceeding targets and contributing to revenues and profits.

There was a pension credit in this Division of £3.7 million (2000: £3.7 million) reflecting continued amortisation of the schemes’ surpluses.

Jarvis Accommodation Services

During the period under review, the Division increased turnover by 24.2% to £136.2 million (2000: £109.7 million) as a result of the continued success of its PFI and Public Private Partnership (PPP) programmes.

The Division has now won contracts or been appointed preferred bidder to provide and maintain educational facilities for some 83,000 pupils in 98 schools, and accommodation for around 13,000 university and college students. This includes the successful pilot project, outsourcing facilities management work for 13 schools in the Wirral under the Best Value Initiative.

Our facilities management business is achieving critical mass, with the operational phase of many of our new educational sites, both schools and universities, coming on stream. These add to our established contract at the Army Foundation College and a new contract for the University of Luton and will shortly be joined by the whole estate transfer of the accommodation for Nottingham Trent where we are preferred bidder. New projects announced in the period in the education sector include:

- our first university scheme in London, at Deptford;
- a partnership with the University of Aberdeen;
- a major contract for 18 schools in Liverpool;
- preferred bidder status for 4 schools in Brighton & Hove; and
- a contract for a new Community Learning Centre in Sunderland.

Outside the UK, the Division has closed on its 25-year contract to develop and provide facilities management for five new schools in the Republic of Ireland. The contract, providing facilities for about 3,500 pupils, has a whole life value of IR£208 million (£173 million). This is the first award of a schools PPP contract in the Republic, where there are some 8,000 schools and where the Government has stated its intention to pursue further contracts of this nature.

The value of private sector partnerships is being increasingly recognised in the health sector. The Group is confident that its health sector contracts will progressively match the contributions made by its education and student accommodation businesses.

Subsequent to the period end, the Division was appointed preferred bidder for new acute medical care facilities for the Whittington Hospital in London. This contract award, which is now our fourth PFI hospital project, is expected to have a whole life value of £86 million.

As announced separately today, Jarvis has made a further important strategic step in developing its presence in the healthcare market. We have signed a conditional agreement to acquire a 45% interest in a new joint venture with Healthcare Property Company Ltd (HPC), a leader in the provision of modern primary medical centres. HPC has already built 80 of these centres, owning and operating 12 of these which are to be transferred into the new joint venture to be known as Jarvis Primary Health Limited. This will establish Jarvis as a market leader in this exciting new development in healthcare, an area which has excellent growth potential. Partnerships for Health (a joint venture between Partnerships UK and the Department of Health) intends to make available up to £1 billion to fund the refurbishment or replacement of 3,000 GPs’ premises and the creation of 500 modern primary medical centres.

The excellent record which Jarvis Accommodation Services has established, for quality and efficiency of service, places it powerfully to take full advantage of the increasing number of PFI opportunities in its core areas of expertise, both in the UK and overseas.

Jarvis Systems and Technologies

Joint venture with netdecisions

Having established our Systems and Technologies Division last year to focus our internal technology, we have been examining ways in which we can best establish an external market for our systems offerings. The Group has today announced the formation of a 50:50 joint venture with netdecisions Holdings Limited, an established systems integrator. The joint venture, to be called Agilisys, will develop business process outsourcing and other IT solutions opportunities, focused initially on the public sector. Agilisys will acquire the principal elements of our Systems and Technologies Division, and combine it with netdecisions’ digital hosting and software support services business, which services its own IT support services and also third-party clients. However, we will retain full ownership of Techspan Limited and of our Control Centre in York, due to its strategic importance to the rail business.

This will transform the embryonic Systems and Technologies Division into a strong stand-alone business which meets the key Jarvis criteria of developing market leadership in sectors with substantial, long-term, non-cyclical growth potential. Kevin Lavery will become the Chief Executive of Agilisys. Kevin has recently joined Jarvis from Newcastle City Council where he was the Chief Executive.

Turnover in Systems and Technologies has risen from £3.3 million to £3.9 million. In line with budget, the Division incurred a trading loss of £1 million primarily due to the high level of investment, with a further charge of £2.5 million arising from the amortisation of our capital investment in our Business Management Transformation project. The Division has continued to increase its contribution to major contracts won by other parts of the Group, providing information and communications technology support for the Cork School of Music and the Brighton and Hove schools programme, as well as other PFI and UPP projects and to major rail contracts.

