

# Notes to the accounts

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## 1 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 policy note (f) below and note 14.

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

#### 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 the Group profit and loss account includes the results for the part of the year for which they were subsidiaries.

Interests in subsidiary undertakings are included in the parent company balance sheet at the Group's share of the net assets of those undertakings. On acquisition of subsidiaries goodwill has been written off direct to reserves.

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 appropriate shares of the turnover and profits of associated undertakings are included in the consolidated profit and loss account, except as stated in note 14 where the Directors consider a different treatment is required in order to show a true and fair view. Where the operations of the Group's associated undertakings form part of the Group's core businesses the Group's share of the results of such undertakings is included within the Group's operating result. 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.

The Group's interests in unincorporated joint ventures are included in the consolidated financial statements using the proportional consolidation method.

### (b) Turnover

Turnover comprises the value of work executed by construction activities, rental income and invoiced sales after excluding intra-group transactions. In the case of private housing and other property developments, sales are recognised at the date of legal completion.

### (c) Investments

Investments, excluding investments in subsidiaries, 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.

### (d) Depreciation

Tangible assets, including freehold properties but excluding land and investment properties, 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 lives, making due allowance for obsolescence in addition to normal wear and tear.

Depreciation, except in the case of investment properties and land with a book value of approximately £9.7 million which are not depreciated, is provided on the basis that the estimated lives of assets are:

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

# Notes to the accounts continued

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## 1 Accounting policies (continued)

### (e) 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 tax is not provided in respect of liabilities which might arise on the distribution of retained profits of overseas subsidiaries and associates, except where distributions of such profits are planned.

### (f) Investment properties

Investment properties are included at open market value. Properties are revalued annually and surpluses or deficits are taken to revaluation reserve.

In accordance with Statement of Standard Accounting Practice No 19 (as amended):

- (i) investment properties are revalued annually at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. All surpluses and deficits arising on valuation are taken directly to the revaluation reserve, except that any permanent diminution in the value of an investment property is taken to the profit and loss account, and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### (g) Long-term contracts

Profits on long-term contracts are calculated in accordance with 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. Cost for this purpose includes valuations 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.

### (h) Stocks and work in progress

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

### (i) 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.

## 1 Accounting policies (continued)

### (j) Pension costs and post-retirement benefits

These are provided systematically over the average remaining future service lives of employees (see note 6). 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 tax is accounted for on these assets and liabilities.

### (k) Leases

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

## 2 Sector analysis

The presentation of the sector performance has been changed. In previous years the sector analysis showed the operating profit or loss for each of the business sectors excluding the profit or loss on disposal of investments and other fixed assets. In view of the Group's strategy to expand the portfolio of infrastructure investments, the Directors believe it is more appropriate to include the profit or loss on disposal of investments and other fixed assets within the relevant sector results.

The Directors also believe that the results of investments in infrastructure projects are significant in their own right. The results of Property and Investments have therefore been separated so as to assist the understanding of performance within each of these two core sectors.

The comparative figures for 1996 have been restated.

The profit on disposal of investments and other fixed assets is analysed in note 4.

	Profit on ordinary activities before interest		Turnover		Net Assets*	
	1997 £ million	1996 £ million	1997 £ million	1996 £ million	1997 £ million	1996 £ million
<b>Activity</b>						
Construction	4.9	1.3	1,122.6	970.4	(42.5)	(69.9)
Homes	21.9	14.3	315.4	275.8	225.8	190.8
Property development	4.7	5.7	3.7	2.8	4.6	4.7
Investments	4.9	4.2	19.7	5.9	36.4	30.8
Group management/general	(3.9)	(2.9)	–	–	(35.8)	(32.4)
	32.5	22.6	1,461.4	1,254.9	188.5	124.0
<b>Market</b>						
United Kingdom	29.2	15.9	1,213.6	1,028.1	92.6	58.0
Overseas	3.3	6.7	247.8	226.8	95.9	66.0
	32.5	22.6	1,461.4	1,254.9	188.5	124.0
<b>Geographic area</b>						
Overseas activities were carried out in:						
Europe	4.3	4.2	29.8	23.9	9.7	0.1
Middle East	(3.3)	(1.1)	86.0	72.4	(0.8)	(2.8)
America	3.5	2.5	103.4	89.5	78.9	64.3
S.E. Asia	(1.2)	1.1	28.6	41.0	8.1	4.4
	3.3	6.7	247.8	226.8	95.9	66.0

\*excludes cash net of borrowings

The profit before interest shown above is stated after releasing provision for exceptional reorganisation costs of £0.7 million (1996 – £1.0 million release) which are wholly attributable to Construction.

