

Directors' report

The Directors submit their report and the accounts for the year ended 31 December 1997 which they approved on 18 March 1998.

Result and dividends

The profit before taxation for the year was £32.2 million. After taxation the profit attributable to shareholders was £26.1 million.

The Directors recommend a final dividend of 7.0 pence (which includes 0.25 pence as a special payment to mark the Company's 150th anniversary) per Ordinary and Ordinary A (non-voting) share to be paid on 3 July 1998 to shareholders whose names appear on the register at the close of business on 3 April 1998.

With the interim dividend of 3.5 pence per share paid on 3 November 1997, the total dividend for the year is 10.5 pence per share. The Directors are again offering a scrip dividend option whereby shareholders may receive further shares rather than a cash dividend. Full details of this arrangement are set out in the accompanying letter from the Chairman.

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.

Substantial shareholdings

At 17 March 1998, the Directors were aware of the following substantial interests in the shares of the Company:

| | Ordinary Shares | % | Ordinary A (non-voting) Shares | % | Convertible Preference Shares | % |
|--------------------------------------|--------------------|-----|--------------------------------------|------|-------------------------------------|-----|
| Eskmuir Limited | 2,866,368 | 6.2 | – | – | – | – |
| Stewards Company Limited | 242,994 | 0.5 | 5,028,000 | 11.0 | 1,000,000 | 2.5 |
| Kirby Laing Foundation | 1,797,621 | 3.9 | – | – | 500,000 | 1.2 |
| Rufford Foundation | 3,222,778 | 7.0 | – | – | – | – |
| Sir Maurice Laing/J H Laing * | 1,535,370 | 3.3 | – | – | – | – |
| The John Laing Pension Trust Limited | 1,800,000 | 3.9 | – | – | 883,115 | 2.2 |

*subject to the interests of both Sir Maurice Laing and J H Laing.

Eskmuir Limited and Stewards Company Limited are companies formed for charitable purposes and limited by guarantee.

Group activities

The activities of individual Group companies, both in the UK and overseas, are briefly described in the Operating and Financial Review. They are related mainly to construction, the building of homes for sale, property development and investment in infrastructure.

Directors

The Directors at any time during the year were:

| | | |
|------------------|-------------|------------|
| Sir Martin Laing | R A Wood | D Edwards |
| B O Chilver | J Armstrong | D H Blair |
| D C Madden | R S Lidgate | P J Harper |

The Directors retiring by rotation in accordance with the Articles of Association are J Armstrong, D H Blair and D C Madden and, being eligible, they each offer themselves for re-election.

The service agreements of each of J Armstrong, D H Blair and D C Madden are terminable on two years notice from the Company.

Interests of the Directors in the shares of the Company are shown in the Report of the Remuneration Committee on page 31.

Directors' report continued

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 parent company 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 is 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 £26,468. In addition, contributions of £683,656 were made on behalf of the Group by Laing's Charitable Trust, which is independently funded.

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 outstanding from suppliers to the Group at 31 December 1997 was 58 days. The Company does not carry on a trade.

Auditors

Our auditors, KPMG Audit Plc, are willing to continue in office and a resolution concerning their re-appointment 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

18 March 1998

Report of the Remuneration Committee

The Group has complied with Section A of the best practice provisions relating to Directors' remuneration annexed to the Listing Rules of the London Stock Exchange throughout the year. In framing the policy set out below, the Group has also given full consideration to Section B of those provisions.

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 and long-term incentive schemes, membership of pension scheme, company car, executive share option scheme, and provision of health insurance.

We operate a Directors' bonus scheme related to pre-tax profit. The 1997 scheme provides for the payment of up to 40% of basic salary subject to the achievement of pre-determined performance targets.

A long-term Performance Share Plan was approved by shareholders at an EGM in October 1996. The first three-year performance period commenced on 1 January 1997.

The threshold at which any award will vest is 5% annual compound growth in Earnings per Share (EPS) in excess of the Retail Prices Index (RPI). The maximum award will vest on the achievement of 15% annual compound growth in EPS in excess of RPI.

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

Current contracts of service for Executive Directors provide for two years' notice from the Company. We consider it appropriate in the current climate to continue this arrangement. Arrangements relating to early termination are dealt with on the merits of individual cases.