Future prospects

The Group’s established strategy is to build leading market positions in specialist sectors with high entry barriers and where sustainable long-term demand has been identified. We provide services and management which increase quality and efficiency within the transport, education and health sectors and use our skills and experience to build positions in related markets.

The Group continues to build a strong and extended order book across its core businesses. Overall, the Board is confident that the Group will maintain a strong operating performance both over the remainder of the current financial year and for the foreseeable future.

Colin Skellett

Chairman
27 November 2001

Paris Moayed

Chief Executive

The six months to 30 September 2001 were marked by strong performances across the Infrastructure Services and Accommodation Services Divisions. In addition, key investments strengthened the Systems and Technologies Division.

Infrastructure Services

The Infrastructure Services Division performed ahead of expectations in the period.

Our major infrastructure programmes remain well on track. In particular, our West Coast Main Line (WCML) project contribution is within 1% of budget, and on programme for completion in the original timescale. We are in an excellent position to meet our contractual commitments and deliver value for money to our customer. Media reports of cost and programme overruns on WCML concern aspects such as signalling with which Jarvis have no significant involvement.

The period covered the first six months of the Division's contract for maintaining the key East Coast Main Line (ECML). The project is successfully meeting or exceeding most of its financial and non-financial key performance targets. These include:

- 5% improvement in track quality;
- 40% improvement in Track Geometry compared to a 6% deterioration over the previous 4 years; and
- 68% reduction in the number of Broken Rails compared to the same time last year.

Whilst delivering these improvements, the headcount has been reduced, on a voluntary basis, by 15% and staff costs by 20%. A key policy has been to increase the focus on engineering whilst exploiting overhead synergies with our existing maintenance and track renewals contracts. Our performance on the ECML strengthens our reputation for the highest levels of operational efficiency and value for money.

In the period we also completed the purchase of the Estonian Freight Railway Company, via a consortium. This type of focused overseas opportunity, coupled with active moves towards winning more business from the widening range of players in the UK rail industry, are the heart of our strategy in this sector.

I am delighted to report that the roads business has strengthened over the period. The synergies we anticipated, following the restructuring and integration of the Infrastructure Services Division last year, are coming to fruition.

Our road term maintenance operation has pre-qualified for over £500 million of work. It has recently won contract extensions for both Cheshire County Council and BaNES. The creation of a consortium, combining our existing joint venture, Accord Jarvis, with WS Atkins' expertise in programme management, is responding to the new MAC contracts issued by the Highways Agency.

The road products business is a strong exporter, with new contracts regularly being won. For example, an important deal was concluded to supply road marking products in Russia. We continue to focus on product development to support the growing market in road safety and environmental solutions.

Accommodation Services

Our Accommodation Services Division is a market leader for the supply of innovative, asset-based services to the education sector. We consolidated this position during the period with a number of important contracts. In addition to those reported in the Chairman's and Chief Executive's Statement, we have:

- delivered the new Debden Park High School in Loughton;
- delivered student accommodation for the Royal Northern College of Music and the University of York; and
- achieved Pathfinder Project status for our Wirral Schools' Facilities Management pilot scheme encompassing 13 schools.

Significantly, we have now moved into the facilities management (FM) phase at over 50 of the 98 schools under our management, ensuring a steady stream of revenue, typically over a period of 25 years or more.

We successfully closed the first PFI deal for schools in the Republic of Ireland (for five primary schools). We are preferred bidder for an accommodation contract for the Cork School of Music and are also in partnership to provide the University of Debrecen in Hungary with 1,500 new student bedrooms.

Our wide-ranging FM contract at the Army Foundation College in Harrogate continues to be successful. It is benefiting from the timely delivery of new facilities as part of the contract. We are actively pursuing several similar training and education based PFI defence facilities.

Since the end of the period we have made significant progress developing a strong market position in the health sector.

The Government is committed to essential health services through initiatives such as the LIFT (Local Improvement Finance Trust) programme which covers the upgrade of primary health care facilities. Our Jarvis Primary Health joint venture with the Healthcare Property Company ideally positions us in this growing market.

Our appointment as preferred PFI bidder for the acute facilities at the Whittington Hospital in London extends our penetration into this strategically important secondary care market.

Systems and Technologies

The Systems and Technologies Division has continued to provide essential 'behind the scenes' services to our other two Divisions. During the period, it secured several contracts to provide information and communications technology services in support of our educational PFI schemes.