# Notes to the accounts continued

3 Operating profit	1997 £ million	1996 £ million
Operating profit is stated after charging:		
Auditors' remuneration		
Audit	0.8	0.8
Other fees paid to auditors and their associates	0.2	0.2
Depreciation	11.5	12.1
Payments under operating leases		
Rentals of land and buildings	2.2	1.9
Rentals of plant and machinery	3.9	2.6

Included in the auditors' remuneration is an amount in respect of the Company of £0.2 million (1996 – £0.2 million).

4 Profit on disposal of investments and other fixed assets	1997 £ million	1996 £ million
Profit on sale of properties	3.8	6.4
Diminution in value of land and buildings	–	(1.0)
Profit on sale of investments	5.5	2.1
	9.3	7.5
Sector analysis:		
Property development	3.8	5.4
Investments	5.5	2.1
	9.3	7.5

Profit from the sale of properties includes £1.5 million (1996 – £5.3 million) in respect of the sale of Castlecourt, a shopping centre in Belfast. Provision was made in the sale agreement for additional consideration receivable on 1 February in each year from 1995 until 1998. The additional consideration is calculated by capitalising the value of rents achieved on lettings concluded after completion of the sale agreement and on capitalisation of rental increases achieved on reviews up to 31 December 1997.

5 Directors and employees (a) Employees	1997 £ million	1996 £ million
Employee costs, including Directors' emoluments, comprise:		
Wages and salaries	158.5	140.9
Social security costs	12.0	10.6
Other pension costs	1.3	0.1
	171.8	151.6
Average employee numbers:		
Staff	4,093	4,065
Operatives	4,593	4,328
	8,686	8,393
UK	5,929	5,902
Overseas	2,757	2,491
	8,686	8,393

In addition the Group provides employment for a large number of people through subcontractors.

## 5 Directors and employees (continued)

	1997 £	1996 £
<b>(b) Directors' remuneration</b>		
Directors' emoluments comprise:		
Directors' fees	76,000	62,000
Other emoluments including pension scheme contributions	1,915,447	1,566,436
<b>Total emoluments of nine Directors (1996 – nine)</b>	<b>1,991,447</b>	<b>1,628,436</b>
The emoluments of the Chairman and highest paid Director, including annual bonus payments of £110,000 (1996 – £67,500) were:		
Excluding pension contributions	391,822	324,306
Including pension contributions	416,572	346,806

A detailed analysis of Directors' remuneration is set out within the Report of the Remuneration Committee on page 29.

During the year ended 31 December 1997, the Chairman exercised share options on which the mid-market value on the date of exercise exceeded the exercise price by £85,200.

## 6 Pensions and medical insurance

The Group operates a number of pension schemes, all of 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. The pension costs disclosed in these accounts are derived from the formal triennial valuation of the schemes as at 31 March 1996, which was reviewed at 31 March 1997. The principal assumptions underlying this valuation for accounting purposes were that the return on the schemes' investments would average 9.0% a year in future and salaries would increase at the rate of 7.0% a year plus a promotional salary scale. The valuation used to determine the funding policy is identical.

The pension contributions for the Group were £0.1 million. The pension cost for accounting purposes was £1.3 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 decreased from £4.9 million to £3.7 million.

At the date of the last actuarial valuation, the market value of the assets of the schemes was £481.7 million and the actuarial value of those assets represented 120% of the benefits that had accrued to members.

The Group also provides post-retirement medical insurance for approximately 80 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 12% for the next 10 years reducing to 7% thereafter. Future liabilities will be funded as they arise.

## 7 Other operating income

	1997 £ million	1996 £ million
Dividends from investments:		
Listed	1.5	4.3
Unlisted	0.8	0.3
	<b>2.3</b>	<b>4.6</b>

## 8 Net interest

	1997 £ million	1996 £ million
Interest receivable	6.9	7.3
Interest payable on bank loans and advances	(7.2)	(5.4)
	<b>(0.3)</b>	<b>1.9</b>

# Notes to the accounts continued

9 Taxation	1997		Total £ million	1996 £ million
	Current £ million	Prior year £ million		
The taxation charge comprises:				
UK corporation tax at 31.5% (1996 – 33%)	(8.6)	–	(8.6)	(2.2)
Double taxation relief	0.9	–	0.9	3.7
Franked investment income	(0.1)	–	(0.1)	–
Overseas tax	(1.3)	–	(1.3)	(3.5)
Deferred tax	0.3	0.3	0.6	(1.4)
Associated undertakings	(0.5)	–	(0.5)	–
Advance Corporation Tax	0.5	2.5	3.0	(2.4)
	(8.8)	2.8	(6.0)	(5.8)

