JOHN LAING plc DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2000

LAING

CONTENTS

FINANCIAL REVIEW

Group profit before tax of £5.7 million for 2000 (1999 – £52.7 million) includes significant losses in Laing Construction. These masked the continued excellent results in the asset-based businesses that are to remain core to the Group in the future.

Financial Highlights

	2000	1999
Turnover £m	**1,574.4**	1,791.7
Profit on ordinary activities before taxation £m	**5.7**	52.7
Earnings per share (pence)	**0.4**	42.9*
Dividends per share (pence)	**13.00**	12.25
Shareholders' funds £m	**240.7**	251.3
Net (borrowing)/cash £m	**(30.0)**	37.9

* Restated for the issue of shares under the terms of the enfranchisement of Ordinary A (non-voting) Shares.

PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

The profit on ordinary activities before interest included net losses on businesses to be discontinued of £75.0 million. These comprised losses in the Construction business to be disposed of (£86.3 million), offset by the Group's share of trading profits from WL Homes LLC. Losses in Laing Construction are attributable to a number of contracts that were secured ahead of the introduction of tighter bid settlement criteria from 1 January 1999. Work secured after that date is delivering acceptable margins. The Construction losses also include £15.1 million of reorganisation charges, of which £10.6 million relates to redundancy costs and £4.5 million to the rationalisation of business premises.

The UK housing business has reported record profits of £53.0 million (1999 – £38.6 million).

The profit on disposal of and amounts written off investments and other fixed assets totalled £29.3 million (1999 – £13.4 million). This included £17.3 million from the sale of a 4.9% interest in Europistas in addition to capital repayments of £10.5 million.

INTEREST

UK interest rates were increased by two successive rises of 0.25% early in 2000, following which base rates stood at 6.0% for the remainder of the year before reducing again in early 2001. US interest rates did not change significantly throughout the year, with the Federal Funds rate ending the year at 6.5%.

The net interest charge for the year of £6.0 million (1999 – £0.3 million credit) incorporates net interest payable on Group funds of £1.5 million and net interest payable in joint ventures and associates of £4.5 million. This includes interest receivable from joint ventures and associates of £1.9 million of which £1.1 million relates to WL Homes LLC.

The Group continues to pursue a programme of investment in infrastructure assets and further growth in housing assets and property development. The resultant higher level of underlying borrowings was the main contributor to the overall increase to the interest charge on Group funds. The interest payable in joint ventures has risen from £2.3 million in 1999 to £6.0 million in 2000. This reflects the fact that a growing number of infrastructure projects, in which the Group has invested, are entering the operational phase following completion of construction. This, in turn, triggers the charging of interest on non-recourse project finance to the profit and loss account. The trend of a rising interest charge on Group funds and in joint ventures will continue into 2001 following the successful acquisition of Hyder Investments Limited and the general expansion of the Group's asset-based businesses.

TAXATION

The tax charge for 2000 was £2.8 million (1999 – £9.3 million). The significant losses in Laing Construction give rise to tax losses that have largely been surrendered, by way of group relief, in order to reduce the tax liability of the Group's profitable UK operations. However, an estimated £7.5 million of unutilised losses remain available to offset against future profits of the construction activities. In addition, tax losses of £13.2 million have been carried forward in other Group companies and a deferred tax asset has been incorporated in recognition of their future value to the Group.

The Group's share of profits from WL Homes LLC have been partially relieved by losses brought forward from previous years but a net charge of £3.2 million has been incorporated in the US results.

FINANCIAL REVIEW

TAXATION (continued)

The capital gains from the sale of Europistas shares and the capital repayments have been relieved by capital losses and indexation brought forward from previous years.

The Group has no significant unutilised Advance Corporation Tax.

FOREIGN CURRENCY

The Group operates a policy of hedging against significant balance sheet exposures to foreign exchange fluctuations where a cost effective hedging instrument is available. The investment in the US$ denominated assets of WL Homes LLC is hedged through matching US$ denominated loans and the investment in Adelaide Airport is hedged through matching AUS$ denominated loans.

The Group seeks to cover exposure to exchange rate movements on trade receivables and payables – provided that the cost of doing so would not, in the opinion of the Directors, be prohibitive.

Contingent or uncertain exposures are hedged when, in the opinion of the Directors, the risk justifies doing so.

The book value of overseas assets, excluding the US housing assets and Adelaide Airport, at 31 December 2000, was £6.0 million (1999 – £11.9 million). This includes the Group's investment in Europistas at £3.9 million, YTL Power at £1.7 million, Northern Territories Airport at £4.2 million and Horizon Energy at £3.1 million. These are offset by liabilities in Group overseas companies.

When the Group invests overseas in developing markets, the required rate of return includes an appropriate risk premium to cover country, money transfer and exchange risks.

Group Treasury provides a service to the corporate centre and to operating divisions to enable risk to be managed at the lowest possible cost. It is not a profit centre.

FINANCE

Net Group borrowings at 31 December 2000 were £30.0 million (1999 – £37.9 million net funds), representing a negative movement to funds of £67.9 million. The cash outflow was principally within Laing Construction where a planned reduction in turnover, reorganisation costs and the funding of losses all contributed to the negative movement. Assets employed in Laing Homes increased by £49.6 million but profits of £64.3 million resulted in an overall cash inflow for the Division. Laing Property and Laing Investments also contributed positive cash inflows during the year under review.

In 2000, the Group took steps to align the maturity profile of debt facilities to the profile of assets employed. A private placement of US$ 110 million of loan notes in the USA, on terms averaging seven to ten years, provided longer-term finance to match the infrastructure investment portfolio as well as a currency hedge against US housing assets. The Group has also arranged medium-term debt facilities of £103 million in order to fund seasonal working capital requirements and acquisitions of investments.

In January 2001, the Group purchased Hyder Investments Limited. The purchase consideration was £90.5 million but the assets acquired included £32.0 million of cash, resulting in an expansion to the infrastructure asset portfolio of £58.5 million. Of this, £23.5 million was deferred consideration pending the receipt of third party consents to the change of ownership over specific assets. In addition to the purchase consideration, the Group acquired commitments to pay £46.1 million of deferred equity, on projects held by Hyder Investments, over a four-year period to 2004. The acquisition was financed out of existing debt facilities. The Group will now seek to further align the profile of its debt with the underlying assets, and further short and medium-term bank facilities will be arranged in order to provide flexibility.

With the acquisition of Hyder Investments, the continuing regular infrastructure investment programme of the Group, and growth in housing assets and property developments, the Group will now face higher underlying levels of balance sheet gearing. The Hyder Investments portfolio included three equity investments which, when added to the Laing Group's existing equity stake in the same projects, take the Group's interest in these project companies to over 50%. Consequently, the gross assets and gross liabilities of the relevant project companies will be fully consolidated whilst this ownership position remains and the non-recourse project debt will be shown under bank loans. While this will increase the headline net debt figure, the Group will disclose the non-recourse element in order to allow shareholders and analysts to appraise the underlying level of gearing based on Group debt.

The Group is already accounting for transactions denominated in Euros without any significant cost implications.

DIRECTORS' REPORT

The Directors submit their Report and Financial Statements for the year ended 31 December 2000 which they approved on 26 April 2001.

RESULT AND DIVIDENDS

The profit before taxation and minority interests for the year was £5.7 million. After taxation and minority interests the profit attributable to shareholders was £2.9 million.

The Directors recommend a final dividend of 8.5 pence per Ordinary Share to be paid on 2 July 2001 to shareholders whose names appear on the register at the close of business on 4 May 2001.

With the interim dividend of 4.5 pence per share paid on 3 November 2000 the total dividend for the year is 13.0 pence per share.

The Company is permitted under its Articles of Association to purchase its own shares subject to obtaining the authority of its members in general meeting. Accordingly, a special resolution number 8 will be put to the members at the Annual General Meeting to authorise the Company to make market purchases of up to 10% of its issued Ordinary Shares of 25 pence each, at a minimum price per share of 25 pence and a maximum price per share equal to 5% above the average of the middle market quotations of such shares as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased.

The Board has no immediate intention of exercising this authority but will keep the matter under review, taking into account other investment opportunities. The authority will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

More detailed comments on events during the year and on the development of the business are given in the Chairman's Statement and in the Operating and Financial Review contained within the Annual Review.

The Laing Environmental Steering Group promotes the principles of sustainable development throughout the Company.

GROUP ACTIVITIES

The activities of individual Group companies are mainly related to the building of homes for sale, property development and investment in infrastructure. A list of principal subsidiaries, joint ventures, associated undertakings, joint arrangements and investments appears on pages 46 and 47. The Group has announced its intention to sell its construction and civil engineering businesses as well as its interest in US homebuilding.

ENFRANCHISEMENT OF ORDINARY A (NON-VOTING) SHARES

On 18 May 2000 the Company obtained shareholder approval to enfranchise its Ordinary A (non-voting) Shares of 25p each with effect from 31 May 2000. From that date such shares ranked pari passu in all respects with the existing Ordinary Shares of 25p each. In addition, share options previously granted over Ordinary A (non-voting) Shares became options over Ordinary Shares. A compensatory Scrip Issue of 1 for every 20 Ordinary Shares held on 30 May 2000 was made to the holders of Ordinary Shares on that date.

DIRECTORS

The Directors during the year were:
Sir Martin Laing
R A Wood
D Ardern
J Armstrong – retiring 30 April 2001
A J H Ewer
R S Lidgate
D C Madden – retiring 30 April 2001
B O Chilver
P J Harper
The Rt. Hon Lord Howell

On 31 March 2001 A E Friend was appointed a Director.

DIRECTORS' REPORT

DIRECTORS (continued)

The Directors retiring by rotation in accordance with the Articles of Association are D Ardern and P J Harper and, being eligible, they offer themselves for re-election.

The service contracts of D Ardern and P J Harper are terminable on one year's notice from the Company.

A E Friend, having been appointed subsequent to the last Annual General Meeting, retires in accordance with the Articles of Association and, being eligible, offers himself for election.

Biographical details of Directors offering themselves for election and re-election are shown on page 32 of the Annual Review.

REMUNERATION REPORT

REMUNERATION POLICY

Our policy is to set Directors' overall remuneration and benefits at market levels comparable with companies of similar size and scope of activities in order to be able to attract, retain and motivate individuals of above average ability.

The main components of our Directors' remuneration package are basic salary, annual bonus, a long-term incentive scheme, membership of a pension scheme, company car, an executive share option scheme and provision of health insurance.

We operate a Directors' bonus scheme related to pre-tax profit. The 2000 scheme provides for the payment of up to 60% of basic salary subject to the achievement of pre-determined performance targets set at Group and Divisional levels.

The long-term Performance Share Plan approved by shareholders at an Extraordinary General Meeting in October 1996 has now been wound up. Its first three-year performance period commenced on 1 January 1997. Subsequent performance periods commenced on 1 January 1998, 1999 and 2000.

The threshold at which 50% of the award would have vested was 5% annual compound growth in earnings per share (EPS) in excess of the Retail Prices Index (RPI). The maximum award would have vested on the achievement of 15% annual compound growth in EPS in excess of RPI; a linear scale operated for performance between the two targets.

Subject to approval by the Shareholders at the Annual General Meeting, the scheme will be replaced by a new long-term incentive plan, which will include targets related to both growth in EPS and total shareholder returns relative to comparator companies.

The Group had a policy of granting share options selectively to Directors and Senior Executives under the terms of an Inland Revenue Approved Scheme within the provisions of the Finance Act 1984. The final allocations under that scheme were granted in 1996.

With the exception of D Ardern, A J H Ewer, A E Friend and the non-executive Directors, whose contracts terminate on one year's notice, current contracts for Executive Directors provide for two year's notice from the Company. We consider it appropriate in the current climate to continue this arrangement. All future Directors will have contracts that are terminable in no more than one year. Arrangements relating to early termination are dealt with on the merits of individual cases.

Directors participate in a defined benefit occupational pension scheme. This provides for accrual of benefits based on total years of service and is calculated on basic salary only. The Inland Revenue pension cap is accommodated through the payment of a separate cash sum to individuals in appropriate cases to cover additional pension provision.

Membership of the Remuneration Committee is set out in the statement of Corporate Governance on page 12.

