JARVIS

2006

Jarvis interim report

Contents

Financial Highlights

For the half year ended 30 September 2006

	2006 £m	2005 £m
Revenue from continuing operations*	**153.0**	177.7
Operating profit before non-recurring costs	**2.9**	7.8
Loss for the period	**(1.5)**	(59.3)
Operating cash outflow	**(25.6)**	(45.7)
Net debt	**(45.8)**	(6.2)
Equity shareholders' deficit	**(34.8)**	(48.6)
Basic and diluted earnings per share	**(1.0)p**	(43.6)p

*Excludes revenue from joint ventures of £4.9m (2005: £4.5m).

Chairman's Statement

At our Annual General Meeting on 28 September this year I announced the Group's commitment to more open reporting going forward. This is to include more detail on all of our businesses so that our stakeholders gain a better understanding both of our current performance and of our forward strategy. That commitment was well received by the market and this commentary on our results for the half year to 30 September 2006 continues in that vein. At that meeting I also reported on a number of significant developments which have taken forward our very clear strategy of concentrating on the elimination of all loss making activity within the Group while at the same time optimising the performance of the remainder. I shall refer to these in detail later in this report but in summary the strategy is still very much on track and continues to yield welcome benefits.

Trading

I have previously indicated that our Plant and Rail operations had been impacted by the slow pace of awards of rail contracts by Network Rail. This was not only an issue for Jarvis and has been widely reported but it did nonetheless have the effect of suppressing our financial performance in the first half. I am pleased to say there are strong indications that the level of work available to the industry is now picking up. Our track renewal teams are already working on phase one of a major project in the Rugby area, where we are looking for the second phase contract to be awarded in the near future. We have a very healthy forward bid pipeline and this is a positive sign for the future. After many months of negotiations we are also close to exchanging contractual documentation on a new framework agreement with Network Rail for minor signalling work in the London North East Zone. The agreement will be for a five year term and planning work for this contract has been ongoing for some time. When signed, the agreement is expected to result in a minimum value of £10m per annum with individual items of work under the 'framework' ranging in value from approximately £50,000 to £5m each.

Our Accommodation Services business manages a total of 31 contracts, of which five, as we have previously stated, are loss making. The remaining portfolio is profitable at the operating level. As previously advised it is our intention to dispose of the three key unprofitable contracts and we can now confirm that we have signed heads of terms to do so. Final negotiations will take several months to complete. Meanwhile our Facilities Management (FM) team in Altrincham continues to improve the performance of the overall business.

Finally, we reported on 4 December that the sale of our Prismo Roads business to Ennis Paints of America had been concluded. The consideration of £9.5m was represented by a combination of cash and the assumption of some liabilities by the purchasers. The Roads business comprised both a manufacturing and a contracting operation. While the sale of the manufacturing operation at Chorley makes good sense for the Group as a whole, I should emphasise that the contracting division, Prismo Contracting Services, had been making significant losses for some time and the business continued to be vulnerable to low priced competition with low barriers to entry. Our exit from it therefore makes strategic as well as financial sense.

The parts of the Roads division which were not included in the sale to Ennis were Somerford Equipment which specialises in customising vehicles for the road markings market, Herefordshire Jarvis Services and the Accord Jarvis joint venture. Somerford has been transferred to our Plant division, where it sits very comfortably with our other plant activities which mechanise formerly manual labour processes. Herefordshire Jarvis Services will in future be managed as part of our Accommodation Services FM business with which it has obvious synergies. Our investment in the Accord Jarvis joint venture will be separately managed to the conclusion of its current contractual obligation in 2009.

Financial results

Despite the short term volatility in the award of rail work, the business has achieved an operating profit and is close to break even at the post tax level.

The financial results for the period show a reduced turnover from continuing operations of £153.0m (2005: £177.7m) partly as a result of lower rail volumes but also because of a further reduction in construction activity which is now virtually wound up. Operating profit from continuing operations before non-recurring costs for the period was £2.9m (2005: £7.8m). The loss before taxation on continuing operations for the period has however significantly reduced to £1.5m (2005: loss £59.3m).