10 Dividends	1997		1996
	£ million		
The following have been paid or are proposed:			
<b>Equity</b>			
On ordinary shares:			
Interim – paid 3.5 pence per share (1996 – 3.0 pence)		3.2	2.7
Final – proposed 7.0 pence per share (1996 – 6.5 pence) including 0.25 pence special dividend		6.4	5.9
		9.6	8.6
<b>Non-equity</b>			
On 6.4% convertible cumulative preference shares		2.6	2.6
		12.2	11.2

Included within the non-equity dividend is an accrual of £0.4 million (1996 – £0.4 million).

The interim dividend for 1997, amounting to 3.5 pence per Ordinary and Ordinary A (non-voting) share, included 0.8 pence as a Foreign Income Dividend arising from the Europistas dividend.

11 Calculation of Earnings per Share	1997		1996
	pence		
Net basis		25.7	17.7
Nil basis		22.4	20.4

Earnings per Share is calculated by reference to profit attributable to shareholders of £26.1 million (1996 – £18.7 million), less preference dividends of £2.6 million (1996 – £2.6 million) and the weighted average number of ordinary shares in issue during the year of 91.8 million (1996 – 91.2 million). There is no dilutive effect of the aggregate of the unexercised options and convertible preference shares. Earnings per Share on the nil basis takes account of the utilisation of Advance Corporation Tax of £3.0 million (1996 – £2.4 million written off).

## 12 Interests in subsidiary undertakings

	1997			1996
	Investments £ million	Loans £ million	Total £ million	Total £ million
At 1 January	260.7	76.1	336.8	341.3
Recognised gains and losses	13.0	–	13.0	9.3
Additions less disposals at valuation	–	–	–	(5.2)
Movements in loans to subsidiary undertakings	–	2.7	2.7	(8.6)
At 31 December	273.7	78.8	352.5	336.8

Short-term trading balances with subsidiaries are included separately in the parent company balance sheet in debtors or creditors as appropriate. Included within recognised gains and losses shown above is an amount of £2.3 million which reflects a diminution in the value of subsidiary undertakings which has been charged to the Company's profit and loss account.

The Group's principal subsidiary and associated undertakings at 31 December 1997 are listed on pages 56 and 57. 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. Subsidiary and associated undertakings, in respect of which the Group's share of assets employed totals £3.9 million, are audited by firms of accountants other than the parent company auditors.

## 13 Tangible assets

	Land and buildings			Investment properties £ million	Vehicles, plant and machinery £ million	Total £ million
	Freehold £ million	Leasehold 50 years or more £ million	Leasehold less than 50 years £ million			
<b>Original cost/valuation</b>						
At 1 January 1997	19.4	2.7	0.4	1.1	84.3	107.9
Foreign exchange adjustments	(0.1)	–	(0.1)	–	(0.4)	(0.6)
Additions	1.5	–	0.8	–	16.7	19.0
Disposals	(6.9)	–	–	–	(20.5)	(27.4)
Revaluation	0.2	0.4	–	0.1	–	0.7
	14.1	3.1	1.1	1.2	80.1	99.6
At 31 December 1997						
Cost	–	–	–	–	80.1	80.1
Valuation	14.1	3.1	1.1	1.2	–	19.5
	14.1	3.1	1.1	1.2	80.1	99.6
<b>Accumulated depreciation</b>						
At 1 January 1997	–	–	–	–	54.5	54.5
Charge for the year	0.1	–	–	–	11.4	11.5
Disposals	–	–	–	–	(16.2)	(16.2)
Revaluation	(0.1)	–	–	–	–	(0.1)
At 31 December 1997	–	–	–	–	49.7	49.7
<b>Net book value</b>						
at 31 December 1997						
Cost	–	–	–	–	30.4	30.4
Valuation	14.1	3.1	1.1	1.2	–	19.5
	14.1	3.1	1.1	1.2	30.4	49.9
<b>Net book value</b>						
at 31 December 1996	19.4	2.7	0.4	1.1	29.8	53.4

# Notes to the accounts continued

## 13 Tangible assets (continued)

The investment properties have been valued at open market value by officers of the Group who are associate members of the Royal Institution of Chartered Surveyors in accordance with RICS Statements of Asset Valuation Practice and Guidance Notes. The Directors have adopted these valuations in the accounts for the year ended 31 December 1997. Other land and buildings utilised by the Group as business premises are included at open market valuation carried out at 31 December 1997 by officers of the Group. This has resulted in a net increase in the value of land and buildings of £0.7million. 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 £19.5 million (1996 – £23.6 million) at valuation. Had these assets been included at historical cost the corresponding values would have been £18.4 million (1996 – £21.2 million). The depreciation charge on an historical cost accounting basis would have been £0.1 million higher (1996 – £0.1 million lower) than the actual depreciation charge included in the accounts.