Our Control Centre continued its key role, supporting Jarvis in the rail sector. We continue developing and successfully marketing applications for vehicle tracking and remote monitoring of mobile assets and facilities, using the Control Centre as a base. During the period, we completed the acquisition of a majority stake in Avonwood Developments Limited. This business focuses on developing innovative solutions for corrosion and condition monitoring, radio frequency identification and environmental control systems.

Other strategic investments included the acquisition of a 45% equity stake in Student UK, which operates a portal providing accommodation and other lifestyle services for students. Our partners in this venture include W&J Linney and UCAS and we have transferred our complementary investment in Gradunet, the graduate recruitment web site, into this vehicle. Since the period end, we have completed the acquisition of a 50% stake in MPCU UK Limited, an equipment reseller focused on our local authority and school markets.

The Systems and Technologies Division has led the successful go-live of the Group's Business Management Transformation initiative, to deliver centralised accounting, payroll and procurement services.

The injection of the majority of this Division's activities (excluding the Control Centre) into the Agilisys joint venture with netdecisions will enhance our ability to provide quality services to external customers, notably in the field of business process outsourcing for local authorities.

Operationally, our priorities will be to continue to ensure that we have a well-balanced portfolio of work, with unwavering commitment to delivering best-in-class services and high levels of added value to our customers and their end users.

Kevin Hyde

Chief Operating Officer
27 November 2001

Activities in the period to 30 September 2001 have required particular attention to health, safety and environmental issues. The purpose of this report is to look at these immediate issues in the context of our ongoing efforts to address our social, ethical and environmental (SEE) responsibilities.

The creation recently of the role of Chief Operating Officer reflects our ongoing commitment to ensuring consistent and appropriate standards across the business. For example, having taken on a large number of employees under TUPE with the East Coast Main Line maintenance contract in April 2001, we have focused on safety training, initiating a major programme focused on both employee and operational safety.

We continue to support the Health & Safety Executive's 'Revitalising Health & Safety' campaign. Significant efforts are ongoing to provide appropriate welfare on temporary and mobile work sites. We are also inputting to the national HSE Survey benchmarking industry best practice.

The progress we have made has been reflected in two key achievements:

- Jarvis Rail, part of the Infrastructure Services Division, was awarded its ISO 14001 certification; and
- Jarvis plc was listed on FTSE4Good, the ethical investment index developed by the FTSE in conjunction with the Ethical Investment Research Service (EIRIS).

Jarvis recognises that those companies most likely to remain profitable and successful must encourage sustainable relationships with customers, employees and wider stakeholder groups.

We believe that a positive stance towards SEE issues will enhance our corporate reputation and make a demonstrable contribution to the communities in which we operate. The only way we can build this reputation with our stakeholders is systematically and rigorously to apply these values to everyday operations, seeking continuous improvement in both corporate behaviour and business effectiveness.

Consolidated profit and loss account

for the half year ended 30 September 2001

	Notes	Half year ended 30 September 2001 (unaudited) £'000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Turnover: group and share of joint ventures	2	443,323	348,730	725,779
Less: share of joint ventures turnover	2	(18,433)	(10,293)	(26,956)
Group turnover		424,890	338,437	698,823
Continuing operations		424,890	316,462	676,848
Discontinued operations		–	21,975	21,975
		424,890	338,437	698,823
Cost of sales		(356,034)	(285,495)	(584,665)
Gross profit		68,856	52,942	114,158
Administration expenses		(47,302)	(38,145)	(74,459)
Operating profit before goodwill amortisation:				
Continuing operations		25,552	18,325	47,245
Discontinued operations		–	748	748
		25,552	19,073	47,993
Goodwill amortisation		(3,998)	(4,276)	(8,294)
Operating profit:				
Continuing operations		21,554	14,371	39,273
Discontinued operations		–	426	426
Total operating profit		21,554	14,797	39,699
Share of profits of joint venture undertakings		831	744	2,793
Share of (losses) of associated undertakings		(103)	–	(47)
Exceptional (loss) on sale of subsidiary undertakings		–	(857)	(875)
Profit on ordinary activities before interest		22,282	14,684	41,570
Interest receivable and similar income	3(i)	2,477	781	1,468
Interest payable and similar charges	3(ii)	(7,075)	(6,750)	(12,985)
Profit on ordinary activities before taxation		17,684	8,715	30,053
Tax on profit on ordinary activities	4	(6,610)	(3,634)	(10,270)
Profit on ordinary activities after taxation		11,074	5,081	19,783
Minority interests – equity		(164)	(53)	(903)
Profit for the period		10,910	5,028	18,880
Dividends paid and proposed		(5,600)	(4,814)	(13,661)
Retained profit for the period		5,310	214	5,219
Earnings per ordinary share	5			
Basic		8.0p	3.7p	13.9p
Fully diluted		7.8p	3.6p	13.7p
Before goodwill amortisation and exceptionals		10.9p	7.5p	20.7p

The consolidated statement of total recognised gains and losses is set out in note 6.