The loss per ordinary share for the continuing operations has significantly reduced to 1.0p (2005: loss 43.6p)

Cashflow and Balance Sheet

The delay in award of workload to our Rail and Plant businesses impacted the Group at the same time as a substantial amount of cash was required to close off construction and other historic liabilities. Whilst the loss was largely provided for, this consumed some £24m of cash and impacted on our net debt. This serves to underpin the importance of our overall strategy of exiting from all our under performing operations, as evidenced by the recent sale of the Prismo business.

The high cost of our previous borrowing during the first four months of the period contrasts with the significantly lower cost of our renegotiated facilities for the following two months. Overall interest charges in the period amounted to £3.5m. Reported net debt at end of the period was in line with the forecast made at the time of the Annual General Meeting at £45.8m (2005: £6.2m).

Dividend

As previously advised, it is not appropriate for the Company to pay a dividend in respect of the period.

Operating Performance

Rail

With the successful completion of the West Coast Main Line track renewals project, the Group now awaits the award of the second generation contracts. These have, as I have indicated above, been delayed but are now imminent. We expect the start of the second phase of the Rugby station area remodelling to begin very shortly as indeed will the national signalling framework agreement. The Elgin Mossend freight line development in Scotland has commenced and current indications are that it will be delivered on time to the client, Transport Scotland. Regular track renewal work has continued in both our Scottish and LNE areas over the period. The winter timetable and the Christmas close-down will result in higher workloads in the second half. Turnover in the division is down on the equivalent period last year to £66.8m (2005: £95.1m) reflecting the above factors.

Plant

The plant division equally has been impacted by the short term downturn in rail projects with lower volumes of work generally both for our own operations and the third party customers that we support. The winter timetable, which sees increased renewals activity and the recommencement of major project awards, is expected to see an upturn in the second half. Operationally, the division continues to benefit from the new methodologies which we have delivered to the industry. Demand for our patented Slinger machines continues to increase and a further machine will come on stream during the second half.

Turnover in the division was down against the equivalent period last year to £51.8m (2005: £59.2m). Elsewhere in the division, the small plant operations have begun to benefit from a new contract with Metronet to support their maintenance and renewals operations.

During the period we have successfully launched our rail freight operation and now operate services during the week from Thamesport in Kent to both the Birmingham freight terminal at Birch Coppice and to Doncaster Europort. The service has been well received and volume is increasing. Whilst not yet operating at full capacity the indications of success are clearly present and we are looking to expand the operation with other routes in the near future. This new business, branded Fastline Freight is being managed jointly with our existing transport operations.

Accommodation Services

The period saw the division's construction operations continue to wind down as it successfully completed the snagging works on many of its old contracts over the summer period. This work is now largely complete. Of our former construction activity only the Whittington Hospital remained to be completed and I am pleased to confirm that this achieved a Certificate of Practical Completion shortly after the end of the half year. We have been asked to assist with the project management of the second phase of development at the hospital which is a refurbishment of an existing block. The Facilities Management teams have continued to improve services to their customers throughout the period and a

Chairman's Statement

review of the delivery process has delivered benefits both for our customers and for the Group. I have already addressed the major loss making contracts and am confident that the continuing business will make a contribution to the Group in future periods. Turnover in the division was £51.0m (2005: £56.5m).

Overheads

As the business has reduced in size we have successfully undertaken several substantial overhead cost reduction programmes. As announced in my AGM statement we now intend to deliver a further £10m annualised cost savings by September 2007. As part of this we are co-locating the management of our Rail and Plant operations together with the head office function in York to produce significant economies. This will result in the closure of our offices in the Frenchgate Centre in Doncaster.

Safety

Safety remains, as it always has been, our paramount concern in all of our operations. Much of the credit for our previous good performance must go to Noel Broadbent, our Group Director of Health and Safety who retired last month after a 46 year career in the rail industry. Richard Thornton who is the current Director of Engineering has succeeded Noel in this role.

Board

The period saw the departure of both Alan Lovell and Alasdair Marnoch, with the transfer of responsibilities to Richard Entwistle, as Chief Executive, and John O'Kane, as Finance Director, being reported in the annual report for the previous period. With the exception of these changes, your Board has remained consistent in membership. My non executive colleagues continue to contribute greatly to the strategic direction and corporate governance of the Company. I am grateful to them and to all our superb staff under Richard Entwistle for what they have achieved over these last six months.

Outlook

I have recently advised that the Group's trading should improve in the second half of the current financial year to be in line with management's expectations for that period. This remains our view. The size of our current project bid pipeline indicates increased workloads in 2007 and beyond.