Included in freehold land and buildings is an amount of £1.7 million (1996 – £6.8 million) in respect of fixed assets in the course of redevelopment.

## 14 Investments

	Associated undertakings			Total £ million	Other investments £ million	Total £ million
	Equity £ million	Loans £ million	Post acquisition reserves £ million			
<b>At 1 January 1997</b>						
Listed	–	–	–	–	11.4	11.4
Unlisted	4.9	5.0	(4.0)	5.9	13.7	19.6
Shares and loans at cost	4.9	5.0	(4.0)	5.9	25.1	31.0
<b>Movements in the year</b>						
Acquisitions	5.6	–	–	5.6	6.6	12.2
Disposals	–	–	–	–	(0.5)	(0.5)
Variations in loans	–	2.6	–	2.6	–	2.6
Variations in retained profits/losses	–	–	2.8	2.8	–	2.8
	5.6	2.6	2.8	11.0	6.1	17.1
<b>At 31 December 1997</b>						
Listed	–	–	–	–	15.8	15.8
Unlisted	10.5	7.6	(1.2)	16.9	15.4	32.3
Shares and loans at cost	10.5	7.6	(1.2)	16.9	31.2	48.1
Included above are parent company investments at cost				£ million		
At 1 January 1997				0.5		
Variations in loans				(0.5)		
Amount of provision released during the year				0.5		
At 31 December 1997				0.5		
The Group's share of assets employed in associated undertakings comprise:				£ million		
Fixed assets				48.5		
Net current assets, excluding loans				(1.4)		
Bank loans – guaranteed				(0.4)		
– other				(29.8)		
				16.9		

## 14 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 venture 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.

During the life of the concession the cash generated by SRC will be utilised principally to pay bank interest and repay bank borrowings and the cost of the two bridges will be amortised. No significant profits after amortisation, and therefore no significant equity distributions, are anticipated until towards the end of the concession period, which has a maximum life of 30 years from April 1992.

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 amounting to £3.5 million (1996 – £3.5 million) and interest received thereon is taken to profit and loss account at £0.3 million for 1997 (1996 – £0.3 million).

If the investment had been accounted for as an associate the Group's share of the reported pre-tax losses of SRC for 1997 would have been £2.4 million (1996 – £2.6 million profit) and the Group's investment would have been stated at £24.7 million (1996 – £27.1 million).

### Other listed investments

The market value of listed investments at 31 December 1997 was £60.2 million (1996 – £77.6 million) of which £4.9 million (1996 – £4.7 million) is listed on the London Stock Exchange. If these investments had been sold at market value on 31 December 1997, it would have given rise to a tax charge of £8.1 million. No deferred tax provision has been included in respect of the potential tax charge that would have arisen.

Listed investments include a 19.9% (1996 – 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 £15.4 million.

In addition there were contingent liabilities of £4.5 million (1996 – £4.8 million) for the uncalled capital of unlisted investments, none of which relates to the parent company.

## 15 Stocks and work in progress

	31 December 1997 £ million	31 December 1996 £ million
Work in progress	8.3	3.6
Raw materials and consumables	0.6	1.2
	8.9	4.8

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.

# Notes to the accounts continued

16 Debtors	31 December 1997		31 December 1996	
	Group £ million	Parent Company £ million	Group £ million	Parent Company £ million
<b>Due within one year:</b>				
Amounts recoverable on contracts	119.7	–	70.9	–
Other trade debtors	70.8	0.2	83.0	–
Amounts owed by subsidiary undertakings	–	69.7	–	54.3
Amounts owed by associated undertakings	3.2	–	3.7	–
Prepayments and accrued income	7.7	0.4	5.3	0.3
Pension prepayment	2.9	–	1.5	–
Taxation	1.2	–	0.4	–
	<b>205.5</b>	<b>70.3</b>	<b>164.8</b>	<b>54.6</b>
<b>Due after more than one year:</b>				
Amounts recoverable on contracts	17.2	–	16.0	–
Other trade debtors	10.5	–	6.1	–
Pension prepayment	0.8	–	3.4	–
	<b>28.5</b>	<b>–</b>	<b>25.5</b>	<b>–</b>

Included within the above were three outstanding loans to officers and managers of the parent company to a total value of £23,000 (1996 – £23,000).