DIRECTORS' REPORT

DIRECTORS' EMOLUMENTS

Particulars of Directors' emoluments, pension entitlements, share interests and share options are set out below:

	Salary and fees £	Benefits £	Annual bonus £	**Total 2000 £**	Total 1999 £	**Pensions 2000 £**	Pensions 1999 £
EXECUTIVE							
Sir Martin Laing	350,000	10,626	42,000	**402,626**	490,491	**31,500**	29,250
R A Wood	355,000	17,545	42,600	**415,145**	505,102	**31,950**	29,700
D Ardern	180,000	12,178	21,600	**213,778**	248,098	**33,015**	27,729
J Armstrong (1)	270,000	15,829	32,400	**318,229**	384,471	**–**	41,771
A J H Ewer (2)	220,000	15,029	26,400	**261,429**	152,746	**44,215**	17,726
R S Lidgate	260,000	10,343	31,200	**301,543**	360,694	**55,415**	49,429
D C Madden	195,000	13,715	23,400	**232,115**	271,972	**17,550**	15,750
NON-EXECUTIVE							
B O Chilver	30,000	2,296	–	**32,296**	26,296	**–**	–
D Edwards (3)	–	–	–	**–**	18,873	**–**	–
P J Harper	30,000	–	–	**30,000**	24,000	**–**	–
The Rt. Hon Lord Howell (4)	30,271	–	–	**30,271**	1,630	**–**	–
TOTAL				**2,237,432**	2,484,373	**213,645**	211,355

NOTES

(1) On 28 September 1999 J Armstrong retired from the pension fund on reaching the age of 60.

(2) A J H Ewer was appointed to the Board on 1 June 1999 and the 1999 emoluments shown above are stated for the seven months commencing on that date.

(3) The emoluments of D Edwards are for the period from 1 January to 20 May 1999, the date on which he retired as a Director.

(4) The Rt. Hon Lord Howell was appointed to the Board on 13 December 1999 and the 1999 emoluments shown above are stated for the period from that date.

(5) Pension contributions stated above include a notional charge of 9% (1999 – 9%) on pensionable salaries. This is shown in order to reflect the normal cost of providing accrued pension benefits. The balance reflects payments made to certain individuals, to accommodate the Inland Revenue pension cap.

(6) Annual bonus payments included within total Directors' emoluments amounted to £219,600 (1999 – £756,800). Annual bonuses are calculated by reference to achievement of pre-determined profit targets as measured by the Group's management accounts. Such profit targets are approved by the Board and individual annual bonus arrangements are approved by the Remuneration Committee.

(7) The aggregate gain on the exercise of share options was £182,153. The highest paid Director, R A Wood, made an aggregate gain of £12,429 on the exercise of options.

DIRECTORS' REPORT

DIRECTORS' PENSION ENTITLEMENTS

Pension benefits earned by the Directors (1).

EXECUTIVE DIRECTORS	Age at end of year	Accumulated total accrued annual pension at 31 December 2000 £	Increase in accrued annual pension during the year (2) £	Transfer value of increase (3) £000's
Sir Martin Laing	58	296,417	27,052	519.6
R A Wood	58	287,426	36,719	705.2
D Ardern	55	24,480	2,623	45.6
J Armstrong	61	26,676	–	–
A J H Ewer	47	29,070	2,531	32.4
R S Lidgate	55	7,650	1,406	24.4
D C Madden	60	164,329	16,717	356.8
		836,048	87,048	1,684.0

NOTES

(1) The pension entitlement shown is that which would be paid annually on retirement based on service to 31 December 2000.

(2) The increase in accrued pension during the year excludes any increases on account of inflation.

(3) These transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

(4) Throughout 2000 all Directors, with the exception of R S Lidgate, were members of both the John Laing Pension Fund (the "Fund") and the John Laing Supplementary Pension Scheme (the "Scheme"). R S Lidgate was a member of the Fund only. On 31 December 2000, the Scheme merged into the Fund. This merger did not affect members' benefits. The Fund is a tax approved scheme.

(5) Members of the Fund have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

(6) Membership of the Fund is non-contributory.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

SHARES

The number of shares of the Company in which each Director of the Company is deemed to hold an interest is shown below in accordance with the requirements of the Companies Act 1985, and includes family interests and holdings in which Directors are interested solely as Trustees.

	At 31 December 2000		At 1 January 2000		
	Ordinary Shares 25p each	6.4% Convertible Cumulative Preference Shares £1 each	Ordinary Shares 25p each	Ordinary A (non-voting) Shares 25p each	6.4% Convertible Cumulative Preference Shares £1 each
BENEFICIAL					
Sir Martin Laing	1,149,449	154,067	1,049,595	16,246	154,067
R A Wood	43,415	–	7,440	5,000	–
D Ardern	13,243	–	2,269	–	–
J Armstrong	2,982	–	16,854	–	465
A J H Ewer	8,987	–	506	–	–
R S Lidgate	26,779	–	1,066	–	–
D C Madden	22,033	–	1,128	5,000	900
B O Chilver	1,134	–	1,080	–	–
P J Harper	22,293	–	21,232	–	–
The Rt. Hon Lord Howell	525	–	–	–	–
AS TRUSTEES (NON-BENEFICIAL)					
Sir Martin Laing	4,599,197	500,000	2,618,401	1,849,878	500,000
R A Wood	2,732,372	150,000	1,493,914	1,163,763	150,000
B O Chilver	10,805,361	400,000	9,565,536	761,558	400,000
P J Harper	8,113,759	–	7,606,025	127,434	–
D C Madden	2,732,372	150,000	1,493,914	1,163,763	150,000

By reason of common interests some shares are included against the names of more than one Director. After eliminating such duplications the total number of shares in which the Directors are interested as Trustees are shown below.

	At 31 December 2000		At 1 January 2000		
	Ordinary Shares 25p each	6.4% Convertible Cumulative Preference Shares £1 each	Ordinary Shares 25p each	Ordinary A (non-voting) Shares 25p each	6.4% Convertible Cumulative Preference Shares £1 each
Directors' interests as Trustees	23,091,386	800,000	19,386,869	2,735,186	800,000

DIRECTORS' REPORT

SHARE OPTIONS

The Directors participated in the Senior Executive Share Option Scheme and the Savings Related Share Option Scheme and have options to subscribe for Ordinary Shares as follows:

	At 1 January 2000	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2000	Exercise price	Date from which exercisable	Expiry date
Sir Martin Laing	85,000	–	–	–	85,000	346p	11/05/97	11/05/04
	4,074	–	–	–	4,074	+210p	31/01/02	31/07/02
R A Wood	50,000	–	–	20,000	30,000	346p	11/05/97	11/05/04
	2,302	–	–	2,302	–	+210p	31/01/00	31/07/00
D Ardern	50,000	–	–	50,000	–	*331p	11/05/97	15/05/06
	4,074	–	–	–	4,074	+210p	31/01/02	31/07/02
J Armstrong	65,000	–	–	65,000	–	*331p	11/05/97	15/05/06
	2,302	–	–	2,302	–	+210p	31/01/00	31/07/00
A J H Ewer	30,000	–	–	30,000	–	*331p	11/05/97	15/05/06
	910	–	–	910	–	+210p	31/01/00	31/07/00
R S Lidgate	50,000	–	–	50,000	–	*331p	11/05/97	15/05/06
	4,074	–	–	–	4,074	+210p	31/01/02	31/07/02
D C Madden	50,000	–	–	30,000	20,000	*331p	11/05/97	15/05/06
	4,074	–	–	–	4,074	+210p	31/01/02	31/07/02
	401,810	–	–	250,514	151,296			

** Average exercise price – Senior Executive Share Option Scheme.*
+ Exercise price – Savings Related Share Option Scheme.

The mid-market price of the Company's Ordinary Shares on 31 December 2000 was 398 pence. The range of share prices during 2000 was 184 pence to 404 pence.

The Register of Directors' Interests contains full details of Directors' shareholdings and options. Since 31 December 2000 the Executive Directors were awarded Ordinary Shares arising under the Companys' long-term Performance Share Plan as set out in the following section. On 12 February J Armstrong sold 33,597 shares so arising and on 13 February D C Madden sold 16,636 shares so arising.

There were no other movements in Directors' interests in shares and share options prior to the date of this report.

LONG-TERM PERFORMANCE SHARE PLAN

Directors have participated in a long-term Performance Share Plan based on Group performance over three-year cycles. Details of awards made to Directors on 24 March 2000 in respect of the three-year cycle of the Performance Share Plan commencing on 1 January 1997 are set out below. This represents the maximum achievable under the scheme rules. The share price on the date of award was 232 pence.

	Ordinary Shares 25p each	Value on date of issue £
Sir Martin Laing	51,886	120,376
R A Wood	47,169	109,432
D Ardern	14,088	32,684
J Armstrong	37,735	87,545
A J H Ewer	12,578	29,181
R S Lidgate	32,075	74,414
D C Madden	26,415	61,283
	221,946	514,915

D H Blair, a former Director, also received a pro-rata award of 22,642 shares on 24 March 2000.

DIRECTORS' REPORT

LONG-TERM PERFORMANCE SHARE PLAN (continued)

The total maximum conditional award to Directors in respect of the scheme years commencing on 1 January in each of the last three years are shown in the following table.

	Maximum award of Ordinary Shares for the Scheme years commencing 1 January		
	2000	1999	1998
Sir Martin Laing	92,920	62,600	50,274
R A Wood	94,247	63,563	46,153
D Ardern	47,787	30,818	12,857
J Armstrong	71,681	48,154	36,263
A J H Ewer	58,407	17,335	12,637
R S Lidgate	69,026	43,338	31,318
D C Madden	51,769	33,707	25,549

The threshold target for the Scheme years commencing 1 January 1998 have not been met and accordingly no awards will be made to Directors in respect of that cycle.

Following the fundamental change in the Group's strategy it was decided that the long-term Performance Share Plan, on which targets were wholly based on growth in earnings per share, should be wound up and replaced with a scheme that embraces total shareholder returns.

In order to compensate Directors for loss of future entitlements, and thus enable the scheme to be wound up, the following awards were made to Directors on 9 February 2001 in respect of the Scheme years 1999 and 2000. The share price on the date of award was 519 pence.

	Ordinary Shares 25p each	Value on date of issue £
Sir Martin Laing	72,706	377,344
R A Wood	73,790	382,970
D Ardern	36,474	189,300
J Armstrong	55,995	290,614
A J H Ewer	31,025	161,020
R S Lidgate	51,900	269,361
D C Madden	39,727	206,183
	361,617	1,876,792

SUBSTANTIAL SHAREHOLDINGS

At 26 April 2001, the Directors were aware of the following substantial interests in the shares of the Company.

	Ordinary Shares 25p each	%
Kirby Laing Principal Trust	8,901,190	9.16
CGNU plc	8,861,428	9.12
Morley Fund Management Limited	5,668,549	5.83
Maurice Laing Foundation	5,300,938	5.46
Kirby Laing Foundation	3,507,408	3.61
The Rufford Foundation	3,383,916	3.48

DIRECTORS' REPORT

EMPLOYEES

The Group seeks to ensure employee commitment to its objectives in a number of ways. It has adopted a system of twice-yearly presentations whereby the Company's Directors visit Laing offices around the country to brief staff on the Group's financial performance and strategic plans. In addition, regular team briefings at local level provide employees with information about the performance of their part of the business and about other topics of local interest. Many other formal and informal meetings are held and a wide range of Group publications are made available including a monthly newspaper, Team Spirit, *and an annual financial report for employees.*

The Staff Pension Fund Advisory Committee is a consultative group which draws its membership from different parts of the Group. It meets twice a year to discuss current matters concerning the Fund and also nominates three of its members to act as trustees of the Fund.

A Savings Related Share Option Scheme provides the opportunity for many employees to become shareholders.

The framework within which decisions about people are made is set out in the Group's personnel policy which is published in the staff handbook. It is part of that policy to employ and train disabled people whenever their skills and qualifications allow and when suitable vacancies are available. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No contributions were made by the Group to any political party. Charitable contributions made during the year by the Company and its subsidiaries amounted to £39,299. In addition, contributions of £805,376 were made by Laing's Charitable Trust. The Trust is funded separately and derives its income from investments which are held and managed independently from the Group.

PAYMENT POLICY

The Group is a registered supporter of the CBI Prompt Payers Code of Good Practice. Payment terms are clearly stated in contracts between Group companies and their suppliers or subcontractors from the outset. The Group has a consistent policy to pay in accordance with the contracted terms, provided the supplier is also complying with all the relevant terms of the contract. More information about the Code may be obtained from the CBI. The number of days' billings from suppliers outstanding to the Group at 31 December 2000 was 78 days. The Company does not carry on a trade.