Directors participate in a separate defined benefit occupational pension scheme. This provides for accrual of benefits based on total years of service and is calculated on basic salary. 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 33. Particulars of Directors' emoluments, pension entitlements and their share interests and share options are set out below:

Directors' emoluments

| | Salary and fees £ | Benefits £ | Annual bonus £ | Total 1997 £ | Total 1996 £ | Pensions | |
|----------------------|----------------------|---------------|-------------------|------------------|------------------|----------------|----------------|
| | | | | | | 1997 £ | 1996 £ |
| Executive | | | | | | | |
| Sir Martin Laing | 275,000 | 6,822 | 110,000 | 391,822 | 324,306 | 24,750 | 22,500 |
| R A Wood | 250,000 | 14,340 | 100,000 | 364,340 | 299,496 | 22,500 | 20,250 |
| J Armstrong | 200,000 | 12,699 | 80,000 | 292,699 | 240,054 | 40,126 | 34,953 |
| D H Blair | 180,000 | 12,262 | 72,000 | 264,262 | 213,587 | 16,200 | 14,400 |
| D C Madden | 140,000 | 11,762 | 56,000 | 207,762 | 162,186 | 12,600 | 10,800 |
| R S Lidgate | 170,000 | 7,070 | 68,000 | 245,070 | 195,761 | 31,726 | 26,553 |
| Non-executive | | | | | | | |
| D Edwards | 34,000 | 662 | – | 34,662 | 34,662 | – | – |
| B O Chilver | 21,000 | 928 | – | 21,928 | 21,928 | – | – |
| P J Harper | 21,000 | – | – | 21,000 | 7,000 | – | – |
| | | | | 1,843,545 | 1,498,980 | 147,902 | 129,456 |

Pension contributions stated above include a notional charge of 9% (1996 – 9%) on pensionable salaries. This is shown in order to reflect the normal cost of providing accrued pension benefits.

Annual bonus payments included within total Directors' emoluments amounted to £486,000 (1996 – £292,950). 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.

Report of the Remuneration Committee

continued

Directors' pension entitlements

Pension benefits earned by the Directors⁽¹⁾

| | Accumulated total accrued annual pension 31 December 1997 £ | Increase in accrued annual pension during the year ⁽²⁾ £ | Transfer value of increase ⁽³⁾ £ |
|----------------------------|---|---|--|
| Executive Directors | | | |
| Sir Martin Laing | 193,011 | 22,605 | 334,300 |
| R A Wood | 168,050 | 20,754 | 306,600 |
| J Armstrong | 17,849 | 832 | 13,500 |
| D H Blair | 123,019 | 21,145 | 303,100 |
| D C Madden | 97,153 | 16,776 | 270,200 |
| R S Lidgate | 2,450 | 1,401 | ⁽⁴⁾ – |
| | 601,532 | 83,513 | 1,227,700 |

Notes for pension benefits

(1) The pension entitlement shown is that which would be paid annually on retirement based on service to 31 December 1997.

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

(3) These transfer values have been calculated in accordance with Actuarial Guidance Note GN11.

(4) All Directors, with the exception of R S Lidgate, are members of both the John Laing Pension Fund (the Fund) and the John Laing Supplementary Scheme (the Scheme). R S Lidgate is a member of the Fund only. The Fund and the Scheme are both tax-approved schemes. R S Lidgate's membership of the Fund is less than two years at 31 December 1997, so there is no entitlement to a transfer value at that date.

(5) Members of the Fund and the Scheme 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 and the Scheme is non-contributory.

Directors' interests

Shareholdings

The number of shares of the Company in which each Director of the Company is deemed to be interested 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.