17 Short-term investments	31 December 1997 £ million	31 December 1996 £ million
<b>At cost or net realisable value:</b>		
Listed – London Stock Exchange	2.9	2.9

The market value of listed investments at 31 December 1997 was £2.9 million (1996 – £2.9 million).

## 18 Cash at bank and in hand

Cash balances at 31 December 1997 include certificates of tax deposit of £0.1 million (1996 – £0.1 million).

19 Bank and other loans	31 December 1997		31 December 1996	
	Group £ million	Parent Company £ million	Group £ million	Parent Company £ million
<b>Amounts falling due within one year:</b>				
Unsecured bank loans and advances	71.2	42.6	22.8	7.7
<b>Amounts falling due after more than one year:</b>				
Unsecured bank loans falling due between two and five years	75.3	75.3	72.6	72.6

The bank and other loans carry interest at short-term market rates as follows:

	Currency	Year end interest rate %	1997 £ million	1996 £ million
<b>Unsecured bank loans and advances:</b>				
Multi-currency term loan	US\$	6.70	35.2	33.9
Other	US\$	6.13 – 7.13	40.1	38.7
			<b>75.3</b>	<b>72.6</b>

## 20 Other creditors

	31 December 1997		31 December 1996	
	Group £ million	Parent Company £ million	Group £ million	Parent Company £ million
<b>Due within one year:</b>				
Trade creditors and subcontractor accruals	234.5	0.1	200.4	0.1
Payments on account	65.5	–	68.7	–
Amounts owed to subsidiary undertakings	–	172.4	–	168.7
Amounts owed to associated undertakings	3.5	0.5	0.2	–
Social security contributions	2.1	–	2.0	–
Taxation on profits	11.8	2.5	8.9	2.7
Other taxation	7.9	–	8.2	–
Dividends proposed	6.9	6.9	6.4	6.4
Accruals and deferred income	41.5	1.4	46.8	1.3
	<b>373.7</b>	<b>183.8</b>	<b>341.6</b>	<b>179.2</b>
<b>Due after more than one year:</b>				
Trade creditors and subcontractor accruals	4.8	–	11.9	–
Accruals and deferred income	3.2	–	2.3	–
	<b>8.0</b>	<b>–</b>	<b>14.2</b>	<b>–</b>

Trade creditors include deferred payments for development land of £nil (1996 – £11.9 million) secured by bank guarantee.

## 21 Provisions for liabilities and charges

	Pensions and insurance £ million	Deferred taxation £ million	Other £ million	Total £ million
<b>Group</b>				
At 1 January 1997	18.9	(1.2)	5.7	23.4
Charged/(released) to profit and loss account	5.5	(0.6)	(0.6)	4.3
Utilised and other movements	(2.9)	–	(2.0)	(4.9)
At 31 December 1997	<b>21.5</b>	<b>(1.8)</b>	<b>3.1</b>	<b>22.8</b>
<b>Company</b>				
At 1 January 1997	–	0.7	–	0.7
Released to profit and loss account	–	(0.1)	–	(0.1)
At 31 December 1997	–	<b>0.6</b>	–	<b>0.6</b>
<b>Deferred tax</b>				
	Provided at 31 December		Not provided at 31 December	
	1997 £ million	1996 £ million	1997 £ million	1996 £ million
<b>Group</b>				
Excess of capital allowances over depreciation	(0.6)	(0.9)	1.3	1.5
Short-term timing differences	(1.2)	(0.3)	(1.4)	(2.2)
	<b>(1.8)</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(0.7)</b>
<b>Company</b>				
Short-term timing differences	0.6	0.7	–	–

# Notes to the accounts continued

## 22 Transactions with related parties

	1997			1996
	Associated Undertakings £ million	Joint Ventures £ million	Total £ million	Total £ million
Sales of goods and services to related parties:				
Construction services and materials	50.6	22.7	73.3	36.6
Staff	1.1	8.6	9.7	11.8
Management services	0.1	2.1	2.2	1.1
Plant hire	1.4	0.9	2.3	2.0
Fixed asset sales	–	–	–	0.3
	53.2	34.3	87.5	51.8
Trade balances due from/(to) related parties:				
Amounts recoverable on contracts	1.2	–	1.2	1.1
Debtors	2.0	3.5	5.5	6.8
Creditors	(3.5)	–	(3.5)	(0.2)
	(0.3)	3.5	3.2	7.7
Amounts due (to)/from joint ventures:				
At 1 January 1997			(4.9)	
Advances by joint ventures			(13.3)	
At 31 December 1997			(18.2)	

Details of loans to and equity investments in associated undertakings are set out in note 14. Details of loans to officers of the Company are set out in note 16. There have been no relevant transactions with Directors during 1997.