AUDITOR

The Company's auditor, KPMG Audit Plc, is willing to continue in office and a resolution concerning its reappointment in accordance with Section 385 of the Companies Act 1985 is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Sir Martin Laing CBE
Chairman
26 April 2001

CORPORATE GOVERNANCE

THE COMBINED CODE

The Company complied with the Combined Code provisions throughout the year with the following exceptions:
(A.3.1) the non-executive Directors comprised less than one-third of the Board;
(A.5.1) the Nominations Committee did not contain a majority of non-executive Directors throughout the year.

INTERNAL CONTROL

The Combined Code introduced a requirement that Directors review the effectiveness of the Group's system of internal controls. This requirement covers all controls including financial, operational and compliance controls and risk management, addressed in Internal Control: Guidance for Directors on the Combined Code (the 'Turnbull Report') was published in September 1999.

The Board is responsible for the Group's system of Internal Control and for reviewing its effectiveness whilst the role of management is to implement board policies on risk and control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group does not have a full-time internal audit function but reviews the need on a regular basis. The Board has reviewed and modified the existing risk management and internal control processes as necessary and complied with the Turnbull Report for the year ended 31 December 2000 and up to the date of this report. The process is regularly reviewed by the Board.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The process works on the basis of projects and central departments producing risk registers which identify key factors, the probability of those events occurring, the impact if they do occur and the actions being taken to manage those risks. The significant project and departmental risks are passed upwards to the business unit on a filter basis culminating in the production of business unit risk registers and finally a Group risk register. The significant risks faced by John Laing plc, mitigation measures and action plans are discussed at Board meetings on a quarterly basis.

The process followed by the Board to review the effectiveness of the system of internal control includes the following:

- *The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations with appropriate authorisation limits in order to achieve business objectives.*
- *The Board receives and reviews the register of key Group and business unit risks and receives regular reports on any significant problems that have occurred during the year and how the risks have changed over the period under review.*
- *The Audit Committee reviews external and internal audit work plans.*
- *Group businesses participate in periodic reviews which include consideration of long-term financial objectives and the evaluation of business strategy.*
- *The Board and management receive timely, relevant and reliable reports from each business unit on progress against business objectives.*
- *The effective application of policies, processes and activities relating to internal control and risk management are monitored by way of controlled self assessments, internal audit reviews and outsourcing of operational audits as required.*

THE BOARD OF DIRECTORS

The Board of John Laing plc currently comprises eight executive and three independent non-executive Directors. The Board meets on a regular basis and has the responsibility for strategic and financial policies. The Board has delegated executive control to the Group Executive, a sub-committee of the Board that currently consists of the Chairman, Sir Martin Laing, and the Deputy Chairman, R A Wood. The Group Executive meets once a month and reviews divisional performance with senior divisional management. All Directors are equally accountable under law for the proper stewardship of the Company's affairs. Policies and procedures are in place to ensure that the decisions of the Group Executive are considered by the Board. The senior non-executive Director is B O Chilver.

The Directors take independent professional advice from the Group's consultants as necessary and procedures exist for the appointment of such consultants at the Group's expense.

The Company Secretary is responsible to the Board for ensuring that Board procedures and the applicable rules and regulations are complied with. Decisions requiring urgent consideration by the Group Executive or Board are notified to all members for consultation.

The Nominations Committee recommends all new Board appointments and comprises Sir Martin Laing (Chairman), R A Wood and two of the non-executive Directors, B O Chilver and P J Harper.

The non-executive Directors are appointed by the Board. As main Board Directors they bring an independent judgement to bear on all issues of policy but take no functional responsibility for operational matters.

Directors retire by rotation every third year.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Audit Committee currently comprises the three non-executive Directors, B O Chilver (Chairman), P J Harper and The Rt. Hon Lord Howell. The Committee meets at least twice a year and will normally request the attendance of the Group Finance Director and representatives of the external auditor. However, at least once a year, the Committee meets with the external auditor without the Group Finance Director being present. The Committee is authorised by the Board to obtain outside legal or other independent professional advice if it considers that to be necessary. Copies of the minutes of all Audit Committee meetings are distributed to Board members.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises the three non-executive Directors, P J Harper (Chairman), B O Chilver and The Rt. Hon Lord Howell. The meetings are attended by the Group Chairman and by the Group Personnel Director – the latter in the capacity of Secretary. The Committee also employs the services of an independent consultant. The Committee is responsible for determining the terms of employment of the Executive Directors of John Laing plc.

PENSIONS

The Group operates pension schemes for its employees. The assets of the schemes are held in trustee administered funds which are separate from the assets of the Group.

The Trustees of the main pension fund consist of three management representatives, the Pensions Manager, three employees, two retired members of staff and an independent member who was formerly with Noble Lowndes, Financial Advisers and Pension Consultants. In addition, the Law Debenture Trust Corporation plc was appointed in 1994 as an entrenched independent Reference Trustee.

Investment management of the funds is shared among five specialist independent investment management companies.

On 31 December 2000, the investment in John Laing plc represented less than 2% of the pension funds' total investment portfolio.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and, for that reason, they continue to adopt the going concern basis in preparing the accounts.

RELATIONSHIP WITH SHAREHOLDERS

Regular presentations are made to analysts and dialogue takes place with large shareholders. All shareholders receive the interim and annual reports, and have the opportunity to put questions to the Board at the Annual General Meeting. In addition corporate information is available on the Company website at www.laing.com.

AUDIT

All of the Group's major subsidiaries are audited by KPMG Audit Plc, with the exception of M40 Trains Limited which is audited by Grant Thornton. Joint ventures and the associated companies are also audited by KPMG Audit Plc unless arrangements with our partners stipulate an alternative appointment. In addition to the Auditor's Report to the Members of John Laing plc on the financial statements set out in the Directors' Report and Financial Statements, the auditors report to the Directors any findings on the procedures and controls within the operating activities which have come to their notice during the course of their normal audit work.

A report from the Auditor on its review of the interim accounts is published with the statement of interim results issued to shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.*

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDITOR'S REPORT

to the Members of John Laing plc

We have audited the financial statements on pages 15 to 44, 46 and 47. We have also examined the amounts disclosed relating to emoluments, share options, long-term incentive scheme interests and Directors' pension entitlements which form part of the Directors' Report on pages 3 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Directors' Report and Financial Statements. As described on page 13 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 11 and 12 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Directors' Report and Financial Statements, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
26 April 2001

GROUP PROFIT AND LOSS ACCOUNT

John Laing plc and subsidiary undertakings

FOR THE YEAR ENDED 31 DECEMBER 2000	Notes	2000 Continuing £ million	2000 To be discontinued £ million	2000 Total £ million	1999 £ million
TURNOVER	1	**507.8**	**1,066.6**	**1,574.4**	1,791.7
DEDUCT:					
Share of joint venture turnover	13	**(31.0)**	**(218.9)**	**(249.9)**	(219.1)
Share of associate turnover	13	**(12.8)**	**–**	**(12.8)**	(11.0)
GROUP TURNOVER		**464.0**	**847.7**	**1,311.7**	1,561.6
Cost of sales		**(362.9)**	**(874.2)**	**(1,237.1)**	(1,466.4)
GROSS PROFIT		**101.1**	**(26.5)**	**74.6**	95.2
Exceptional cost of reorganisation	1	**–**	**(15.1)**	**(15.1)**	–
Other operating and administrative expenses		**(49.0)**	**(47.9)**	**(96.9)**	(72.4)
Total operating and administrative expenses		**(49.0)**	**(63.0)**	**(112.0)**	(72.4)
Other operating income	6	**(1.0)**	**1.5**	**0.5**	1.1
GROUP OPERATING (LOSS)/PROFIT	2	**51.1**	**(88.0)**	**(36.9)**	23.9
Share of operating profit of:					
Joint ventures		**4.4**	**12.7**	**17.1**	13.3
Associates		**2.2**	**–**	**2.2**	1.8
OPERATING (LOSS)/PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES		**57.7**	**(75.3)**	**(17.6)**	39.0
Profit on disposal of and amounts written off investments and other fixed assets	3	**29.0**	**0.3**	**29.3**	13.4
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	1	**86.7**	**(75.0)**	**11.7**	52.4
Interest receivable:					
Group				**7.6**	8.7
Joint ventures				**1.9**	1.5
Total				**9.5**	10.2
Interest payable:					
Group				**(9.1)**	(7.3)
Joint ventures				**(6.0)**	(2.3)
Associates				**(0.4)**	(0.3)
Total				**(15.5)**	(9.9)
Net interest				**(6.0)**	0.3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				**5.7**	52.7
Taxation	7			**(2.8)**	(9.3)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				**2.9**	43.4
Minority interests				**–**	–
PROFIT ATTRIBUTABLE TO SHAREHOLDERS				**2.9**	43.4
Dividends on equity and non-equity shares	8			**(15.1)**	(14.0)
RETAINED (LOSS)/PROFIT FOR THE YEAR	24			**(12.2)**	29.4
Earnings per share – Basic	9			**0.4p**	42.9p*
– Diluted	9			**0.4p**	39.8p*

All items in the profit and loss account relate to operations continuing as at 31 December 2000.

**Restated for the issue of shares under the terms of the enfranchisement of Ordinary A (non-voting) Shares.*

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

John Laing plc and subsidiary undertakings

FOR THE YEAR ENDED 31 DECEMBER 2000	*Notes*	**2000 £ million**	1999 £ million
Profit attributable to shareholders		**2.9**	43.4
Unrealised surpluses on revaluation of properties		**0.7**	0.7
Currency translation differences on foreign currency net investments		**(3.4)**	(0.2)
TOTAL GAINS RECOGNISED IN THE YEAR	*10*	**0.2**	43.9

GROUP STATEMENT OF HISTORICAL COST PROFITS AND LOSSES

John Laing plc and subsidiary undertakings

FOR THE YEAR ENDED 31 DECEMBER 2000	**2000 £ million**	1999 £ million
Profit on ordinary activities before taxation	**5.7**	52.7
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**(0.1)**	(0.2)
Realisation of property revaluation gains/(losses) of previous years	**2.0**	(2.0)
HISTORICAL COST PROFIT BEFORE TAXATION	**7.6**	50.5
HISTORICAL COST RETAINED (LOSS)/PROFIT FOR THE YEAR	**(10.3)**	27.2

GROUP BALANCE SHEET

John Laing plc and subsidiary undertakings

AT 31 DECEMBER 2000	Notes	2000 £ million	1999 £ million
ASSETS EMPLOYED			
FIXED ASSETS			
Intangible assets	29	**9.5**	3.9
Tangible assets	12	**41.5**	42.0
Investments	13	**28.0**	33.4
Investments in joint ventures:			
Share of gross assets		**458.2**	345.5
Share of gross liabilities		**(372.8)**	(281.0)
	13	**85.4**	64.5
Investments in associates	13	**17.7**	18.4
		182.1	162.2
CURRENT ASSETS			
Land and developments	14	**314.3**	264.2
Stocks and work in progress	14	**2.8**	5.9
Debtors – due within one year	15	**167.7**	212.2
– due after more than one year	15	**34.8**	28.5
		202.5	240.7
Short-term investments	16	**2.2**	2.4
Cash at bank and in hand	17	**80.7**	164.2
		602.5	677.4
CREDITORS			
Amounts falling due within one year:			
Bank and other loans	22d	**23.9**	113.9
Other creditors	18	**377.5**	424.5
		401.4	538.4
NET CURRENT ASSETS		**201.1**	139.0
TOTAL ASSETS LESS CURRENT LIABILITIES		**383.2**	301.2
CREDITORS			
Amounts falling due after more than one year:			
Bank and other loans	22d	**86.8**	12.4
Other creditors	18	**23.6**	10.0
		110.4	22.4
PROVISIONS FOR LIABILITIES AND CHARGES	19	**31.7**	27.1
		241.1	251.7
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	23	**64.1**	63.3
Share premium account	24	**23.7**	21.9
Property revaluation reserve	24	**4.7**	6.0
Profit and loss account	24	**146.6**	160.1
Other reserves	24	**1.6**	–
SHAREHOLDERS' FUNDS:			
– equity		**202.1**	212.6
– non-equity	24	**38.6**	38.7
		240.7	251.3
Minority interests – equity		**0.4**	0.4
		241.1	251.7