| | On 31 December 1997 | | | On 1 January 1997 | | |
|--------------------|-----------------------------|--|--|-----------------------------|--|--|
| | Ordinary Shares 25p each | Ordinary A (non-voting) Shares 25p each | 6.4% Convertible Preference Shares £1 each | Ordinary Shares 25p each | Ordinary A (non-voting) Shares 25p each | 6.4% Convertible Preference Shares £1 each |
| Beneficial | | | | | | |
| Sir Martin Laing | 972,512 | 14,508 | 4,067 | 972,512 | 14,459 | 4,067 |
| R A Wood | 9,309 | 3,149 | – | 9,134 | 3,149 | – |
| D Edwards | 3,750 | – | – | 3,750 | – | – |
| B O Chilver | 1,080 | – | – | 1,080 | – | – |
| J Armstrong | 1,209 | – | 465 | 1,187 | – | 465 |
| D H Blair | 2,753 | 435 | – | 2,753 | 435 | – |
| D C Madden | 1,128 | – | 900 | 1,107 | – | 900 |
| R S Lidgate | 1,043 | – | – | 1,024 | – | – |
| P J Harper | 10,182 | – | – | 5,031 | – | – |
| As Trustees | | | | | | |
| Sir Martin Laing | 2,618,401 | 1,849,878 | 500,000 | 2,618,401 | 1,849,878 | 500,000 |
| R A Wood | 1,493,914 | 1,163,763 | 150,000 | 1,493,914 | 1,163,763 | 150,000 |
| D C Madden | 1,493,914 | 1,163,763 | 150,000 | 1,493,914 | 1,163,763 | 150,000 |
| D Edwards | 6,282,425 | 127,434 | – | 6,282,425 | 127,434 | – |
| B O Chilver | 9,565,536 | 761,558 | 400,000 | 9,565,536 | 761,558 | 400,000 |
| P J Harper | 3,603,547 | 127,434 | – | 3,603,547 | 127,434 | – |

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 is shown below.

| | | | | | | |
|---|------------|-----------|---------|------------|-----------|---------|
| Directors' interests as trustees | 18,063,269 | 2,735,186 | 800,000 | 18,063,269 | 2,735,186 | 800,000 |
|---|------------|-----------|---------|------------|-----------|---------|

Options have been granted under the Senior Executive Share Option Scheme and Savings Related Share Option Scheme and at prices varying between 122 pence per share and 363 pence per share.

Report of the Remuneration Committee

continued

Share options

The Directors participated in the Senior Executive Share Option Scheme and Savings Related Share Option Scheme as follows:

| | At 1 January 1997 | Granted during the year | Lapsed during the year | Exercised during the year | At 31 December 1997 | Exercise price | Mid-market price on date of exercise | Date from which exercisable | Expiry date |
|------------------|-------------------------|-------------------------------|------------------------------|---------------------------------|---------------------------|-------------------|---|-----------------------------------|----------------|
| Sir Martin Laing | 70,000 | – | – | – | 70,000 | 305p | | 19/04/91 | 19/04/98 |
| | 60,000 | – | – | 60,000 | – | 232p | 374p | | |
| | 85,000 | – | – | – | 85,000 | 346p | | 11/05/97 | 11/05/04 |
| R A Wood | 4,074 | – | – | – | 4,074 | †210p | | 31/01/02 | 31/07/02 |
| | 82,000 | – | – | 25,000 | 57,000 | *330p | 376p | 19/04/91 | 11/04/99 |
| | 50,000 | – | – | – | 50,000 | 346p | | 11/05/97 | 11/05/04 |
| J Armstrong | 2,302 | – | – | – | 2,302 | †210p | | 31/01/00 | 31/07/00 |
| | 25,000 | – | – | – | 25,000 | 292p | | 07/10/94 | 07/10/01 |
| | 65,000 | – | – | – | 65,000 | *331p | | 11/05/97 | 15/05/06 |
| D H Blair | 2,302 | – | – | – | 2,302 | †210p | | 31/01/00 | 31/07/00 |
| | 12,000 | – | – | – | 12,000 | 122p | | 07/10/95 | 07/10/02 |
| | 50,000 | – | – | – | 50,000 | *331p | | 11/05/97 | 15/05/06 |
| D C Madden | 2,302 | – | – | – | 2,302 | †210p | | 31/01/00 | 31/07/00 |
| | 50,000 | – | – | – | 50,000 | *331p | | 11/05/97 | 15/05/06 |
| | 4,074 | – | – | – | 4,074 | †210p | | 31/01/02 | 31/07/02 |
| 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 |
| | 618,128 | – | – | 85,000 | 533,128 | | | | |

*Average exercise price Senior Executive Share Option Scheme

†Exercise price Savings Related Option Scheme

The mid-market price of Ordinary A (non-voting) shares on 31 December 1997 was 325 pence. The range of share prices during 1997 was 280 pence to 381 pence.

The Register of Directors' interests contains full details of Directors' shareholdings and options. There have been no changes in Directors' interests since 31 December 1997.