## 23 Guarantees, contingent liabilities and other commitments

Guarantees have been given by the Company in respect of the amounts drawn against borrowing facilities of certain associated undertakings – of these an amount of £0.4 million was drawn at 31 December 1997 (1996 – £24.3 million).

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.

At 31 December 1997 the Directors had authorised further capital expenditure not provided in the above figures of £2.5 million (1996 – £2.0 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	
	1997 £ million	1996 £ million	1997 £ million	1996 £ million
Within one year	0.3	0.1	1.4	0.6
Within two to five years	0.8	0.8	3.7	2.7
Thereafter	1.8	1.9	–	–

## 24 Share capital

	Number of shares	Authorised		Allotted, called up and fully paid	
		Nominal value		At 31 December	
		1997 £ million	1996 £ million	1997 £ million	1996 £ million
<b>Equity</b>					
Ordinary shares of 25 pence each	46,243,974	11.6	11.5	11.6	11.5
Ordinary A (non-voting) shares of 25 pence each	45,814,432	11.5	11.4	11.4	11.3
				23.0	22.8
Unclassified shares of 25 pence each	47,336,342	11.8	12.0	–	–
<b>Non-equity</b>					
6.4% Convertible cumulative preference shares of £1 each	40,151,313	40.1	40.1	40.0	40.1
		75.0	75.0	63.0	62.9

The unclassified shares are available for designation, allotment and issue from time to time as Ordinary shares or Ordinary A (non-voting) shares or partly one and partly the other.

Under the scrip dividend options available in respect of the 1996 final dividend paid on 4 July 1997, shares were allotted as follows:

	Number of shares	Nominal value £000s
Ordinary shares of 25 pence each	218,196	54
Ordinary A (non-voting) shares of 25 pence each	73,806	18
	292,002	72

Under the Senior Executive Share Option Scheme there were at 31 December 1997 outstanding options to subscribe for 1,584,116 Ordinary A (non-voting) shares (1996 – 1,958,116) exercisable up to 15 May 2006 at prices between 122 pence and 363 pence per share.

Under the Savings Related Share Option Scheme there were at 31 December 1997 outstanding options to subscribe for 2,108,334 Ordinary A (non-voting) shares at 210 pence per share (1996 – 2,188,404).

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 1997 holders of 56,282 convertible cumulative preference shares exercised their options to convert to 9,427 Ordinary shares and 9,086 Ordinary A (non-voting) shares.

# Notes to the accounts continued

## 25 Reconciliation of movements in shareholders funds

	1997				1996	
	Share capital £ million	Share premium account £ million	Property revaluation reserve £ million	Profit and loss account £ million	Total £ million	Total £ million
<b>Group</b>						
Profit for the financial year	–	–	–	26.1	26.1	18.7
Dividends	–	–	–	(12.2)	(12.2)	(11.2)
Historical cost profits realised	–	–	–	13.9	13.9	7.5
Other recognised gains and losses						
– exchange	–	–	–	(0.6)	(0.6)	(2.0)
– property revaluation	–	–	0.8	–	0.8	(0.2)
New share capital subscribed	–	0.7	–	–	0.7	0.5
Scrip dividends	0.1	(0.1)	–	1.0	1.0	0.4
Net addition to shareholders' funds	0.1	0.6	0.4	14.7	15.8	6.2
Opening shareholders' funds	62.9	20.3	2.6	112.7	198.5	192.3
Closing shareholders' funds	63.0	20.9	3.0	127.4	214.3	198.5

Cumulative retained profit of £127.4 million is after the inclusion of post acquisition deficits of associated undertakings amounting to £1.2 million.

Profit and loss reserves are stated net of cumulative goodwill written off on acquisition of subsidiary undertakings of £2.1 million (1996 – £2.1 million).