COMPANY BALANCE SHEET

John Laing plc

AT 31 DECEMBER 2000	Notes	2000 £ million	1999 £ million
ASSETS EMPLOYED			
FIXED ASSETS			
Interests in subsidiary undertakings	11	**394.4**	397.3
Other investments	13	**–**	0.5
		394.4	397.8
CURRENT ASSETS			
Debtors – due within one year	15	**107.0**	65.1
Cash at bank and in hand		**24.9**	105.8
		131.9	170.9
CREDITORS:			
Amounts falling due within one year:			
Bank and other loans	22d	**60.5**	134.1
Other creditors	18	**138.3**	170.9
		198.8	305.0
NET CURRENT LIABILITIES		**(66.9)**	(134.1)
TOTAL ASSETS LESS CURRENT LIABILITIES		**327.5**	263.7
CREDITORS:			
Amounts falling due within one year:			
Bank and other loans	22d	**86.8**	12.4
		240.7	251.3
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	23	**64.1**	63.3
Share premium account	24	**23.7**	21.9
Revaluation of shares in subsidiary undertakings	24	**136.0**	160.8
Profit and loss account	24	**16.9**	5.3
SHAREHOLDERS' FUNDS			
– equity		**202.1**	212.6
– non-equity	24	**38.6**	38.7
		240.7	251.3

The accounts on pages 15 to 44 and 46 to 47 were approved by the Board of Directors on 26 April 2001 and were signed on its behalf by

Sir Martin Laing CBE
Chairman

GROUP CASH FLOW

John Laing plc and subsidiary undertakings

FOR THE YEAR ENDED 31 DECEMBER 2000	Notes	2000 £ million	1999 £ million
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	25	**(58.3)**	(18.8)
DIVIDENDS RECEIVED FROM JOINT VENTURES AND ASSOCIATES		**9.0**	0.2
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**8.1**	9.8
Interest paid		**(6.7)**	(5.6)
Dividends received		**0.5**	1.5
Dividends paid to non-equity shareholders		**(2.6)**	(2.6)
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(0.7)**	3.1
TAXATION			
UK corporation tax paid		**(3.2)**	(4.1)
Overseas tax paid		**(2.0)**	(0.2)
		(5.2)	(4.3)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed assets		**(14.2)**	(12.3)
Sale of fixed assets		**8.9**	6.1
Purchase of investments		**(4.3)**	–
Sale of investments		**38.7**	19.4
Net cash inflow from capital expenditure and financial investments		**29.1**	13.2
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings	26	**(10.0)**	(7.2)
Net (overdraft)/cash balance acquired with subsidiaries	26	**(2.8)**	6.6
Purchase of interests in and loans to associated undertakings and joint ventures		**(21.6)**	(16.5)
Sale of interests in and repayment of loans by associated undertakings and joint ventures		**8.3**	16.2
Sale of operation		**0.1**	11.9
Net cash (outflow)/inflow from acquisitions and disposals		**(26.0)**	11.0
EQUITY DIVIDENDS PAID		**(11.8)**	(8.1)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		**(63.9)**	(3.7)
MANAGEMENT OF LIQUID RESOURCES			
Net cash transfer from bank deposits	27	**55.3**	2.5
Net cash inflow from management of liquid resources		**55.3**	2.5
FINANCING			
Issue of ordinary share capital		**2.6**	–
(Decrease)/increase in bank borrowings falling due within one year	27	**(56.8)**	36.3
Increase/(decrease) in bank borrowings falling due after more than one year	27	**66.6**	(20.3)
Net cash inflow from financing		**12.4**	16.0
Increase in cash in the period	27	**3.8**	14.8

The Group includes term deposits of less than a year, government securities and corporate bonds as liquid resources.

ACCOUNTING POLICIES

(A) BASIS OF PREPARATION OF ACCOUNTS

These accounts have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and investments in subsidiary undertakings, and in accordance with reporting requirements of the Companies Act 1985, together with applicable accounting standards, except as stated in note 13.

In accordance with Section 230 of the Companies Act 1985 no separate profit and loss account has been presented for the Company.

The Group has implemented Financial Reporting Standards 15 'Tangible fixed assets' and 16 'Current tax'. These have had no material effect on the Group's results and no prior year adjustment is necessary

(B) BASIS OF CONSOLIDATION

The Group profit and loss account and balance sheet include the financial statements of John Laing plc and its subsidiary undertakings made up to 31 December. Where subsidiaries are acquired, and acquisition accounted, or sold during the year, or where joint arrangements are entered into or terminated during the year, the Group profit and loss account includes the results for the part of the year for which they were subsidiaries or joint arrangements.

Interests in subsidiary undertakings and joint arrangements are included in the parent company balance sheet, at the Group's share of net assets of these undertakings.

Where the accounts of overseas subsidiaries do not conform with the Group's accounting policies, adjustments are made on consolidation in order to present the Group accounts on a uniform basis.

The associates and joint ventures are accounted for using the equity basis, except as stated in note 13 where the Directors consider a different treatment is required in order to show a true and fair view. Interests in such companies are shown in the consolidated balance sheet at cost, including advances, plus the appropriate shares of post acquisition retained profits and reserves.

(C) TURNOVER

Turnover comprises the value of work executed by construction activities, fees received on construction management, income generated in respect of services provided by our rail activities, rental income and invoiced sales after excluding intra-group transactions. In the case of private housing, sales are recognised at the date of legal completion, and for other property developments sales are recognised on exchange of unconditional contract.

(D) TANGIBLE FIXED ASSETS

Tangible fixed assets are initially recorded at cost and are depreciated in accordance with accounting policy (f) below. Subsequent expenditure on tangible fixed assets is capitalised to the extent that it provides an enhancement to the economic benefits of the asset above its previously assessed standard of performance. All other subsequent expenditure is charged to the profit and loss account as incurred.

Properties are revalued annually on the basis of an existing use value, except to the extent that they are surplus to requirements when an open market value basis is used.

Revaluation gains are recognised in the profit and loss account only to the extent that they reverse losses on the same asset that were previously recognised in the profit and loss account. All other revaluation gains are recognised in the revaluation reserve.

Revaluation losses caused by a consumption of economic benefits are recognised in the profit and loss account. Other revaluation losses are taken to the revaluation reserve until the carrying amount equates to the depreciated historic cost. Thereafter, revaluation losses are recognised in the profit and loss account.

ACCOUNTING POLICIES

(E) INVESTMENTS

Fixed asset investments, excluding investments in subsidiaries, are stated at cost less impairment. Current asset investments are stated at the lower of cost and market value. Income from investments is included in the Group profit and loss account as declared and, where the Group's interest has arisen within its core businesses, such income is included within the Group's operating results.

(F) DEPRECIATION

Tangible assets, including freehold properties but excluding land, are depreciated at appropriate rates on a straight-line basis to write down the cost or valuation of assets to residual value over their estimated useful lives, making due allowance for obsolescence in addition to normal wear and tear.

Depreciation, except in the case of land with a book value of approximately £3.7 million which is not depreciated, is provided on the basis that the estimated useful lives of assets are:

Offices and depot buildings	*20 to 50 years*
Vehicles, plant and machinery	*3 to 10 years*

(G) GOODWILL

Prior to 1 January 1998 goodwill has been written off to reserves and will be charged to the profit and loss account on the subsequent disposal of the business to which it relates. Since that date it has been capitalised and written off over 20 years, which in the opinion of the Directors, represents its useful economic life. During the year the Group acquired Beechcroft plc and capitalised a further £6.9 million of goodwill.

Goodwill capitalised on the acquisition of M40 Trains Limited is being written off over 3½ years, being the remaining length of the current license to operate.

(H) TAXATION

The amount included for taxation takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is not made unless there is reasonable evidence that it will be payable or receivable in the foreseeable future.

Deferred taxation is not provided in respect of liabilities which might arise on the distribution of retained profits of overseas subsidiaries, joint ventures and the associate, except where distributions of such profits are planned.

(I) LONG-TERM CONTRACTS

Profits on long-term contracts are calculated in accordance with industry standard accounting practice and do not therefore relate directly to turnover. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

Amounts recoverable on contracts which are included in debtors are stated at cost, plus attributable profit to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. Costs for this purpose include valuation of all work done by subcontractors, whether certified or not, and all overheads other than those relating to the general administration of the relevant companies. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

ACCOUNTING POLICIES

(J) LAND AND DEVELOPMENTS

Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

(K) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost, including production overheads, and net realisable value.

(L) FOREIGN CURRENCIES

Translations into sterling are made at the average of rates ruling throughout the year for profit and loss account items and at the rates ruling at 31 December for assets and liabilities.

Exchange differences arising in the ordinary course of trading are reflected in the profit and loss account; those arising on translation of net equity are dealt with as a movement in reserves.

(M) PENSION COSTS AND POST RETIREMENT BENEFITS

These are provided systematically over the average remaining future service lives of employees (see note 5). Differences between the amounts charged in the profit and loss account and payments made are treated as assets or liabilities in the balance sheet. Deferred taxation is accounted for on these assets and liabilities.

(N) LEASES

Payments under operating leases are charged wholly to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS

1. SECTOR ANALYSIS

		Turnover		Profit on ordinary activities before interest		Net assets*	
		2000 £ million	1999 £ million	**2000 £ million**	1999 £ million	**2000 £ million**	1999 £ million
ACTIVITY							
Homes		**567.7**	497.9	**64.3**	46.6	**292.3**	242.7
Construction		**854.2**	1,192.8	**(88.9)**	(5.3)	**(73.2)**	(67.3)
Property development		**61.1**	17.1	**13.2**	6.0	**26.5**	21.3
Investments		**91.4**	83.9	**27.4**	9.3	**45.1**	35.0
Group management/general		**–**	–	**(4.3)**	(4.2)	**(19.6)**	(17.9)
		1,574.4	1,791.7	**11.7**	52.4	**271.1**	213.8
ACTIVITY							
Homes	– Group	**340.3**	308.7	**50.6**	35.9	**217.3**	173.4
	– Joint ventures	**215.4**	178.2	**11.9**	8.9	**61.6**	50.9
	– Associate	**12.0**	11.0	**1.8**	1.8	**13.4**	18.4
		567.7	497.9	**64.3**	46.6	**292.3**	242.7
Construction	– Group	**850.7**	1,186.2	**(88.5)**	(6.8)	**(74.8)**	(68.3)
	– Joint ventures	**3.5**	6.6	**(0.4)**	1.5	**1.6**	1.0
		854.2	1,192.8	**(88.9)**	(5.3)	**(73.2)**	(67.3)
Property	– Group	**60.5**	17.1	**12.6**	6.0	**21.5**	20.0
	– Joint ventures	**0.6**	–	**0.6**	–	**5.0**	1.3
		61.1	17.1	**13.2**	6.0	**26.5**	21.3
Investments	– Group	**60.2**	49.6	**22.0**	6.4	**23.6**	23.7
	– Joint ventures	**30.4**	34.3	**5.0**	2.9	**17.2**	11.3
	– Associate	**0.8**	–	**0.4**	–	**4.3**	–
		91.4	83.9	**27.4**	9.3	**45.1**	35.0
Group management/general		**–**	–	**(4.3)**	(4.2)	**(19.6)**	(17.9)
TOTAL	**– GROUP**	**1,311.7**	1,561.6	**(7.6)**	37.3	**168.0**	130.9
	– JOINT VENTURES	**249.9**	219.1	**17.1**	13.3	**85.4**	64.5
	– ASSOCIATES	**12.8**	11.0	**2.2**	1.8	**17.7**	18.4
		1,574.4	1,791.7	**11.7**	52.4	**271.1**	213.8

** Group assets exclude cash of £80.7 million (1999 – £164.2 million), net of borrowings of £110.7 million (1999 – £126.3 million).*

1. SECTOR ANALYSIS (continued)

		Turnover		Profit on ordinary activities before interest		Net assets*	
		2000 £ million	1999 £ million	**2000 £ million**	1999 £ million	**2000 £ million**	1999 £ million
GEOGRAPHIC AREA							
United Kingdom	– Group	**1,221.4**	1,443.7	**(34.5)**	25.6	**158.9**	108.9
	– Joint ventures	**31.0**	34.3	**4.4**	2.4	**22.2**	12.9
	– Associate	**12.0**	11.0	**1.8**	1.8	**13.4**	18.4
		1,264.4	1,489.0	**(28.3)**	29.8	**194.5**	140.2
Rest of Europe	– Group	**9.1**	18.7	**26.7**	12.8	**0.1**	7.4
Middle East	– Group	**77.7**	62.3	**2.6**	1.4	**(5.1)**	1.5
	– Joint ventures	**3.5**	6.6	**0.8**	2.0	**1.6**	0.7
		81.2	68.9	**3.4**	3.4	**(3.5)**	2.2
America	– Group	**–**	–	**(0.6)**	(0.9)	**(1.3)**	(0.2)
	– Joint ventures	**215.4**	178.2	**11.9**	8.9	**61.6**	50.9
		215.4	178.2	**11.3**	8.0	**60.3**	50.7
S.E. Asia	– Group	**3.5**	36.9	**(1.8)**	(1.6)	**15.4**	13.3
	– Associate	**0.8**	–	**0.4**	–	**4.3**	–
		4.3	36.9	**(1.4)**	(1.6)	**19.7**	13.3
		1,574.4	1,791.7	**11.7**	52.4	**271.1**	213.8

** Group assets exclude cash of £80.7 million (1999 – £164.2 million), net of borrowings of £110.7 million (1999 – £126.3 million).*

Profit on ordinary activities before interest includes the exceptional charges in respect of costs of restructuring in the Construction Division of £15.1 million.