Conclusion

The history of Jarvis over the last few years has been of near collapse, followed by gradual and painful recovery achieved only with commitment and effort from thousands of people at every level. We are far from restored to full health and we still have challenges to overcome, but continued focus on operational improvement and strategic repositioning now sees us in a position few would have given us credit for only two years ago. This is the start of the new Jarvis. I believe there will be more and better to come in the years ahead.

Steven Norris
Chairman
6 December 2006

Independent Review Report to Jarvis plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 September 2006 set out on pages 6 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors.The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

RSM Robson Rhodes LLP
Chartered Accountants
Leeds
6 December 2006

Consolidated Income Statement

For the half year ended 30 September 2006 based on unaudited figures

	Notes	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Continuing operations				
Revenue	2	**153.0**	177.7	353.8
Cost of sales		**(132.1)**	(147.4)	(294.9)
Gross profit		**20.9**	30.3	58.9
Administration expenses		**(18.0)**	(22.5)	(45.1)
Operating profit before non-recurring costs	2	**2.9**	7.8	13.8
Non-recurring costs	3	**(2.7)**	(0.7)	(1.8)
Operating profit		**0.2**	7.1	12.0
Finance income		**1.7**	1.6	1.9
Finance expense		**(3.5)**	(68.1)	(69.7)
Net finance costs	4	**(1.8)**	(66.5)	(67.8)
Share of post-tax profits from joint ventures		**0.1**	0.1	0.3
Loss before taxation		**(1.5)**	(59.3)	(55.5)
Tax on loss	5	**–**	–	0.1
Loss for the period from continuing operations		**(1.5)**	(59.3)	(55.4)
Discontinued operations				
Post-tax loss from discontinued operations	6	**(10.1)**	(0.3)	(1.2)
Loss for the period attributable to equity shareholders		**(11.6)**	(59.6)	(56.6)
Loss per ordinary share				
Basic and diluted				
– Continuing		**(1.0)p**	(43.6)p	(38.6)p
– Discontinued		**(6.5)p**	(0.2)p	(0.8)p
Total	7	**(7.5)p**	(43.8)p	(39.4)p

Notes 1 to 13 form part of these financial statements.

Consolidated Statement of Recognised Income and Expense

For the half year ended 30 September 2006 based on unaudited figures

	Notes	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Net actuarial gains on defined benefit schemes		**–**	2.4	19.6
Disposal of revalued properties		**–**	0.2	3.0
Net income recognised directly in equity		**–**	2.6	22.6
Loss for the period:				
– From continuing operations		**(1.5)**	(59.3)	(55.4)
– From discontinued operations		**(10.1)**	(0.3)	(1.2)
Total recognised expense for the year		**(11.6)**	(57.0)	(34.0)
Effect of adoption of IAS 32 and IAS 39 on 1 April 2005		**–**	1.5	1.5
Total recognised expense attributable to equity shareholders	10	**(11.6)**	(55.5)	(32.5)

Consolidated Balance Sheet

At 30 September 2006 based on unaudited figures

	Notes	**30 September 2006 £m**	30 September 2005 £m	31 March 2006 £m
Non-current assets				
Goodwill		**0.7**	0.7	0.7
Property, plant and equipment		**23.1**	25.9	28.0
Interests in associates		**2.3**	2.3	2.3
Interests in joint ventures		**1.0**	0.8	1.0
Deferred tax assets		**0.7**	1.2	0.7
Retirement benefit asset		**23.4**	9.3	22.0
		51.2	40.2	54.7
Current assets				
Inventories		**4.1**	9.3	7.0
Trade and other receivables		**89.4**	113.1	104.8
Cash and cash equivalents		**5.1**	23.8	9.5
		98.6	146.2	121.3
Assets held for sale		**15.1**	0.4	0.4
Total assets		**164.9**	186.8	176.4
Current liabilities				
Borrowings				
– Bank loans and overdafts		**9.1**	23.4	27.4
– Obligations under finance leases		**0.2**	0.7	0.9
Trade and other payables		**114.8**	169.8	139.3
Tax liabilities		**0.5**	0.1	0.5
Provisions		**4.3**	6.9	6.4
		128.9	200.9	174.5
Non-current liabilities				
Borrowings				
– Bank loans		**39.3**	3.6	1.7
– Obligations under finance leases		**–**	2.6	1.9
Retirement benefit obligation		**17.9**	23.0	17.9
Provisions		**5.6**	5.0	8.3
		62.8	34.2	29.8
Liabilities associated with assets held for sale		**8.0**	0.3	0.3
Total liabilities		**199.7**	235.4	204.6
Net liabilities		**(34.8)**	(48.6)	(28.2)
Equity				
Capital and reserves				
Share capital		**8.2**	7.6	7.6
Share premium		**561.0**	556.4	556.6
Revaluation reserve		**–**	2.8	–
Capital redemption reserve		**7.2**	7.2	7.2
Other reserve		**89.7**	89.7	89.7
Translation reserve		**–**	0.1	–
Accumulated losses		**(700.9)**	(712.4)	(689.3)
Equity shareholders' deficit	10	**(34.8)**	(48.6)	(28.2)