Long-term Performance Share Plan

Under the terms of the long-term Performance Share Plan, the maximum conditional award in respect of the scheme year commenced on 1 January 1997 is shown in the accompanying table. The maximum award will vest on achievement of 100% of target. A threshold target is set at which 50% of the award will vest; a linear scale operates for performance between the two targets.

| | Maximum award Ordinary A (non-voting) Shares |
|------------------|---|
| Sir Martin Laing | 51,886 |
| R A Wood | 47,169 |
| J Armstrong | 37,735 |
| D H Blair | 33,962 |
| D C Madden | 26,415 |
| R S Lidgate | 32,075 |

Corporate governance

The Code

The Company has, throughout the financial year, complied with the Code issued by the Committee on the Financial Aspects of Corporate Governance. 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.

The auditors, KPMG Audit Plc, have confirmed that in their opinion: with respect to the Directors' statements on internal financial control and going concern, the Directors have provided the disclosures required by The Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' statement, given above, appropriately reflects the Company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified by The Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

The Board of Directors

The Board of John Laing plc comprises six executive and three 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 and the Deputy Chairman. The Group Executive meets once a month and reviews divisional performance with senior divisional management.

In addition to the main Board, there are four Associate Directors who take functional responsibility for certain aspects of the business.

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.

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.

Audit

All of the Group's major subsidiaries are audited by KPMG Audit Plc. Joint ventures and associated companies are also audited by KPMG Audit Plc unless arrangements with our partners stipulate an alternative appointment. In addition to the auditors' report to the members of John Laing plc on the financial statements set out in the annual report and accounts, 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 auditors on their review of the interim accounts is published with the statement of interim results issued to shareholders.

Audit Committee

The Audit Committee comprises the three Non-executive Directors. The Committee meets at least twice a year and will normally request the attendance of the Group Finance Director and representatives of the external auditors. However, at least once a year, the Committee meets with the external auditors 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 comprises the three Non-executive Directors. The meetings are attended by the 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 Remuneration Committee is responsible for determining the terms of employment of Executive Directors of the Board of John Laing plc.

Internal Financial Controls

The Board of Directors has responsibility for the Group's system of internal financial control.

The Group has an established internal financial control framework, which is designed to provide reasonable but not absolute assurance against material mis-statement or loss.

It encompasses:

- a comprehensive budgeting system with a detailed annual budget and outline plan for the following two years approved by the Board
- the regular comparison of actual results against the approved budget and against updated forecasts of the out-turn for the year under review
- a corporate manual of financial management and accounting policies
- business unit manuals of financial procedures and controls within the Group's core businesses
- regular reporting to the Board on significant treasury, legal, pension and insurance matters, and
- clearly defined investment control guidelines and procedures.

The Directors have undertaken a comprehensive review of the key financial risks. The potential areas of significant risk and the internal financial controls that are employed as a safeguard against those risks have been identified and documented. The Directors have reviewed the effectiveness of the Group's system of internal financial control through a formal mechanism of self assessment by the business units and through a detailed

review of the self assessment responses. Self assessment is supplemented by both internal audit and assistance from our external auditors. The internal audit function reviews procedures on a systematic basis throughout the Group and submits detailed reports on its findings to the Group Executive and to the Audit Committee.

Charities

Laing's Charitable Trust donates substantial sums to charitable causes. The Trust is separately funded and derives its income from investments which are held and managed independently from the Group.

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 Directors, 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 Fund is shared among five specialist independent investment management companies. On 31 December 1997, the investment in John Laing plc represented less than 2% of the pension funds' total investment portfolio.

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, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Auditors' report

To the members of John Laing plc

We have audited the financial statements on pages 36 to 57. We have also examined the amounts disclosed relating to emoluments, share options, long-term incentive scheme interest and directors' pension entitlements which form part of the Remuneration Committee Report on pages 29 to 32.

Respective responsibilities of Directors and Auditors

As described on page 34 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 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