	Continuing £ million	To be discontinued £ million	Total £ million
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			
ACTIVITY:			
Homes	**53.0**	**11.3**	**64.3**
Construction	**(2.6)**	**(86.3)**	**(88.9)**
Property development	**13.2**	**–**	**13.2**
Investments	**27.4**	**–**	**27.4**
Group management/general	**(4.3)**	**–**	**(4.3)**
	86.7	**(75.0)**	**11.7**
TURNOVER			
ACTIVITY:			
Homes	**352.3**	**215.4**	**567.7**
Construction	**3.0**	**851.2**	**854.2**
Property development	**61.1**	**–**	**61.1**
Investments	**91.4**	**–**	**91.4**
	507.8	**1,066.6**	**1,574.4**

NOTES TO THE ACCOUNTS

2. OPERATING (LOSS)/PROFIT

	2000 £ million	1999 £ million
Operating (loss)/profit is stated after charging:		
Auditors' remuneration	**0.9**	0.8
Other fees paid to auditors and their associates:		
Construction Division strategy review	**–**	1.0
Other	**0.5**	0.3
Depreciation	**9.8**	10.4
Amortisation of goodwill arising on the acquisition of subsidiaries	**1.3**	0.7
Payments under operating leases:		
Rentals of land and buildings	**4.0**	2.5
Rentals of plant and machinery	**18.4**	8.7

Included in the auditors' remuneration is an amount in respect of the Company of £0.2 million (1999 – £0.2 million).

3. PROFIT ON DISPOSAL OF AND AMOUNTS WRITTEN OFF INVESTMENTS AND OTHER FIXED ASSETS

	2000 Continuing £ million	2000 To be discontinued £ million	2000 Total £ million	1999 £ million
INVESTMENTS				
Impairment in value of investments	**(2.8)**	**–**	**(2.8)**	(2.8)
Profit on sale of investments	**30.7**	**–**	**30.7**	13.4
PROPERTY				
Profit on sale of properties	**1.1**	**0.3**	**1.4**	2.8
	29.0	**0.3**	**29.3**	13.4

4. DIRECTORS AND EMPLOYEES

EMPLOYEES

	2000 £ million	1999 £ million
Employee costs, including Directors emoluments, comprise:		
Wages and salaries	**169.7**	160.6
Social security costs	**11.9**	10.2
Other pension credit	**(11.3)**	(11.2)
	170.3	159.6

	2000 Continuing No.	2000 To be discontinued No.	2000 Total No.	1999 No.
Average employee numbers:				
Staff – monthly paid	**1,492**	**2,620**	**4,112**	4,195
Operatives – weekly paid	**193**	**3,424**	**3,617**	5,248
	1,685	**6,044**	**7,729**	9,443
UK	**1,680**	**3,554**	**5,234**	6,600
Overseas	**5**	**2,490**	**2,495**	2,843
	1,685	**6,044**	**7,729**	9,443

A detailed analysis of Directors' remuneration is set out within the Directors' Report on pages 4 and 5.

5. PENSIONS AND MEDICAL INSURANCE

The Group operates a number of pension schemes, which are of the defined benefit type. The assets of these schemes are held in separate trustee administered funds. Contributions to the schemes are assessed in accordance with the advice of a qualified actuary using the projected unit funding method for the schemes that are open to new entrants and the attained age funding method for the scheme that is closed to new entrants.

With the exception of the M40 Trains Limited fund, pension costs disclosed in these accounts are derived from the formal triennial valuation of the schemes as at 31 March 1999. The principal assumptions underlying this valuation for accounting purposes were that the return on the schemes' investments would average 8.0% a year in future and salaries would increase at the rate of 5.0% a year plus a promotional salary scale. The method and assumptions employed in the valuation used to determine the funding policy are identical except for the return on the schemes' investments which was assumed to be 7.0% a year and for the closed scheme only the salary increase assumption was 6.0% a year.

The net pension credit of £11.3 million includes £1.0 million received on the winding up of a subsidiary company pension scheme and £0.4 million of costs in respect of the M40 Trains Limited pension fund.

The pension credit for accounting purposes under SSAP 24 was £10.7 million, and as a result the prepayment in respect of the amortisation of surpluses that are being recognised over the remaining service lives of employees increased from £17.2 million to £27.9 million.

At the date of the last formal actuarial valuation, the market value of the assets of the schemes excluding M40 Trains Limited was £651.0 million and the actuarial value of those assets represented 120% of the benefits that had accrued to members.

At the date of the last formal actuarial valuation, the M40 Trains Limited scheme was 95% funded.

The Group also provides, or will provide, post-retirement medical insurance for 71 employees. For accounting purposes, provision has been made for accrued liabilities on the assumption that medical expense insurance costs will increase at the rate of 10% for the next nine years reducing to 5% thereafter. Future liabilities will be funded as they arise.

NOTES TO THE ACCOUNTS

6. OTHER OPERATING INCOME

	2000 Continuing £ million	2000 To be discontinued £ million	2000 Total £ million	1999 £ million
Dividends from investments:				
Listed	**0.1**	**–**	**0.1**	0.1
Unlisted	**0.3**	**–**	**0.3**	0.9
Intra Group	**(1.5)**	**1.5**	**–**	–
Indexation:				
Listed debenture stock	**0.1**	**–**	**0.1**	0.1
	(1.0)	**1.5**	**0.5**	1.1

7. TAXATION

	2000 Current £ million	2000 Prior year £ million	2000 Total £ million	1999 £ million
The taxation charge comprises:				
Group UK corporation tax at 30% (1999 – 30.25%)	**0.3**	**0.2**	**0.5**	(2.2)
Overseas tax	**(3.9)**	**–**	**(3.9)**	(1.1)
Deferred tax	**0.7**	**0.6**	**1.3**	(6.4)
Advance Corporation Tax	**–**	**–**	**–**	1.2
Associates	**(0.6)**	**–**	**(0.6)**	(0.2)
Joint ventures	**(0.1)**	**–**	**(0.1)**	(0.6)
	(3.6)	**0.8**	**(2.8)**	(9.3)

8. DIVIDENDS

		2000 £ million	1999 £ million
The following have been paid or are proposed:			
EQUITY			
On ordinary shares:			
Interim – paid	4.5 pence per share (1999 – 4.25 pence)	**4.3**	3.9
Final – proposed	8.5 pence per share (1999 – 8.0 pence)	**8.2**	7.5
		12.5	11.4
NON-EQUITY			
On 6.4% convertible cumulative preference shares		**2.6**	2.6
		15.1	14.0

Included within the non-equity dividend is an accrual of £0.4 million (1999 – £0.4 million).

9. CALCULATION OF EARNINGS PER SHARE

	2000 Basic	2000 Diluted	1999 Basic	1999 Diluted
Earnings per share	**0.4**	**0.4**	42.9*	39.8*
BASIS OF CALCULATION				
Profit attributable to shareholders	**2.9**	**2.9**	43.4	43.4
Preference dividends	**(2.6)**	**–**	(2.6)	–
Profit after tax and preference dividends	**0.3**	**2.9**	40.8	43.4
Weighted average number of shares	**96.3**	**96.3**	95.2*	95.2*
Weighted average number of options adjusted for issue of shares at fair value	**–**	**0.3**	–	0.5
Weighted average number of unexercised preference share conversions	**–**	**13.5**	–	13.2
Weighted average number of shares used for EPS	**96.3**	**110.1**	95.2*	108.9*

** Restated for the issue of shares under the terms of the enfranchisement of Ordinary A (non-voting) Shares.*

10. RECOGNISED GAINS AND LOSSES

	2000 £ million	1999 £ million
Total gains recognised in the year:		
Group	**(14.7)**	28.7
Joint ventures	**13.8**	13.9
Associates	**1.1**	1.3
	0.2	43.9

11. INTERESTS IN SUBSIDIARY UNDERTAKINGS

	2000 Investments £ million	2000 Loans £ million	2000 Total £ million	1999 £ million
At 1 January	**316.5**	**80.8**	**397.3**	359.6
Revaluations	**(14.4)**	**–**	**(14.4)**	–
Additions less disposals at valuation	**5.0**	**–**	**5.0**	35.3
Movements in loans to subsidiary undertakings	**–**	**6.5**	**6.5**	2.4
At 31 December	**307.1**	**87.3**	**394.4**	397.3

Short-term trading balances with subsidiaries are included separately in the parent company balance sheet in debtors or creditors as appropriate.

The Group's principal subsidiaries, associated undertakings, joint ventures and joint arrangements at 31December 2000 are listed on pages 46 and 47. To avoid particulars of excessive length the names are omitted of a number of companies which did not significantly affect the profitability or assets of the Group. Subsidiaries, associated undertakings, joint ventures and joint arrangements in respect of which the Group's share of assets employed totals £63.6 million, are audited by firms of accountants other than the parent company auditors.

NOTES TO THE ACCOUNTS

12. TANGIBLE ASSETS

	Land and buildings				
	Freehold £ million	Leasehold 50 years or more £ million	Leasehold less than 50 years £ million	Vehicles, plant and machinery £ million	Total £ million
ORIGINAL COST/VALUATION					
At 1 January 2000	9.8	3.5	2.4	76.6	92.3
Foreign exchange adjustments	0.1	–	–	1.8	1.9
Acquisition	–	–	–	0.2	0.2
Additions	4.6	0.1	0.4	7.6	12.7
Disposals	(3.2)	–	(1.7)	(10.2)	(15.1)
Revaluation	(0.2)	0.6	0.3	–	0.7
	11.1	4.2	1.4	76.0	92.7
At 31 December 2000					
Cost	–	–	–	76.0	76.0
Valuation	11.1	4.2	1.4	–	16.7
	11.1	4.2	1.4	76.0	92.7
ACCUMULATED DEPRECIATION					
At 1 January 2000	0.1	–	0.6	49.6	50.3
Foreign exchange adjustments	–	–	–	1.7	1.7
Charge for the year	0.3	0.1	0.5	8.9	9.8
Disposals	(0.1)	–	(0.7)	(9.0)	(9.8)
Revaluation	(0.3)	(0.1)	(0.4)	–	(0.8)
At 31 December 2000	–	–	–	51.2	51.2
NET BOOK VALUE AT 31 DECEMBER 2000					
COST	–	–	–	24.8	24.8
VALUATION	11.1	4.2	1.4	–	16.7
	11.1	4.2	1.4	24.8	41.5
Net book value at 31 December 1999	9.7	3.5	1.8	27.0	42.0

Land and buildings utilised by the Group as business premises are included at an existing use value carried out at 31 December 2000 by officers of the Group. Those land and buildings which are surplus to the Group's requirements are included at open market value at the same date. There is no material difference between the existing use value and the open market value. In the opinion of the Directors there would be no tax payable if all properties were realised at these values.

The net book value of land and buildings includes £16.7 million (1999 – £15.0 million) at valuation. Had these assets been included at historical cost the corresponding values would have been £13.1 million (1999 – £12.0 million). The depreciation charge on an historical cost accounting basis would have been £0.1 million higher than (1999 – £0.2 million) the actual depreciation charge included in the accounts.