Consolidated Cash Flow Statement

For the half year ended 30 September 2006 based on unaudited figures

	Notes	**6 months to 30 September 2006 £m**	6 months to 30 September 2005 £m	Year to 31 March 2005 £m
Operating activities				
Cash outflows generated from operations	11	**(15.7)**	(24.0)	(32.4)
Restructuring and redundancy costs paid		**(7.0)**	(15.6)	(16.8)
Income taxes paid		**–**	(0.7)	–
Net interest costs paid		**(2.9)**	(5.4)	(7.4)
Net cash outflow from operating activities		**(25.6)**	(45.7)	(56.6)
Investing activities				
Dividends received from joint ventures		**–**	0.7	0.6
Purchase of property, plant and equipment		**(3.6)**	(2.4)	(8.1)
Disposal of businesses, net of cash and cash equivalents disposed		**0.9**	19.1	19.1
Disposal of property, plant and equipment		**–**	0.8	0.4
Disposal of property assets classified as held for sale		**–**	–	0.8
Net cash (outflow)/inflow from investing activities		**(2.7)**	18.2	12.8
Financing activities				
Net proceeds from issue of ordinary shares		**4.9**	43.7	43.9
Proceeds from new debt		**62.4**	–	24.0
Repayment of old debt		**(43.1)**	(1.5)	(21.9)
Finance lease principal repayments		**(0.5)**	(0.8)	(1.2)
Net cash inflow from financing activities		**23.7**	41.4	44.8
Net (decrease)/increase in cash and cash equivalents		**(4.6)**	13.9	1.0
Opening cash and cash equivalents		**9.7**	8.7	8.7
Closing cash and cash equivalents		**5.1**	22.6	9.7
Cash and cash equivalents comprise:				
– Unrestricted cash		**2.6**	21.1	5.6
– Restricted use cash		**2.5**	2.7	3.9
		5.1	23.8	9.5
Net cash classified as held for sale		**–**	0.3	0.2
Overdrafts		**–**	(1.5)	–
Total cash and cash equivalents		**5.1**	22.6	9.7

Notes to the Financial Statements

1 Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the 2006 Jarvis plc annual report and accounts, in accordance with IAS 34, Interim Financial Reporting.

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 year ended 31 March 2006, 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 (3) of the Companies Act 1985.

2 Segmental analysis for continuing business

The Group is organised into two main business streams, Infrastructure Services (comprising the Rail and Plant divisions – previously reported as one division) and Accommodation Services (comprising Facilities, Construction Management and, following the disposal of the Prismo Road Markings business, includes the activities of Herefordshire Jarvis Services). Comparative figures have been restated to reflect these changes.

2.1 For the half year ended 30 September 2006

	Infrastructure Services					
	Rail £m	Plant £m	Centre and Eliminations £m	Core Business Total £m	Accom-modation Services £m	Total £m
External revenue	**66.8**	**35.2**	**–**	**102.0**	**51.0**	**153.0**
Inter-segment revenue	**–**	**16.6**	**(16.6)**	**–**	**–**	**–**
Revenue	**66.8**	**51.8**	**(16.6)**	**102.0**	**51.0**	**153.0**
Operating profit/(loss) before non-recurring costs	**5.9**	**5.9**	**(9.3)**	**2.5**	**0.4**	**2.9**
Non-recurring costs	**(0.6)**	**(0.9)**	**(0.9)**	**(2.4)**	**(0.3)**	**(2.7)**
Operating profit/(loss)	**5.3**	**5.0**	**(10.2)**	**0.1**	**0.1**	**0.2**
Centre recharges	**(2.6)**	**(2.4)**	**7.1**	**2.1**	**(2.1)**	**–**
Net finance costs						**(1.8)**
Share of post-tax profits from joint ventures						**0.1**
Loss before taxation						**(1.5)**