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

18 March 1998

Group profit and loss account

John Laing plc and subsidiary undertakings

| For the year ended 31 December 1997 | Notes | 1997 £ million | 1996 £ million |
|--|-------|-------------------|-------------------|
| Turnover | 2 | 1,461.4 | 1,254.9 |
| Deduct: Turnover of associated undertakings | | (59.0) | (30.0) |
| Group turnover | | 1,402.4 | 1,224.9 |
| Cost of sales | | (1,304.1) | (1,137.3) |
| Gross profit | | 98.3 | 87.6 |
| Operating and other administrative expenses | | (82.0) | (78.1) |
| Share of profits of associated undertakings | | 4.6 | 1.0 |
| Other operating income | 7 | 2.3 | 4.6 |
| Operating profit | 3 | 23.2 | 15.1 |
| Profit on disposal of investments and other fixed assets | 4 | 9.3 | 7.5 |
| Construction | | 4.9 | 1.3 |
| Homes | | 21.9 | 14.3 |
| Property development | | 4.7 | 5.7 |
| Investments | | 4.9 | 4.2 |
| Group management | | (3.9) | (2.9) |
| Profit on ordinary activities before interest | 2 | 32.5 | 22.6 |
| Net interest (payable)/receivable | 8 | (0.3) | 1.9 |
| Profit on ordinary activities before taxation | | 32.2 | 24.5 |
| Taxation | 9 | (6.0) | (5.8) |
| Profit on ordinary activities after taxation | | 26.2 | 18.7 |
| Minority interests | | (0.1) | – |
| Profit attributable to shareholders | | 26.1 | 18.7 |
| Dividends on equity and non-equity shares | 10 | (12.2) | (11.2) |
| Retained profit for the year | | 13.9 | 7.5 |
| Earnings per Share – Net basis | 11 | 25.7p | 17.7p |
| – Nil basis | 11 | 22.4p | 20.4p |

All items in the profit and loss account relate to continuing operations.

Group statement of total recognised gains and losses

John Laing plc and subsidiary undertakings

| For the year ended 31 December 1997 | 1997 £ million | 1996 £ million |
|--|-------------------|-------------------|
| Profit attributable to shareholders | 26.1 | 18.7 |
| Unrealised surpluses/(deficits) on revaluation of properties | 0.8 | (0.2) |
| Currency translation differences on foreign currency net investments | (0.6) | (2.0) |
| Total gains recognised in the year | 26.3 | 16.5 |

Group statement of historical cost profits and losses

John Laing plc and subsidiary undertakings

| For the year ended 31 December 1997 | 1997 £ million | 1996 £ million |
|---|-------------------|-------------------|
| Profit on ordinary activities before taxation | 32.2 | 24.5 |
| Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | (0.1) | 0.1 |
| Realisation of property revaluation gains of previous years | 0.5 | – |
| Historical cost profit before taxation | 32.6 | 24.6 |
| Historical cost retained profit for the year | 14.3 | 7.6 |

Group balance sheet

John Laing plc and subsidiary undertakings

| At 31 December 1997 | Notes | £ million | 1997 £ million | £ million | 1996 £ million |
|--|-------|-----------|-------------------|-----------|-------------------|
| Assets employed | | | | | |
| Fixed assets | | | | | |
| Tangible assets | 13 | | 49.9 | | 53.4 |
| Investments | 14 | | 48.1 | | 31.0 |
| | | | 98.0 | | 84.4 |
| Current assets | | | | | |
| Land and developments | 15 | 249.2 | | 220.8 | |
| Stocks and work in progress | 15 | 8.9 | | 4.8 | |
| Debtors – due within one year | 16 | 205.5 | | 164.8 | |
| – due in more than one year | 16 | 28.5 | | 25.5 | |
| | | 234.0 | | 190.3 | |
| Short-term investments | 17 | 2.9 | | 2.9 | |
| Cash at bank and in hand | 18 | 172.8 | | 170.0 | |
| | | 667.8 | | 588.8 | |
| Creditors: amounts falling due within one year | | | | | |
| Bank and other loans | 19 | 71.2 | | 22.8 | |
| Other creditors | 20 | 373.7 | | 341.6 | |
| | | 444.9 | | 364.4 | |
| Net current assets | | | 222.9 | | 224.4 |
| Total assets less current liabilities | | | 320.9 | | 308.8 |
| Creditors: amounts falling due after more than one year | | | | | |
| Bank and other loans | 19 | 75.3 | | 72.6 | |
| Other creditors | 20 | 8.0 | | 14.2 | |
| | | | 83.3 | | 86.8 |
| Provisions for liabilities and charges | 21 | | 22.8 | | 23.4 |
| | | | 214.8 | | 198.6 |
| Financed by | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | 63.0 | | 62.9 |
| Share premium account | 25 | | 20.9 | | 20.3 |
| Property revaluation reserve | 25 | | 3.0 | | 2.6 |
| Profit and loss account | 25 | | 127.4 | | 112.7 |
| Shareholders' funds | | | | | |
| – equity | | | 175.6 | | 159.7 |
| – non-equity | 25 | | 38.7 | | 38.8 |
| | | | 214.3 | | 198.5 |
| Minority interests – equity | | | 0.5 | | 0.1 |
| | | | 214.8 | | 198.6 |