	1997				1996	
	Share capital £ million	Share premium account £ million	Revaluation of shares in subsidiary undertakings £ million	Profit and loss account £ million	Total £ million	Total £ million
<b>Company</b>						
Profit for the financial year	–	–	–	8.8	8.8	7.3
Dividends	–	–	–	(12.2)	(12.2)	(11.2)
Other recognised gains and losses						
relating to the year (net)	–	–	16.5	1.0	17.5	9.2
New share capital subscribed	–	0.7	–	–	0.7	0.5
Scrip dividends	0.1	(0.1)	–	1.0	1.0	0.4
Net addition to shareholders' funds	0.1	0.6	16.5	(1.4)	15.8	6.2
Opening shareholders' funds	62.9	20.3	104.7	10.6	198.5	192.3
Closing shareholders' funds	63.0	20.9	121.2	9.2	214.3	198.5

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

	1997 £ million	1996 £ million
Preference shares	40.0	40.1
Less: expenses of issue	(1.3)	(1.3)
Non-equity shareholders' funds	38.7	38.8

26 Reconciliation of operating profit to net cash flow from operating activities	1997 £ million	1996 £ million
Operating profit	23.2	15.1
Depreciation charges	11.5	12.1
Associated undertakings – share of (profits)/losses – dividends received	(4.6) 1.1	(1.0) –
Profit on sale of vehicles, plant and machinery	(1.9)	(1.4)
Revaluation of properties	–	1.0
Dividends received	(2.3)	(4.6)
Increase in stocks	(29.6)	(12.9)
Increase in debtors	(44.2)	(11.0)
Increase in creditors	24.5	13.4
Net cash (outflow)/inflow from operating activities	(22.3)	10.7

27 Analysis of net funds	At 1 January 1997 £ million	Cash flow £ million	Exchange movement £ million	At 31 December 1997 £ million
Cash in hand and at bank	9.4	13.1	(0.2)	22.3
Bank deposits maturing in one day	19.0	(6.2)	–	12.8
Overdrafts repayable on demand	(18.4)	(19.4)	–	(37.8)
		(12.5)		
Bank deposits maturing in more than one day	141.6	(3.9)	–	137.7
Bank loans repayable in:				
less than one year	(4.4)	(28.6)	(0.4)	(33.4)
more than one year	(72.6)	–	(2.7)	(75.3)
Net Group funds	74.6	(45.0)	(3.3)	26.3

28 Reconciliation of net cashflow to movement in net funds	1997 £ million	1996 £ million
Net funds at 1 January	74.6	62.3
Net cashflow before use of liquid resources and financing	(45.7)	6.2
Shares issued	0.7	0.6
Exchange movement	(3.3)	5.5
Net funds at 31 December	26.3	74.6

# Principal subsidiaries, associated undertakings, joint ventures and investments

## Construction

### United Kingdom

#### Laing Construction plc\*

Holding company for Group subsidiaries involved in construction

#### John Laing Construction Limited

Building and civil engineering

#### Laing Management Limited Laing Management (Scotland) Limited

Management of construction projects

#### Holloway White Allom Limited

Building, joinery, decorating, furnishing

#### 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 Venture

60%–75% interests  
Management of construction projects

#### Tarmac/Laing Joint Venture

50% interest  
Civil engineering

#### McAlpine Laing Joint Venture

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

#### Laing Emirates

10,000 shares of 100 dirhams each  
fully paid (49%)  
Building and civil engineering – 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 Venture

50% interest  
Building and civil engineering  
– operating in Turkmenistan and Uzbekistan

#### Øresund Tunnel Contractors Consortium

24% interest  
Civil engineering – operating in Scandinavia

#### Laing Hip Hing Joint Venture

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

### Overseas

#### Laing Holdings Inc

Holding company for US housing subsidiaries

#### John Laing Homes (California) Inc

Private housing – operating in the USA

#### John Laing Homes (Virginia) Inc

Private housing – operating in the USA

## Investments

### United Kingdom

#### John Laing Investments Limited\*

Holding of Group investments

#### Severn River Crossing Plc

(35%)

Toll bridge operator

#### UK Highways M40 Holdings plc

10,000 shares of £1 each fully paid (20%)

Road concession operator

#### 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

76,471 A shares of £1 each fully paid (26%)

1,154,550 Preference shares

of £1 each fully paid

Rail franchise operator

#### Octagon Healthcare Limited

265,000 shares of 1p each fully paid (20%)

Hospital construction and services provider

### Overseas

#### John Laing Investment Pte Limited

Investment in construction projects – operating in Asia

#### Europistas Concesionaria

Española SA (19.9%)