Consolidated balance sheet

	Notes	As at 30 September 2001 (unaudited) £'000	As at 30 September 2000 (unaudited) £'000	As at 31 March 2001 (audited) £'000
Fixed assets				
Intangible assets		136,299	142,855	138,773
Tangible fixed assets		70,115	58,688	60,933
Investments				
Joint ventures				
Share of gross assets		195,082	96,760	139,755
Share of gross liabilities		(180,679)	(92,449)	(134,327)
		14,403	4,311	5,428
Loans to joint ventures		8,665	1,060	1,321
Other investments		5,517	4,219	5,284
Total investments		28,585	9,590	12,033
Total fixed assets		234,999	211,133	211,739
Current assets				
Properties held for resale and development		2,623	4	2,623
Stocks and work in progress		41,645	35,678	35,805
Debtors due in less than one year		278,037	239,433	245,118
Debtors due in more than one year		8,161	9,724	9,690
Debtors: subject to non-recourse financing agreements		22,098	50,667	34,853
Less: non-recourse finance		(22,091)	(49,842)	(34,043)
		7	825	810
Cash at bank and in hand		40,203	18,766	44,766
		370,676	304,430	338,812
Creditors: Amounts falling due within one year		(289,289)	(210,097)	(242,094)
Net current assets		81,387	94,333	96,718
Total assets less current liabilities		316,386	305,466	308,457
Creditors: Amounts falling due after more than one year		(116,772)	(117,537)	(117,077)
Provisions for liabilities and charges		(6,461)	(8,274)	(6,270)
Net assets		193,153	179,655	185,110
Capital and reserves				
Called up share capital		6,929	6,874	6,893
Share premium account		128,396	125,580	125,857
Revaluation reserve		3,372	3,799	3,372
Capital redemption reserve		5	5	5
Merger reserve		89,729	89,729	89,729
Profit and loss account		(35,913)	(46,688)	(41,217)
Equity shareholders' funds	7	192,518	179,299	184,639
Minority interests – equity		635	356	471
		193,153	179,655	185,110

Consolidated cash flow statement

	Notes	Half year ended 30 September 2001 (unaudited) £'000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Net cash inflow from operating activities:	8(i)			
Continuing operations		10,091	6,708	62,771
Discontinued operations		–	(4,926)	(4,926)
		10,091	1,782	57,845
Dividends received from joint ventures		350	–	250
Returns on investment and servicing of finance				
Interest received		400	306	385
Interest paid		(4,651)	(6,009)	(10,345)
Interest paid on finance leases		(102)	(19)	(61)
Net cash outflow from return on investments and servicing of finance		(4,353)	(5,722)	(10,021)
Taxation				
UK and overseas corporation tax paid		(4,390)	(1,786)	(8,136)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(13,900)	(10,337)	(18,760)
Sale of tangible fixed assets		–	1,124	2,250
Net cash outflow from capital expenditure and financial investment		(13,900)	(9,213)	(16,510)
Acquisitions and disposals				
Purchase of subsidiary undertakings		(1,236)	–	(1)
Net debt acquired with subsidiary undertakings		(340)	–	–
Earn out payments in respect of existing subsidiaries		(53)	(356)	(1,204)
Sale of subsidiary undertakings		–	19,739	19,713
Net cash included with sale of subsidiary undertakings		–	(1,042)	(1,042)
Loans to and investment in associated undertakings		(354)	–	(425)
Loans to and investments in joint venture undertakings		(16,420)	(1,810)	(1,599)
Other investments		–	–	(1,000)
Net cash (outflow)/inflow from acquisitions and disposals		(18,403)	16,531	14,442
Equity dividends paid		(4,882)	(4,727)	(13,142)
Net cash (outflow)/inflow before financing		(35,487)	(3,135)	24,728
Financing				
Issue of ordinary share capital		2,575	391	687
Repayment of loans		(581)	(4,537)	(5,098)
Draw-downs on loans		17,273	23	531
Capital element of finance lease rental payments		(1,044)	(1,013)	(1,654)
Net cash inflow/(outflow) from financing		18,223	(5,136)	(5,534)
(Decrease)/increase in cash	8(ii)	(17,264)	(8,271)	19,194