Company balance sheet

John Laing plc

| At 31 December 1997 | Notes | £ million | 1997 £ million | £ million | 1996 £ million |
|--|-------|-----------|-------------------|-----------|-------------------|
| Assets employed | | | | | |
| Fixed assets | | | | | |
| Interests in subsidiary undertakings | 12 | | 352.5 | | 336.8 |
| Investments | 14 | | 0.5 | | 0.5 |
| | | | 353.0 | | 337.3 |
| Current assets | | | | | |
| Debtors – due within one year | 16 | 70.3 | | 54.6 | |
| Cash at bank and in hand | | 93.3 | | 66.8 | |
| | | 163.6 | | 121.4 | |
| Creditors: amounts falling due within one year | | | | | |
| Bank and other loans | 19 | 42.6 | | 7.7 | |
| Other creditors | 20 | 183.8 | | 179.2 | |
| | | 226.4 | | 186.9 | |
| Net current liabilities | | | (62.8) | | (65.5) |
| Total assets less current liabilities | | | 290.2 | | 271.8 |
| Creditors: amounts falling due after more than one year | | | | | |
| Bank and other loans | 19 | | 75.3 | | 72.6 |
| Provisions for liabilities and charges | 21 | | 0.6 | | 0.7 |
| | | | 214.3 | | 198.5 |
| Financed by | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | 63.0 | | 62.9 |
| Share premium account | 25 | | 20.9 | | 20.3 |
| Revaluation of shares in subsidiary undertakings | 25 | | 121.2 | | 104.7 |
| Profit and loss account | 26 | | 9.2 | | 10.6 |
| Shareholders' funds | | | | | |
| – equity | | | 175.6 | | 159.7 |
| – non-equity | 25 | | 38.7 | | 38.8 |
| | | | 214.3 | | 198.5 |

The accounts on pages 36 to 57 were approved by the Board of Directors on 18 March 1998 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 1997 | Notes | £ million | 1997 £ million | £ million | 1996 £ million |
|--|-------|-----------|-------------------|-----------|-------------------|
| Net cash (outflow)/inflow from operating activities | 26 | | (22.3) | | 10.7 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 6.5 | | 7.4 | |
| Interest paid | | (7.0) | | (4.6) | |
| Dividends received | | 2.3 | | 4.6 | |
| Dividends paid to non-equity shareholders | | (2.6) | | (2.6) | |
| Net cash (outflow)/inflow from returns on investments and servicing of finance | | | (0.8) | | 4.8 |
| Taxation | | | | | |
| UK corporation tax paid | | (0.5) | | (4.4) | |
| Overseas tax paid | | (3.1) | | (2.7) | |
| | | | (3.6) | | (7.1) |
| Capital expenditure and financial investment | | | | | |
| Purchase of fixed assets | | (19.0) | | (18.2) | |
| Sale of fixed assets | | 17.1 | | 16.4 | |
| Purchase of investments | | (6.6) | | – | |
| Sale of investments | | 5.9 | | 9.4 | |
| Net cash (outflow)/inflow from investing activities | | | (2.6) | | 7.6 |
| Acquisitions and disposals | | | | | |
| Purchase of interests in and loans to associated undertakings | | (10.0) | | (2.3) | |
| Sale of interests in and repayment of loans by associated undertakings | | 1.8 | | 0.3 | |
| Net cash outflow from acquisitions and disposals | | | (8.2) | | (2.0) |
| Equity dividends paid | | | | | |
| | | | (8.2) | | (7.8) |
| Net cash (outflow)/inflow before use of liquid resources and financing | | | | | |
| | | | (45.7) | | 6.2 |
| Management of liquid resources | | | | | |
| Net cash transfer from/(to) bank deposits | 27 | 3.9 | | (39.2) | |
| Net cash inflow/(outflow) from management of liquid resources | | | 3.9 | | (39.2) |
| Financing | | | | | |
| Issue of ordinary share capital | | 0.7 | | 0.6 | |
| Increase in bank borrowings falling due within one year | 27 | 28.6 | | 0.6 | |
| Increase in bank borrowings falling due after more than one year | | – | | 22.4 | |
| Net cash inflow from financing | | | 29.3 | | 23.6 |
| Decrease in cash in the period | 27 | | (12.5) | | (9.4) |

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