2.2 For the half year ended 30 September 2005

	Infrastructure Services (restated)					
	Rail £m	Plant £m	Centre and Eliminations £m	Core Business Total £m	Accom-modation Services (restated) £m	Total £m
External revenue	95.1	27.5	–	122.6	55.1	177.7
Inter-segment revenue	–	31.7	(33.1)	(1.4)	1.4	–
Revenue	95.1	59.2	(33.1)	121.2	56.5	177.7
Operating profit/(loss) before non-recurring costs	9.4	12.3	(13.9)	7.8	–	7.8
Non-recurring costs	(0.3)	(0.2)	–	(0.5)	(0.2)	(0.7)
Operating profit/(loss)	9.1	12.1	(13.9)	7.3	(0.2)	7.1
Centre recharges	(4.4)	(3.3)	10.9	3.2	(3.2)	–
Net finance costs						(66.5)
Share of post-tax profits from joint venture						0.1
Loss before taxation						(59.3)

Notes to the Financial Statements

2.3 For the year ended 31 March 2006

	Infrastructure Services (restated)					
	Rail £m	Plant £m	Centre and Eliminations £m	Core Business Total £m	Accom-modation Services (restated) £m	Total £m
External revenue	188.5	56.6	–	245.1	108.7	353.8
Inter-segment revenue	–	59.3	(59.5)	(0.2)	0.2	–
Revenue	188.5	115.9	(59.5)	244.9	108.9	353.8
Operating profit/(loss) before non-recurring costs	18.2	25.0	(25.9)	17.3	(3.5)	13.8
Non-recurring costs	(0.4)	(0.6)	(0.6)	(1.6)	(0.2)	(1.8)
Operating profit/(loss)	17.8	24.4	(26.5)	15.7	(3.7)	12.0
Centre recharges	(8.9)	(6.6)	21.4	5.9	(5.9)	–
Net finance costs						(67.8)
Share of post-tax profits from joint ventures						0.3
Loss before taxation						(55.5)

3 Non-recurring costs

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Provision against onerous lease liabilities	**–**	1.9	1.3
Redundancy costs	**(1.8)**	(1.1)	(1.5)
Professional fees associated with restructuring	**(0.9)**	(1.5)	(1.6)
	(2.7)	(0.7)	(1.8)

4 Net finance costs

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Finance income			
Interest receivable from short term bank deposits	**–**	0.5	0.1
Finance income from defined schemes (net)	**1.6**	1.0	1.7
Other interest	**0.1**	0.1	0.1
	1.7	1.6	1.9
Finance expense			
Interest payable on bank loans and overdrafts	**3.0**	5.8	6.5
Finance charges as a result of debt for equity exchange	**–**	61.9	61.9
Finance charges payable under finance leases	**0.1**	0.1	0.2
Other interest	**0.4**	0.3	1.1
	3.5	68.1	69.7
Net finance costs	**1.8**	66.5	67.8

5 Taxation

There is a no tax charge for the half year ended 30 September 2006. This represents the estimated effective tax rate for the year having taken into account tax losses available to the Group, which have not been recognised in the consolidated balance sheet.

Notes to the Financial Statements

6 Discontinued operations

The results of discontinued operations are shown below. For the half year ended 30 September 2006 this represents the Prismo Road Markings business, the sale of which was completed on 1 December 2006. At 30 September 2006 an impairment of £7.6m has been recognised against the carrying value of the assets of the Prismo Road Markings business and is included in these numbers.