Notes to the accounts

1 The figures for the half years ended 30 September 2001 and 30 September 2000 have not been audited and do not constitute statutory accounts. They have been drawn up on the basis of the accounting policies as stated in the full accounts for the year ended 31 March 2001. The figures for the year ended 31 March 2001 are extracted from the audited accounts for that period, which have been filed with the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.

2 Segmental information

	Half year ended 30 September 2001 (unaudited) £'000		Half year ended 30 September 2000 (unaudited) £'000		Year ended 31 March 2001 (audited) £'000	
	Turnover	Profit before tax	Turnover	Profit before tax	Turnover	Profit before tax
Analysis of turnover and profit by country of origin						
United Kingdom	405,094	19,646	313,451	14,684	670,487	47,642
Apportioned goodwill amortisation	–	(3,263)	–	(3,151)	–	(6,824)
	405,094	16,383	313,451	11,533	670,487	40,818
Rest of Europe	37,798	6,624	34,831	4,276	54,565	2,222
Apportioned goodwill amortisation	–	(735)	–	(1,125)	–	(1,470)
	37,798	5,889	34,831	3,151	54,565	752
Rest of the World	431	10	448	–	727	–
Apportioned goodwill amortisation	–	–	–	–	–	–
	431	10	448	–	727	–
Net interest	–	(4,598)	–	(5,969)	–	(11,517)
	443,323	17,684	348,730	8,715	725,779	30,053
Analysis of turnover and profit by business segment						
Infrastructure Group undertakings	284,791	23,030	203,405	14,067	431,704	36,547
Services Goodwill amortisation	–	(3,882)	–	(3,867)	–	(7,749)
	284,791	19,148	203,405	10,200	431,704	28,798
Joint venture undertakings	14,270	757	7,927	591	19,685	591
Accommodation Group undertakings	136,186	6,048	109,691	4,800	236,275	15,559
Services and Plant Hire Goodwill amortisation	–	(24)	–	–	–	(48)
	136,186	6,024	109,691	4,800	236,275	15,511
Joint venture undertakings	4,079	99	2,366	153	7,271	2,202
Associated undertaking	–	(31)	–	–	–	(13)
	3,913	(3,526)	3,366	(542)	8,869	(4,861)
Systems and Technologies Goodwill amortisation	–	(92)	–	(87)	–	(175)
	3,913	(3,618)	3,366	(629)	8,869	(5,036)
Joint venture undertakings	84	(25)	–	–	–	–
Associated undertaking	–	(72)	–	–	–	(34)
Discontinued activities Group undertakings	–	–	21,975	748	21,975	748
Goodwill amortisation	–	–	–	(322)	–	(322)
	–	–	21,975	426	21,975	426
(Loss) on disposal of subsidiary undertakings	–	–	–	(857)	–	(875)
Net interest	–	(4,598)	–	(5,969)	–	(11,517)
	443,323	17,684	348,730	8,715	725,779	30,053

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

Notes to the accounts

2 Segmental information continued

	Half year ended 30 September 2001 (unaudited) Turnover £'000	Half year ended 30 September 2000 (unaudited) Turnover £'000	Year ended 31 March 2001 (audited) Turnover £'000
Analysis of turnover by geographical markets supplied			
United Kingdom	403,049	310,584	670,013
Rest of Europe	39,076	36,920	54,743
Rest of the World	1,198	1,226	1,023
	443,323	348,730	725,779
The above includes joint venture turnover of:	18,433	10,293	26,956

3 Interest

(i) Interest receivable and similar income

	Half year ended 30 September 2001 (unaudited) £'000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Bank interest receivable	252	135	204
Other interest and similar income	1,065	21	180
Group companies sub total	1,317	156	384
Receivable by joint venture undertakings	1,160	625	1,084
	2,477	781	1,468

(ii) Interest payable and similar charges

On bank loans and overdrafts	5,357	5,439	10,289
On finance leases	102	36	111
Other interest	109	236	136
Group companies sub total	5,568	5,711	10,536
Payable by joint venture undertakings	1,507	1,039	2,449
	7,075	6,750	12,985