13. INVESTMENTS

	Joint ventures and associated undertakings							
	Equity £ million	Loans £ million	Goodwill £ million	Fair value adjustment £ million	Post acquisition reserves £ million	Total £ million	Other investments £ million	Total £ million
AT 1 JANUARY 2000								
Listed	–	–	–	–	–	–	11.3	11.3
Unlisted	47.7	16.4	4.4	–	14.4	82.9	22.1	105.0
Shares and loans at net book value	47.7	16.4	4.4	–	14.4	82.9	33.4	116.3
MOVEMENTS IN THE YEAR								
Acquisitions/additions	2.2	14.2	–	4.2	0.2	20.8	4.2	25.0
Disposals/repayment	(2.7)	(6.0)	–	–	–	(8.7)	(7.9)	(16.6)
Amortisation of goodwill	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Increase/(decrease) in value	–	(3.4)	–	–	1.5	(1.9)	(0.9)	(2.8)
Variations in retained profits/losses	–	–	–	–	5.9	5.9	–	5.9
Exchange	–	–	–	–	4.3	4.3	(0.8)	3.5
	(0.5)	4.8	(0.2)	4.2	11.9	20.2	(5.4)	14.8
AT 31 DECEMBER 2000								
Listed	–	–	–	–	–	–	10.0	10.0
Unlisted	47.2	21.2	4.2	4.2	26.3	103.1	18.0	121.1
Shares and loans at net book value	47.2	21.2	4.2	4.2	26.3	103.1	28.0	131.1

	£ million
Included above are parent company investments	
At 1 January 2000	0.5
Variations in loans	(0.5)
At 31 December 2000	–

NOTES TO THE ACCOUNTS

13. INVESTMENTS (continued)

Severn River Crossing Plc

Listed investments include the Group's interest in the debentures and 35% of the equity of Severn River Crossing Plc (SRC). The Group's principal interest in this company arises from its membership of a joint arrangement to construct the second Severn river crossing, the concession to operate which is held by SRC. SRC also holds the concession to operate the first Severn river crossing; both concessions will be handed back to the Government when pre-determined revenue levels have been achieved.

SRC has committed funding, provided principally by banks and financial institutions, on which there is no recourse to the Group. The Group has no obligation to provide any further funds to SRC.

In view of the nature of the Group's interest in the company, and the fact that the company is unlikely to be able to distribute any material profits for a significant period, the Directors believe it would be misleading for the Group to account for its interest in SRC on an equity accounting basis. The investment is therefore included at cost plus indexation amounting to £4.6 million (1999 – £4.5 million) and interest received thereon is taken to profit and loss account at £0.3 million for 2000 (1999 – £0.3 million). During the year ended 31 December 2000 the Group has also recognised £0.1 million of additional value on its initial investment of £3.3 million in 6% index linked debenture stock. This additional value is attributed to the indexation element on the return and is included within other income.

If the investment had been accounted for as an associate the Group's share of the reported pre-tax profit of SRC for 2000 would have been £0.02 million (1999 – £1.0 million loss) and the Group's investment would have been stated at £23.5 million (1999 – £23.6 million).

Other listed investments

The market value of listed investments at 31 December 2000 was £52.2 million (1999 – £69.3 million) of which £5.0 million (1999 – £5.5 million) is listed on the London Stock Exchange. If these investments had been sold at market value on 31 December 2000, this would have given rise to a tax charge of £4.0 million. No deferred tax provision has been included in respect of the potential tax charge that would have arisen.

Listed investments include a 15% (1999 – 19.9%) interest in Europistas Concesionaria Española SA (incorporated in Spain).

Unlisted investments

The Directors are of the opinion that the total value of unlisted investments is not less than their net book value of £18.0 million.

13. INVESTMENTS (continued)

Investments in joint ventures and associates

	2000 WL Homes joint venture £ million	2000 Other joint ventures £ million	2000 Total joint ventures £ million	2000 Total associates £ million	2000 Total £ million
Turnover	**215.4**	**34.5**	**249.9**	**12.8**	**262.7**
Profit before tax	**12.8**	**0.2**	**13.0**	**1.8**	**14.8**
Taxation	**–**	**(0.1)**	**(0.1)**	**(0.6)**	**(0.7)**
Profit after tax	**12.8**	**0.1**	**12.9**	**1.2**	**14.1**
Fixed assets	**–**	**135.4**	**135.4**	**9.4**	**144.8**
Goodwill	**–**	**–**	**–**	**4.2**	**4.2**
Fair value adjustments	**–**	**1.0**	**1.0**	**3.2**	**4.2**
Current assets	**168.9**	**152.9**	**321.8**	**17.4**	**339.2**
Total liabilities – less than one year	**(107.3)**	**(55.4)**	**(162.7)**	**(8.5)**	**(171.2)**
– greater than one year	**–**	**(208.3)**	**(208.3)**	**(7.3)**	**(215.6)**
Provisions	**–**	**(1.8)**	**(1.8)**	**(0.7)**	**(2.5)**
	61.6	**23.8**	**85.4**	**17.7**	**103.1**

	1999 WL Homes joint venture £ million	1999 Other joint ventures £ million	1999 Total joint ventures £ million	1999 Total associates £ million	1999 Total £ million
Turnover	178.2	40.9	219.1	11.0	230.1
Profit before tax	9.1	3.4	12.5	1.5	14.0
Taxation	–	(0.6)	(0.6)	(0.2)	(0.8)
Profit after tax	9.1	2.8	11.9	1.3	13.2
Fixed assets	–	103.2	103.2	0.9	104.1
Goodwill	–	–	–	4.4	4.4
Current assets	143.1	99.2	242.3	12.3	254.6
Total liabilities – less than one year	(92.2)	(37.8)	(130.0)	1.1	(128.9)
– greater than one year	–	(149.9)	(149.9)	(0.2)	(150.1)
Provisions	–	(1.1)	(1.1)	(0.1)	(1.2)
	50.9	13.6	64.5	18.4	82.9

NOTES TO THE ACCOUNTS

14. STOCKS AND WORK IN PROGRESS

	31 December 2000 £ million	31 December 1999 £ million
Work in progress	–	4.7
Raw materials and consumables	2.8	1.2
	2.8	5.9

The land and developments disclosed separately in the balance sheet represent land and related construction costs in respect of residential and commercial properties held for, or in the course of, development.

15. DEBTORS

	31 December 2000		31 December 1999	
	Group £ million	Parent Company £ million	Group £ million	Parent Company £ million
Due within one year:				
Amounts recoverable on contracts	96.2	–	130.4	–
Trade debtors	56.1	0.2	72.5	0.2
Amounts owed by subsidiary undertakings	–	103.3	–	64.4
Amounts owed by associated undertakings and joint ventures	0.5	–	0.7	–
Prepayments and accrued income	9.7	–	6.7	0.5
Taxation	5.2	3.5	1.9	–
	167.7	107.0	212.2	65.1
Due after more than one year:				
Amounts recoverable on contracts	5.3	–	8.8	–
Trade debtors	1.6	–	2.5	–
Pension prepayment	27.9	–	17.2	–
	34.8	–	28.5	–

There are no outstanding loans to officers and managers of the parent company (1999 – £nil).

	Provided at 31 December		Not provided at 31 December	
DEFERRED TAX (INCLUDED IN TAXATION BALANCE ABOVE)	2000 £ million	1999 £ million	2000 £ million	1999 £ million
GROUP				
Excess of capital allowances over depreciation	4.9	3.0	(0.5)	(0.5)
Short-term timing differences	(4.5)	(4.0)	2.3	0.2
	0.4	(1.0)	1.8	(0.3)
COMPANY				
Short-term timing differences	3.5	–	–	–

NOTES TO THE ACCOUNTS

16. SHORT-TERM INVESTMENTS

	31 December 2000 £ million	31 December 1999 £ million
At cost or net realisable value:		
Listed – London Stock Exchange	**2.2**	2.4

The market value of listed investments at 31 December 2000 was £2.2 million (1999 – £2.4 million).

17. CASH AT BANK AND IN HAND

Cash balances at 31 December 2000 include certificates of tax deposit of £0.1 million (1999 – £0.1 million) and a season ticket fund bond of £3.2 million (1999 – £4.0 million).

18. OTHER CREDITORS

	31 December 2000		31 December 1999	
	Group £ million	Parent Company £ million	Group £ million	Parent Company £ million
Due within one year:				
Trade creditors and subcontractor accruals	**238.2**	**–**	262.4	–
Payments on account	**76.4**	**–**	101.9	–
Amounts owed to subsidiary undertakings	**–**	**126.0**	–	161.3
Amounts owed to associated undertakings and joint ventures	**3.0**	**–**	3.8	–
Social security contributions	**1.4**	**–**	1.8	–
Taxation on profits	**11.4**	**0.2**	10.6	0.2
Other taxation	**3.5**	**–**	3.5	–
Dividends proposed	**8.7**	**8.7**	7.9	7.9
Accruals and deferred income	**34.9**	**3.4**	32.6	1.5
	377.5	**138.3**	424.5	170.9
Due after more than one year:				
Trade creditors and subcontractor accruals	**23.3**	**–**	9.5	–
Accruals and deferred income	**0.3**	**–**	0.5	–
	23.6	**–**	10.0	–

Trade creditors include deferred payments for development land of £7.2 million (1999 – £6.5 million) secured by bank guarantee, also included within trade creditors is £12.5 million (1999 – £10.5 million) being amounts due on land contracts exchanged unconditionally.

NOTES TO THE ACCOUNTS

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Self insurance £ million	Medical insurance £ million	Deferred taxation £ million	Reorganisation costs £ million	Remediation work £ million	Legal costs £ million	Customer service £ million	Onerous lease £ million	Total £ million
GROUP									
At 1 January 2000	**16.9**	**2.3**	**1.0**	**1.2**	**1.9**	**0.6**	**2.3**	**0.9**	**27.1**
Reclassified from creditors	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**0.4**	**0.3**
Additions due to acquisitions	**–**	**–**	**–**	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Charged to profit and loss account	**2.8**	**–**	**(0.9)**	**15.1**	**0.9**	**0.2**	**4.2**	**–**	**22.3**
Utilised	**(2.7)**	**–**	**–**	**(11.4)**	**–**	**–**	**(3.9)**	**(0.2)**	**(18.2)**
At 31 December 2000	**17.0**	**2.3**	**–**	**4.9**	**3.0**	**0.8**	**2.6**	**1.1**	**31.7**

SELF INSURANCE provisions are calculated using historic data, and it is expected to take some years to completely assess the liability.

MEDICAL INSURANCE provisions are in respect of post-retirement healthcare.

DEFERRED TAXATION provisions are reviewed with regard to changing legislation and contract positions.

REORGANISATION COST provisions are expected to be utilised during 2001.

REMEDIATION WORK provisions are specific to contracts, but may take some years to complete.

LEGAL COST provisions are expected to be utilised depending upon the progress of each specific case.

CUSTOMER SERVICE cost provisions are calculated on a statistical basis and are generally utilised within one year.

ONEROUS LEASE costs will be utilised over the five-year remaining life of the lease.

20. TRANSACTIONS WITH RELATED PARTIES

	2000 Joint ventures and associates £ million	1999 Joint ventures and associates £ million
SALES OF GOODS AND SERVICES TO RELATED PARTIES:		
Construction services and materials	**113.8**	167.8
Staff	**4.3**	8.3
Management services	**1.7**	0.5
Plant hire	**0.1**	–
	119.9	176.6
Balances due from/(to) related parties:		
Debtors	**0.5**	3.2
Creditors	**(3.0)**	(0.7)
	(2.5)	2.5

20. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of loans to and equity investments in associated undertakings are set out in note 13. During the year, arm's length transactions for the sale of construction services, materials and houses totalling £2.7 million, have been undertaken with Directors, officers and related parties.

These included the following:	*£*	
Sir Martin Laing and immediate family	*421,878*	*General refurbishment and redecoration*
Christopher Laing	*244,347*	*House alterations*
Charles Laing	*364,800*	*Purchase of a house from Laing Homes*
James Armstrong	*232,050*	*Purchase of a flat from Laing Homes*
Directors of joint venture	*262,544*	*Joinery and minor works*

21. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Several of the Company's subsidiary undertakings have guaranteed certain borrowings of the Company. The Group has given guarantees of a normal trading nature including bonds, some of which may be payable on demand, relating to contract tenders, advance payments or performance.

As is usual, there are claims arising in the normal course of trading, which are in the process of settlement and, in some cases, involve or may involve litigation. Full provision has been made in these accounts for all amounts which the Directors consider will become payable on account of such claims.

Guarantees have been given by the Company in respect of the amounts drawn against borrowing facilities of certain associated undertakings and joint ventures. None of these were drawn at 31 December 2000 (1999 – £1.8 million).