Toll motorway operator – operating in Spain

#### YTL Power International Bhd (0.6%)

Power generation – operating in Malaysia

#### Horizon Energy Investment Limited (5%)

Power generation – operating in Australia

## Property Development

### United Kingdom

#### John Laing Property

Developments Limited\*

Property development

## Group Service Companies

### United Kingdom

#### John Laing Services Limited\*

Management, staff and administrative services for the Group

#### JL Property Holdings Limited

Holding of Group properties

Except where indicated, all companies are wholly owned, 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 Parent Company

# Notice of meeting

Notice is hereby given that the twenty-first Annual General Meeting of John Laing plc will be held in the Main Hall, Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, Hertfordshire on [Thursday 21 May 1998](#) at 2.15 pm:

- 1 to receive and consider the Directors' Report and the Accounts for the year ended 31 December 1997 with the Report of the Auditors thereon
- 2 to declare dividends as recommended on the Ordinary and Ordinary A (non-voting) shares
- 3 to re-elect Directors
- 4 to reappoint KPMG Audit Plc as auditor of the Company at a remuneration to be fixed by the Directors, and
- 5 as special business, to consider and, if thought fit, pass the Resolution set out in the letter dated 27 April 1998 from the Chairman to the Shareholders concerning the disapplication of statutory pre-emption rights on the issue of shares for cash (Resolution 7 – to be proposed as a Special Resolution).

By Order of the Board



[D W Featherstone](#)  
Secretary

[London](#)  
27 April 1998

## Notes

- 1 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast) Members must be entered on the Company's Register of Members at close of business on 19 May 1998. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a Member of the Company. A proxy is not entitled to speak at the Meeting – other than to demand, or to join in a demand for, a poll – and may vote only when a poll is taken. Completion of a form of proxy will not preclude a Member from attending and voting in person. Ordinary A (non-voting) Shareholders are reminded that, under the Articles of Association of the Company ("the Articles"), they are entitled to attend and speak, but not vote, at the Meeting. Holders of 6.4% Convertible Cumulative Preference Shares are reminded that, under the Articles, they are entitled to receive notice of the Meeting but are not, except in the certain circumstances set out in the Articles, entitled to attend, or to speak or to vote at, the Meeting.
- 2 Subject to sanction by the Meeting, the dividends will be paid on 3 July 1998 to Shareholders on the register at close of business on 3 April 1998.

# Five year review

		1997	1996	1995	1994	1993
Turnover	£ million	1,461.4	1,254.9	1,206.4	1,171.7	1,263.9
Profit before taxation	£ million	32.2	24.5	20.1	23.8	18.3
Profit attributable to shareholders	£ million	26.1	18.7	14.8	17.9	14.8
Shareholders' funds	£ million	214.3	198.5	192.3	185.4	179.4
Cash net of borrowings	£ million	26.3	74.6	62.3	72.8	45.8
Profit before taxation as % of						
– turnover	%	2.2	2.0	1.7	2.0	1.4
– shareholders' funds	%	15.0	12.3	10.5	12.8	10.2
Profit before taxation per employee	£	3,707	2,919	2,386	2,808	2,128
Average number of employees						
– staff		4,093	4,065	3,990	4,060	4,300
– operatives		4,593	4,328	4,435	4,415	4,650
– total		8,686	8,393	8,425	8,475	8,950
Earnings per Share	pence	25.7	17.7	13.5	17.0	15.0
Dividends per Share	pence	10.5	9.5	9.0	9.0	9.0
Dividend cover	times	2.4	1.9	1.5	1.9	1.7

# Financial calendar

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## Announcement of results

Half year results – 1998	September 1998
Results for the year – 1998	March 1999

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## Issue of 1998 report and accounts

April 1999

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## Dividend payments

Final – 1997	July 1998
Interim – 1998	November 1998
Final – 1998	July 1999

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## Annual General Meeting

May 1998

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## Principal Bankers

Clydesdale Bank plc  
12 Bank Street  
Carlisle CA3 8HD

National Westminster Bank plc  
Milton Keynes Business Centre  
501 Silbury Boulevard  
Saxon Gate East  
Milton Keynes  
MK9 3ER

Barclays Bank plc  
Edgware Business Centre  
126 Station Road  
Edgware  
Middlesex HA8 7RY

## Auditor

KPMG Audit Plc  
Chartered Accountants  
8 Salisbury Square  
London EC4Y 8BB

## Registrars

Independent Registrars Group plc  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## John Laing plc

Registered No 1345670  
Registered Office  
133 Page Street  
London NW7 2ER  
Telephone 0181 959 3636