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Revenue	**20.3**	39.5	60.9
Cost of sales	**(18.3)**	(31.2)	(48.7)
Gross profit	**2.0**	8.3	12.2
Administration expenses	**(5.1)**	(8.3)	(13.0)
Operating (loss) before non-recurring costs	**(3.1)**	–	(0.8)
Disposal (losses)/gains net of impairment charges	**(7.0)**	0.4	0.3
(Loss)/profit before taxation	**(10.1)**	0.4	(0.5)
Tax on profit	**–**	(0.7)	(0.7)
Post-tax loss from discontinued operations	**(10.1)**	(0.3)	(1.2)

7 Loss per ordinary share

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Loss for the period:			
– Continuing	**(1.5)**	(59.3)	(55.4)
– Discontinued	**(10.1)**	(0.3)	(1.2)
Total	**(11.6)**	(59.6)	(56.6)

Number of ordinary shares	**Number (m)**	Number (m)	Number (m)
Weighted average number of ordinary shares in issue during the period	**155.6**	136.0	143.8
Loss per ordinary share			
Basic and diluted			
– Continuing	**(1.0)p**	(43.6)p	(38.6)p
– Discontinued	**(6.5)p**	(0.2)p	(0.8)p
Total	**(7.5)p**	(43.8)p	(39.4)p

8 Share capital

During the half year to 30 September 2006 4,602,460 ordinary shares were issued to existing holders of warrants and 6,961,406 warrants were exercised.

9 Share based payments

On 3 April 2006 options over 3,200,213 ordinary shares were issued under the Jarvis plc Savings Related Share Option Scheme and on 8 August 2006 additional options over 450,000 shares were granted to directors under the Management Incentive Plan.

10 Statement of changes in shareholders' equity

	Attributable to equity shareholders of the Group					
	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Other Reserve £m	Accu-mulated Losses £m	Total Equity £m
Balance at 1 April 2006	7.6	556.6	7.2	89.7	(689.3)	(28.2)
Additional shares issued in connection with exercise of warrants	0.6	4.4	–	–	–	5.0
Loss for the period	–	–	–	–	(11.6)	(11.6)
Balance at 30 September 2006	**8.2**	**561.0**	**7.2**	**89.7**	**(700.9)**	**(34.8)**

Notes to the Financial Statements

11 Cash flow generated from operations

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Operating profit from continuing operations	**0.2**	7.1	12.0
Operating loss/(profit) from discontinued operations	**(10.1)**	0.4	(0.5)
	(9.9)	7.5	11.5
Adjustments for non cash movements:			
Depreciation of property, plant and equipment			
– Continuing operations	**1.8**	2.1	4.5
– Discontinued operations	**0.6**	0.7	1.7
Disposal losses/(gains)	**7.7**	(0.4)	(0.3)
Non-cash pension costs	**0.3**	1.4	1.4
Restructuring and redundancy costs	**2.9**	2.6	3.1
Loss on disposal of property, plant and equipment	**–**	0.2	0.2
	13.3	6.6	10.6
Movement in working capital:			
(Increase)/decrease in inventories	**(0.4)**	(1.6)	0.7
Decrease in receivables	**10.0**	18.7	23.6
Decrease in payables	**(27.8)**	(55.4)	(74.8)
(Decrease)/increase in provisions	**(0.9)**	0.2	(4.0)
	(19.1)	(38.1)	(54.5)
Net cash outflow generated from operations	**(15.7)**	(24.0)	(32.4)

12 Analysis of net debt

	6 months to 30 September 2006 £m	6 months to 30 September 2005 £m	Year to 31 March 2006 £m
Cash and cash equivalents			
– Non restricted use	**2.6**	21.1	5.6
– Restricted use	**2.5**	2.7	3.9
	5.1	23.8	9.5
Net cash classified as held for sale	**–**	0.3	0.2
Overdrafts	**–**	(1.5)	–
Total cash and cash equivalents	**5.1**	22.6	9.7
Debt due within one year	**(9.1)**	(21.9)	(27.4)
Debt due after one year	**(39.3)**	(3.6)	(1.7)
Finance leases	**(0.2)**	(3.3)	(2.8)
Finance leases classified as held for sale	**(2.3)**	–	–
Total net debt	**(45.8)**	(6.2)	(22.2)

13 Contingent liabilities

On 27 July 2006, the Group completed a refinancing of its existing banking facilities with Burdale Financial Limited, a member of the Bank of Ireland Group, as agent and senior lender. The new arrangements consists of committed facilities of £67m comprising a revolving credit facility and term loan facilities, secured by way of a fixed and floating charge on Group assets, in particular its plant, machinery and receivables under its rail renewal and plant hire contracts. The facility is subject to certain financial covenants and events of default. Breaches of financial covenants or events of default can be waived or consented to by the lenders but such waivers or consents may require the payment of fees and costs to the lenders.

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