(iii) Net interest

Group			
– receivable	1,317	156	384
– payable	(5,568)	(5,711)	(10,536)
	(4,251)	(5,555)	(10,152)
Joint venture and associated undertakings			
– receivable	1,160	625	1,084
– payable	(1,507)	(1,039)	(2,449)
	(347)	(414)	(1,365)

4 Taxation

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

Notes to the accounts

5 Earnings per ordinary share

	Half year ended 30 September 2001 (unaudited) £,000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Profit for the period	£10,910,000	£5,028,000	£18,880,000
Weighted average number of ordinary shares in issue during the period (excluding any shares held by the QUEST which receive only a nominal dividend)	137,035,069	135,348,309	135,791,232
Basic earnings per ordinary share	8.0p	3.7p	13.9p
Share options adjustment	3,308,232	2,776,140	2,157,008
Weighted average number of ordinary shares after share options adjustment	140,343,301	138,124,449	137,948,240
Diluted earnings per ordinary share	7.8p	3.6p	13.7p

Earnings per share are calculated by dividing the profit for the period by the appropriate number of shares.

6 Consolidated statement of total recognised gains and losses

	Half year ended 30 September 2001 (unaudited) £,000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Profit for the financial period	10,910	5,028	18,880
Currency translation differences	12	30	384
	10,922	5,058	19,264

7 Reconciliation of movements in equity shareholders' funds

	Half year ended 30 September 2001 (unaudited) £'000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
At start of period	184,639	178,664	178,664
Retained profit	5,310	214	5,219
Other recognised gains and losses:			
Currency translation difference	12	30	384
Other reserves movements:			
Issue of shares at premium	2,575	391	687
Amortisation of own shares held within QUEST	(18)	–	(315)
At end of period	192,518	179,299	184,639

Notes to the accounts

8 Cash flow statement

(i) Net cash flow from operating activities

	Half year ended 30 September 2001 (unaudited) £'000	Half year ended 30 September 2000 (unaudited) £'000	Year ended 31 March 2001 (audited) £'000
Operating profit	21,554	14,797	39,699
Depreciation of tangible fixed assets	5,478	3,260	7,119
Goodwill amortisation	3,998	4,276	8,294
(Decrease) in other provisions	(646)	(1,477)	(397)
(Loss)/gain on sale of fixed assets	–	(12)	497
Movements in working capital:			
Fixed asset/current asset reclassification	–	–	2,617
Decrease/(increase) in properties held for resale and development	–	780	(1,839)
Increase in stocks and work in progress	(5,981)	(2,883)	(3,015)
Increase in debtors	(28,513)	(20,523)	(18,080)
Increase in creditors	14,197	3,732	22,893
Currency translation	4	(168)	57
Net operating cash inflow	10,091	1,782	57,845

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

(Decrease)/increase in cash in the year	(17,264)	(8,271)	19,194
Cash (outflow)/inflow from (decrease)/increase in debt and lease financing	(15,648)	5,527	6,221
Change in net debt resulting from cash flows	(32,912)	(2,744)	25,415
Currency movements	–	(2)	–
Loans and finance leases eliminated on disposals/acquisitions	–	16,556	16,556
Movement in net debt for the year	(32,912)	13,810	41,971
Net debt at start of period	(76,460)	(118,431)	(118,431)
Net debt at end of period	(109,372)	(104,621)	(76,460)

Net debt reflects £8.8 million provided for the joint venture that has acquired 66% of the Estonian Freight Railway on a temporary basis to finance that acquisition. Terms have been agreed for refinancing the joint venture vehicle and repayment of the temporary financing.

(iii) Analysis of net debt

	1 April 2001 (audited) £'000	Cashflow £'000	On acquisition and disposal £'000	30 September 2001 (unaudited) £'000	30 September 2000 (unaudited) £'000
Cash at bank and in hand	44,766	(7,251)	–	37,515	18,766
Overdrafts	–	(9,673)	(340)	(10,013)	(1,465)
		(16,924)	(340)		
Debt due within one year	(5,792)	(16,828)	–	(22,620)	(5,779)
Debt due after one year	(112,439)	136	–	(112,303)	(112,507)
Finance leases	(2,995)	1,044	–	(1,951)	(3,636)
		(15,648)	–		
	(76,460)	(32,572)	(340)	(109,372)	(104,621)

9 The interim accounts were approved by the Board on 26th November 2001.

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