At 31 December 2000 there were capital commitments of £13.1 million (1999 – £9.4 million) for the uncalled capital of unlisted investments, none of which relate to the parent company. These mature as follows:

	£ million
Less than 1 year	**9.0**
Greater than 1 year but less than 2 years	**1.6**
Greater than 2 years but less than 5 years	**2.5**
More than 5 years	**–**
	13.1

At 31 December 2000 the Directors had authorised further capital expenditure not provided in the above figures of £0.1 million (1999 – £0.9 million), all of which was represented by outstanding contracts.

The Group also has the following annual commitments under non-cancellable operating leases expiring:

	Land and buildings		**Plant and machinery**	
	31 December 2000 £ million	31 December 1999 £ million	**31 December 2000 £ million**	31 December 1999 £ million
in less than 1 year	**0.1**	–	**1.6**	0.9
in more than 2 years but less than 5 years	**0.5**	0.6	**16.2**	16.1
after more than 5 years	**2.9**	2.8	**–**	–

At the year end one of the Group's joint ventures is under notice that it is in default of certain minimum performance criteria set out in the concession contract under which it operates. The Group continues to take action to limit the impact of this. The Directors are satisfied that any further amounts that may become payable, as a result of the above situation, are unlikely to be material to the Group's results.

NOTES TO THE ACCOUNTS

21. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS (continued)

At the year end another of the Group's joint ventures is in default of the terms of agreements under which it operates. The Directors believe that deterioration in future results as a consequence of this is unlikely to be material to the Group's results.

22. FINANCIAL INSTRUMENTS

(a) *Interest rate risk profile of financial liabilities*

The Group's financial liabilities of £134.3 million comprise borrowings of £110.7 million and creditors maturing over one year of £23.6 million.

	Financial liabilities – 31 December 2000				Financial liabilities – 31 December 1999			
CURRENCY	**Total £ million**	**Floating rate £ million**	**Fixed rate £ million**	**Non-interest bearing £ million**	Total £ million	Floating rate £ million	Fixed rate £ million	Non-interest bearing £ million
Sterling	**36.7**	**13.4**	**–**	**23.3**	56.9	47.8	–	9.1
US Dollar	**87.4**	**13.4**	**73.8**	**0.2**	64.4	64.2	–	0.2
Australian Dollar	**10.5**	**10.5**	**–**	**–**	11.3	11.3	–	–
Others	**0.1**	**–**	**–**	**0.1**	3.7	3.0	–	0.7
Arrangement fee	**(0.4)**	**–**	**(0.4)**	**–**	–	–	–	–
	134.3	**37.3**	**73.4**	**23.6**	136.3	126.3	–	10.0

In January 2000, John Laing plc issued $110.0 million of Senior Loan Notes which were privately placed with US institutions. These are fixed rate loan notes comprising $85.0 million of Series A 9.19% notes due 2004-2010, and $25.0 million of Series B 9.34% notes due 2008-2012.

Arrangement fees of £475,000 were paid during the period, of which £25,000 have been amortised. The balance of £450,000 has been included in bank loans.

There are no cross currency swaps outstanding. The non-interest bearing financial liabilities are primarily deferred land payments of £19.8 million which mature in the years 2002-2004 and contract retention amounts payable which have an unpredictable maturity date.

	Fixed rate financial liabilities	
	Weighted average interest rate %	**Weighted average period (years)**
US Dollar	**9.2**	**9.5**

The floating rate liabilities are overdrafts or short-term bank borrowings drawn under committed facilities which mature within two months. Interest is charged for overdrafts at a margin over base rate and for bank borrowings at a margin over the relevant LIBOR. Small facilities in overseas territories are priced at appropriate local market rates.

22. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk profile of financial assets

	Financial assets – 31 December 2000				Financial assets – 31 December 1999			
CURRENCY	**Total £ million**	**Floating rate £ million**	**Fixed rate £ million**	**Non-interest bearing £ million**	Total £ million	Floating rate £ million	Fixed rate £ million	Non-interest bearing £ million
Sterling	**104.8**	**99.1**	**–**	**5.7**	163.5	141.4	2.5	19.6
US Dollar	**3.5**	**0.4**	**–**	**3.1**	7.7	7.5	–	0.2
Australian Dollar	**18.0**	**–**	**–**	**18.0**	15.3	–	–	15.3
Others	**19.4**	**1.5**	**–**	**17.9**	24.8	15.3	–	9.5
	145.7	**101.0**	**–**	**44.7**	211.3	164.2	2.5	44.6

The floating rate financial assets are mainly deposits placed with relationship banks at LIBID. Non-interest bearing assets consist mainly of equity and debt investments in infrastructure projects together with long-term trade debtors (being primarily contract retention amounts receivable) of £5.3 million (1999 – £11.3 million).

(c) Currency exposures

As explained in the Financial Review, the Group's objective is to hedge all certain exposures arising in the normal course of business where possible and where the cost is not prohibitive. Uncertain exposures are dealt with on a case by case basis, depending on the amount, likelihood and duration of the cash flows concerned. Profits earned in foreign currencies are not hedged.

Overseas assets are hedged, depending on the size of the assets relative to Group net worth and on the cost effectiveness of providing the hedge.

Net monetary foreign currency assets/(liabilities) – £ millions

	US Dollar	**Australian Dollar**	**Others**	**Total**
Sterling – 31 December 2000	**(2.5)**	**7.2**	**19.9**	**24.6**
– 31 December 1999	(1.7)	3.9	12.5	14.7

(d) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, was as follows:

	31 December 2000		31 December 1999	
	Group £ million	**Parent Company £ million**	Group £ million	Parent Company £ million
In one year or less, or on demand	**23.9**	**60.5**	113.9	134.1
in more than 1 year but less than 2 years	**23.6**	**–**	6.4	–
in more than 2 years but less than 5 years	**13.4**	**13.4**	15.8	12.4
in more than 5 years	**73.8**	**73.8**	0.2	–
Arrangement fee	**(0.4)**	**(0.4)**	–	–
Total	**134.3**	**147.3**	136.3	146.5

Group financial liabilities are stated after netting off bank balances where suitable arrangements exist.

NOTES TO THE ACCOUNTS

22. FINANCIAL INSTRUMENTS (continued)

(e) Borrowing facilities

The Group's debt requirements are met by a combination of the US private placement of loan notes and bank facilities. These are summarised below:

	Total facility £ million	Drawn £ million	Undrawn £ million
US private placement of loan notes (2010/12)	**73.8**	**73.8**	**–**
Bank committed facilities with maturities:			
– expiring in 1 year or less	**48.5**	**10.5**	**38.0**
– expiring in more than 1 year but not more than 2 years	**20.0**	**–**	**20.0**
– expiring in more than 2 years	**73.4**	**13.4**	**60.0**
Overdrafts	**16.0**	**11.2**	**4.8**
Total committed funding	**231.7**	**108.9**	**122.8**
Uncommitted facilities	**12.5**	**–**	**12.5**
TOTAL FACILITIES	**244.2**	**108.9**	**135.3**
Joint arrangements	**4.7**	**2.2**	**2.5**

(f) Fair values of financial assets and liabilities

	31 December 2000		31 December 1999	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Fixed assets investments	**28.0**	**76.4**	33.4	116.1
Long-term borrowings	**(86.8)**	**(88.1)**	(12.4)	(12.4)
Non-equity share capital	**(38.6)**	**(53.9)**	(38.7)	(37.3)

The fair values of short-term borrowings, cash deposits, current asset investments and other financial liabilities are equivalent to book values.

Contingent liabilities such as guarantees given by the Company (see note 21) have no book value, and as contingent items it is not practical to estimate their fair value.

FORWARD FOREIGN CURRENCY CONTRACTS	Notional book value £ million	Notional fair value £ million	Notional loss £ million	Gross £ million Gain £ million	Gross £ million (Loss) £ million
31 December 2000	**17.2**	**17.0**	**(0.2)**	**0.3**	**(0.5)**
31 December 1999	**11.4**	**10.9**	**(0.5)**	**0.2**	**(0.7)**

No other derivative transactions were outstanding.

The methods and assumptions used by the Directors to estimate fair values of financial instruments are as follows:

(i) investments maturing after three months are valued at either quoted market prices, or the net present value of estimated future cash flows arising discounted at appropriate rates;

(ii) long-term borrowings and non-equity share capital are valued at market prices where available, or the net present value of future cash flows discounted at an appropriate rate; and

(iii) forward exchange contracts are valued at market rates.

22. FINANCIAL INSTRUMENTS (continued)

(g) *Non-equity share capital*

The Group has £39.9 million of £1 convertible cumulative preference shares in issue. These are undated and have a fixed coupon of 6.4%. Their market value at 31 December 2000 was £53.9 million.

(h) *Short-term debtors and creditors*

Short-term debtors and creditors are excluded from the above analyses, except for the currency risk disclosures.

23. SHARE CAPITAL

	Authorised nominal value			Allotted, called up and fully paid	
	Authorised Number of shares	**2000 £ million**	1999 £ million	**At 31 December 2000 £ million**	At 31 December 1999 £ million
EQUITY					
Ordinary Shares of 25 pence each	**96,748,133**	**24.2**	11.6	**24.2**	11.6
Ordinary A (non-voting) Shares of 25 pence each	**–**	**–**	11.7	**–**	11.7
		24.2	23.3	**24.2**	23.3
Unissued shares of 25 pence each	**42,646,615**	**10.7**	11.6	**–**	–
NON-EQUITY					
6.4% Convertible Cumulative Preference Shares of £1 each	**40,151,313**	**40.1**	40.1	**39.9**	40.0
		75.0	75.0	**64.1**	63.3

The unissued shares are available for designation, allotment and issue from time to time as Ordinary Shares.

Under the Senior Executive Share Option Scheme there were, at 31 December 2000, outstanding options to subscribe for 505,850 Ordinary Shares (1999 – 958,350 Ordinary A (non-voting) Shares) exercisable up to 22 April 2006 at prices between 122 pence and 346 pence per share.

Under the Savings Related Share Option Scheme there were, at 31 December 2000, outstanding options to subscribe for 1,114,699 Ordinary Shares at 210 pence per share (1999 – 1,786,439 Ordinary A (non-voting) Shares).

The Group is taking advantage of the exemption on the application of UITF abstract 17, Employee Share Schemes, in relation to the above scheme.

The 6.4% Convertible Cumulative Preference Shares are not redeemable, have no voting rights and their rights on winding up are restricted to repayment of the nominal value. During 2000, holders of 12,431 Convertible Cumulative Preference Shares exercised their options to convert to 4,193 Ordinary Shares.

NOTES TO THE ACCOUNTS

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	2000 Share capital £ million	2000 Share premium account £ million	2000 Property revaluation reserve £ million	2000 Profit and loss account £ million	2000 Other reserves £ million	2000 Total £ million	1999 £ million
Profit for the financial year	–	–	–	2.9	–	2.9	43.4
Dividends	–	–	–	(15.1)	–	(15.1)	(14.0)
	–	–	–	(12.2)	–	(12.2)	29.4
Transfer of realised profit	–	–	(2.0)	2.0	–	–	–
Other recognised gains and losses							
– exchange	–	–	–	(3.4)	–	(3.4)	(0.2)
– property revaluation	–	–	0.7	–	–	0.7	0.7
Long term share incentive scheme	–	–	–	1.7	–	1.7	–
Preference shares redeemed	–	–	–	(1.6)	1.6	–	–
New share capital subscribed	0.8	1.8	–	–	–	2.6	–
Scrip dividends	–	–	–	–	–	–	2.3
NET ADDITION TO SHAREHOLDERS' FUNDS	0.8	1.8	(1.3)	(13.5)	1.6	(10.6)	32.2
Opening shareholders' funds	63.3	21.9	6.0	160.1	–	251.3	219.1
CLOSING SHAREHOLDERS' FUNDS	64.1	23.7	4.7	146.6	1.6	240.7	251.3

The cumulative retained profit of £146.6 million is after the inclusion of post acquisition reserves of joint ventures and the associated undertaking amounting to £26.3 million.

Profit and loss reserves are stated net of cumulative goodwill written off on acquisition of subsidiary undertakings of £2.1 million (1999 – £2.1 million).

COMPANY	2000 Share capital £ million	2000 Share premium account £ million	2000 Revaluation of shares in subsidiary undertakings £ million	2000 Profit and loss account £ million	2000 Total £ million	1999 £ million
Profit for the financial year	–	–	–	28.9	28.9	6.6
Dividends	–	–	–	(15.1)	(15.1)	(14.0)
	–	–	–	13.8	13.8	(7.4)
Other recognised gains and losses relating to the year (net)	–	–	(24.8)	(2.2)	(27.0)	37.3
New share capital subscribed	0.8	1.8	–	–	2.6	–
Scrip dividends	–	–	–	–	–	2.3
NET ADDITION TO SHAREHOLDERS' FUNDS	0.8	1.8	(24.8)	11.6	(10.6)	32.2
Opening shareholders' funds	63.3	21.9	160.8	5.3	251.3	219.1
CLOSING SHAREHOLDERS' FUNDS	64.1	23.7	136.0	16.9	240.7	251.3

The non-equity portion of shareholders' funds is calculated as follows:

	2000 £ million	1999 £ million
Preference shares	39.9	40.0
Less: expenses of issue	(1.3)	(1.3)
Non-equity shareholders' funds	38.6	38.7

25. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2000 £ million	1999 £ million
Group operating (loss)/profit	**(36.9)**	23.9
Depreciation and amortisation charges	**11.1**	11.4
Profit on sale of vehicles, plant and machinery	**(2.1)**	(0.6)
Dividends received	**(0.5)**	(1.1)
Increase in stocks	**(39.7)**	(27.7)
Decrease in debtors	**42.4**	19.3
Exchange gain in trading profit	**(0.4)**	–
Decrease in creditors	**(37.3)**	(39.4)
Increase/(decrease) in provisions	**5.1**	(4.6)
Net cash outflow from operating activities	**(58.3)**	(18.8)

Net cash outflow from operating activities includes £11.4 million of reorganisation costs.

26. ACQUISITIONS

On 23 February 2000 the Group acquired Beechcroft plc and has accounted for this by applying acquisition accounting standards. On 28 April 2000 the Group increased its holding in UK Highways M40 (Holdings) Limited from 20% to 27.5%, it also acquired a 20% holding in Gorodok Private Limited on 12 July 2000.

	Beechcroft plc £ million
Fixed assets	**0.2**
Land and developments	**6.2**
Debtors due within one year	**0.7**
Cash	**0.3**
Creditors due within one year	**(1.0)**
Bank loans due within one year	**(3.1)**
Provisions	**(0.2)**
Net assets acquired	**3.1**
Consideration: Cash	**10.0**
Goodwill capitalised	**6.9**

ACQUISITION GOODWILL AND FAIR VALUES	Beechcroft plc £ million	Gorodok Pty Ltd £ million	UK Highways M40 (Holdings) £ million
Acquisition cost	**10.0**	**4.4**	**2.7**
Book value of assets acquired	**3.1**	**1.2**	**1.7**
Fair value adjustment – Revaluations	**–**	**3.2**	**1.0**
Goodwill arising	**6.9**	**–**	**–**
POST ACQUISITION RESULTS			
Turnover	**8.3**	**0.8**	**1.6**
Operating profit	**2.3**	**0.4**	**0.5**

NOTES TO THE ACCOUNTS

27. ANALYSIS OF NET DEBT

	At 1 January 2000 £ million	Cash flow £ million	Exchange movement £ million	At 31 December 2000 £ million
Cash in hand and at bank	13.9	4.4	0.3	18.6
Bank deposits maturing in one day	51.4	(33.2)	(0.5)	17.7
Overdrafts repayable on demand	(43.9)	32.6	0.1	(11.2)
		3.8		
Bank deposits maturing in:				
more than one day	98.9	(55.3)	0.8	44.4
Bank loans repayable in:				
less than one year	(70.0)	56.8	0.5	(12.7)
more than one year	(12.4)	(66.6)	(7.8)	(86.8)
NET GROUP DEBT	37.9	(61.3)	(6.6)	(30.0)

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £ million	1999 £ million
Increase in cash in the period	3.8	14.8
Net cash flow from management of liquid resources	(55.3)	(2.5)
Decrease/(increase) in bank borrowings due within one year	56.8	(36.3)
(Increase)/decrease in bank borrowings due in more than one year	(66.6)	20.3
Exchange movement	(6.6)	(2.2)
Movement in net debt in the period	(67.9)	(5.9)
Net funds at 1 January	37.9	43.8
Net debt at 31 December	(30.0)	37.9

29. INTANGIBLE ASSETS

	Goodwill on acquisition 2000 £ million	Goodwill on acquisition 1999 £ million
ORIGINAL COST		
At 1 January	4.6	–
Additions	6.9	4.6
At 31 December	11.5	4.6
ACCUMULATED AMORTISATION		
At 1 January	0.7	–
Charge for the year	1.3	0.7
At 31 December	2.0	0.7
Net book value at 31 December	9.5	3.9

Additions arise on the acquisition of Beechcroft plc.

30. POST BALANCE SHEET EVENTS

On 29 January 2001 the Group announced its acquisition of a portfolio of infrastructure investments from Hyder plc. The portfolio consists of investments in a number of projects in the transport, government accommodation and utility sectors in the UK, Scandinavia and South East Asia. The consideration for this purchase was £90.5 million of which £23.5 million was deferred subject to satisfaction of outstanding conditions. These assets acquired include £32.0 million of cash.

On 2 April 2001 the Group announced the signing of Heads of Agreement with O'Rourke plc for the sale of the Laing Construction business. Due diligence is in progress.

FIVE-YEAR REVIEW

		2000	1999	1998	1997	1996
Turnover	£ million	**1,574.4**	1,791.7	1,606.6	1,461.4	1,254.9
Profit before taxation	£ million	**5.7**	52.7	20.1	32.2	24.5
Profit attributable to shareholders	£ million	**2.9**	43.4	15.5	26.1	18.7
Shareholders' funds	£ million	**240.7**	251.3	219.1	214.3	198.5
Net (borrowings)/cash	£ million	**(30.0)**	37.9	43.8	19.7	64.9
Profit before taxation as a % of						
– turnover	%	**0.4**	2.9	1.3	2.2	2.0
– shareholders' funds	%	**2.4**	21.0	9.2	15.0	12.3
Earnings per share	pence	**0.4**	42.9*	13.6*	25.1*	17.3*
Dividends per share	pence	**13.0**	12.25	10.75	10.5	9.5
Dividend cover	times	**–**	3.6	1.3	2.4	1.9
Employees	number	**7,729**	9,443	10,146	9,291	8,393

**Restated for the issue of shares under the terms of the enfranchisement of Ordinary A (non-voting) Shares.*

PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATED UNDERTAKINGS, JOINT ARRANGEMENTS AND INVESTMENTS

CONSTRUCTION

UNITED KINGDOM

LAING CONSTRUCTION PLC*
Holding company for Group subsidiaries involved in construction

LAING LIMITED
Building and civil engineering

JOHN LAING CONSTRUCTION LIMITED
Building and civil engineering

LAING MANAGEMENT LIMITED
LAING MANAGEMENT (SCOTLAND) LIMITED
Management of construction projects

LAING ENGINEERING LIMITED
Mechanical engineering

O C SUMMERS LIMITED
Distribution pipeline construction

LAING TECHNOLOGY GROUP LIMITED
Consultancy, testing and field services to the construction industry

LMK JOINT ARRANGEMENT
60%-75% interests
Management of construction projects

TARMAC/LAING JOINT ARRANGEMENT
50% interest
Civil engineering

MCALPINE LAING JOINT ARRANGEMENT
50% interest
Construction management

OVERSEAS

JOHN LAING INTERNATIONAL LIMITED
Construction – operating in the Middle East, Turkey and S.E. Asia

LAING PROJECTS LIMITED (JERSEY)
Construction – operating in the Middle East, Africa and Europe

LAING PROJECTS BV (HOLLAND)
Construction – operating in the Middle East, Africa and Europe

AL-NABOODAH LAING LLC
2,000 shares of 1,000 dirhams each fully paid (49%)
Building and civil engineering – operating in the United Arab Emirates

EMIRATES PRECAST CONSTRUCTION LLC
2,000 shares of dirhams 1,000 each fully paid (40%)
Manufacture, supply and installation of precast elements – operating in the United Arab Emirates

LAING ABU DHABI LLC
1,000 shares of 100 dirhams each fully paid (49%)
Building and civil engineering – operating in the United Arab Emirates

LAING ALARKO JOINT ARRANGEMENT
50% interest
Building and civil engineering – operating in Turkmenistan and Uzbekistan

ORESUND TUNNEL CONTRACTORS CONSORTIUM
24% interest
Civil engineering – operating in Scandinavia

LAING HIP HING JOINT ARRANGEMENT
50% interest
Building and civil engineering – operating in Hong Kong

DMCI – LAING CONSTRUCTION INC.
40% interest
Building and civil engineering – operating in the Philippines

HOMES

UNITED KINGDOM

JOHN LAING HOMES PLC*
Holding company for Group subsidiaries involved in housing

LAING HOMES LIMITED
Private and partnership housing

OCTAGON DEVELOPMENTS LIMITED
529,200 shares of £1 each fully paid
62,500 A shares of £3 each fully paid (20%)
Private housing

BEECHCROFT PLC
Private housing

OVERSEAS

WL HOMES LLC
50% interest
Private housing

PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATED UNDERTAKINGS, JOINT ARRANGEMENTS AND INVESTMENTS

INVESTMENTS

UNITED KINGDOM

LAING INVESTMENTS LIMITED*
Holding of Group investments

SEVERN RIVER CROSSING PLC
17,500 shares of £1 each fully paid (35%)
700 Preference shares of £1 each fully paid
Toll bridge operator

LAING RAIL LIMITED
Holding of rail investments

ALTRAM LRT LIMITED
1,333,333 shares of £1 each fully paid (33.33%)
Light rail concession operator

ALTRAM (MANCHESTER) LIMITED
151,375 shares of £1 each fully paid (26.1%)
Light rail concession operator

M40 TRAINS LIMITED
173,076 shares of £1 each fully paid
144,118 A shares of £1 each fully paid (84.36%)
1,675,882 Preference shares of £1 each fully paid
Rail franchise operator

OCTAGON HEALTHCARE HOLDINGS (NORWICH) LIMITED
265,000 shares of 1p each fully paid (20%)
Hospital construction and services provider

EQUION PLC
25,000 shares of £1 each fully paid (50%)
PFI accommodation operator

DEFENCE MANAGEMENT HOLDINGS LIMITED
176,501 shares of £1 each fully paid (50%)
PFI accommodation operator

LASER (TEDDINGTON HOLDING) LIMITED
249,289 shares of £1 each fully paid (50%)
PFI accommodation operator
Financial year end 31 March

UK HIGHWAYS PLC
13,750 shares of £1 each (25 pence paid up) (27.5%)
Road concession operator

UK HIGHWAYS M40 HOLDINGS LIMITED
2,210,000 shares of £1 each fully paid (27.5%)
Road concession operator

UK HIGHWAYS A55 (HOLDINGS) LIMITED
55 shares of £1 each fully paid (27.5%)
Road concession operator

COUNTYROUTE LIMITED
249,999 shares of £1 each fully paid (50%)
Road concession operator

OVERSEAS

JOHN LAING INVESTMENT (HONG KONG) LIMITED
JOHN LAING INVESTMENT PTE LIMITED
Investment in construction projects – operating in Asia

EUROPISTAS CONCESIONARIA ESPAÑOLA SA
Toll motorway operator – operating in Spain (15%)

HORIZON ENERGY INVESTMENT LIMITED
Power generation – operating in Australia (5%)

ADELAIDE AIRPORTS LIMITED
Airport Operator – operating in Australia (14.5%)

NORTHERN TERRITORIES AIRPORTS
Airport Operator – operating in Australia (14.55%)

GORODOK PRIVATE LIMITED
Pipeline operator – operating in Australia (20%)

PROPERTY DEVELOPMENT

UNITED KINGDOM

JOHN LAING PROPERTY LIMITED*
Property development

JL PROPERTY HOLDINGS LIMITED
Holding and management of Group properties

TL (DEVELOPMENTS) LIMITED
2 A shares of £1 each fully paid (50%)
Property development

HOLLOWAY WHITE ALLOM LIMITED
Building, joinery, decorating, furnishing

JOHN LAING PROPERTY BUSINESS SPACE LIMITED
1,000 shares of £1 each fully paid (50%)
Property development

JLPBS FORBURY LIMITED
1 share of £1 fully paid (50%)

GROUP SERVICE COMPANIES

UNITED KINGDOM

JOHN LAING SERVICES LIMITED*
Management, staff and administrative services for the Group

Except where indicated, all companies are wholly owned, have 31 December year ends, are incorporated in Great Britain and registered in England and Wales, and operate mainly in the country of incorporation.

**shares of those companies marked with an asterisk are owned by the Company.*

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