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Chairman's Statement

INTRODUCTION

During the first six months of the current year the Group has continued to make good progress in a number of key areas and the recovery process is well under way. In particular, we have strengthened our balance sheet through a very successful asset disposal programme and significantly reduced our exposure to retained construction liabilities following the sale of Laing Construction.

The Group now consists of a profitable and well managed house building business, Laing Homes, and Laing Investments, one of the UK's largest portfolios of infrastructure investments and operations.

The Board has been strengthened by the appointment of three new independent non executive Directors, and following a review of strategy, the new Board has confirmed the Group's intention to focus on the infrastructure business as the main contributor to future growth.

RESULTS AND DIVIDEND

The Group profit before tax for the six months to 30 June 2002 was £13.5 million (2001 – loss £49.7 million). The turnaround in profitability reflects a sound performance in house building and infrastructure investment and operations, together with the elimination of Construction losses following the sale of that business. An interim dividend of 2.0 pence per Ordinary Share (2001 – 3.3 pence) will be paid, on the enlarged number of shares in issue following last year's rights issue, on 1 November 2002 to shareholders registered at the close of business on 13 September 2002. This is in line with the level of dividend indicated in the Rights Issue Circular dated 27 September 2001.

The Group continues to adopt SSAP 24 for the purpose of pension accounting. This has resulted in a charge of £1.6 million to the profit and loss account in the first half year (2001 – £0.2 million). The triennial actuarial valuation as at 31 March 2002 is nearing completion, following which the Group will review its future policy for pension provision.

LAING HOMES

Our house building business has had a good first half year and has benefited from conditions in the UK housing market where prices have continued to grow, partially fuelled by under-supply. At £22.5 million in the period, profits before interest are slightly below prior year (£23.9 million). This small reduction follows the completion last year of a very large development in South London where margins were exceptionally high. Laing Homes completed the sale of 648 units (2001 – 567) at an average selling price of £241,000 (2001 – £223,000).

The business has once again produced excellent returns on capital employed and has maintained its landbank at around 2 years at current sales levels. The balance between first and second half trading is returning to more normal levels and, together with a very strong forward order book, substantial progress is anticipated in the second half year.

In the USA the Group owns a 22.5% interest in the California based VWL Homes. This business has performed well in the period with profits and margins ahead of prior year.

LAING INVESTMENTS

Our infrastructure investment and operations business has made further strong progress and has an increasing number of projects in the operational phase.

The highlight of the first half year was the granting of a new 20 year Chiltern Railways' franchise to Laing Rail by the Strategic Rail Authority. This is a first in the rail industry and allows the Group to develop the programme of investment which will improve capacity, operating performance and financial returns. In the accommodation sector Laing Investments currently has four projects at the sole bidder stage, and seven further projects, which it is bidding through its wholly owned subsidiary Equion plc, have reached the shortlist stage. In the roads sector, Laing Roads has several bids in progress both in the UK and overseas.

In line with the Group's strategy, bidding activity has increased in the key sectors of Road, Rail and Accommodation and a number of new and strong contractor partnerships have been developed. During the period Laing Investments has significantly strengthened its team of professionals, enhancing its capability to operate within a growing and challenging sector, and to take advantage of opportunities presented.

The investments business has generated a half year profit before interest of £13.6 million. In the first half of 2001 profit before interest was £16.2 million, which included a contribution of £4.8 million from Europistas, subsequently sold at the year end.

Accounting practices in the PFI/PPP sector have come under close scrutiny in recent months. A new accounting guideline, UITF 34, has been introduced in relation to bid costs. In addition the Group's accounting policies have now been harmonised across all Laing Investments' infrastructure projects. The effect of these policy changes is reflected in a restatement of prior year results, which have increased by £0.7 million for the half year and reduced by £5.6 million for the full year. There is no material impact in the current year on profits or cash flow. However, in future years the results will benefit from the release of deferred income.

As we have previously indicated to shareholders, we create value in our infrastructure business not only through long term operational trading profits but also growth in asset values. At 30 June 2002 the Directors' valuation of the Laing Investments portfolio was in excess of £220 million compared with £200 million at 31 December 2001 representing an increase of 10% in the six month period.

CONSTRUCTION

Following the sale of Laing Construction in 2001 the Group has made good progress on reducing the financial risk associated with retained construction liabilities, and the Board believes the provisions already made will prove to be sufficient.

GROUP BALANCE SHEET

The Group's net debt position has been improved significantly during the period. This has largely been achieved through the successful completion of the sale of the remainder of Laing Property in April 2002, which generated net proceeds of £31.4 million, and the balance of Europistas sale proceeds.

Group net recourse debt at 30 June 2002 was £129.0 million, whilst net assets stood at £268.1 million, representing a capital gearing of 48%.

Non-recourse project company net debt of £139.8 million has been consolidated in the Group balance sheet at 30 June 2002 in respect of special purpose companies in which the Group has a controlling interest.

Following the significant improvement in the Group's financial position we have decided to reduce the current onerous cost of debt and have commenced discussions with banks to restructure debt facilities, thereby reducing the cost of borrowing. This process will involve breaking fixed interest debt leading to a one off cost estimated at £18 million on the early repayment of loan notes.

PROSPECTS

The Group has significantly reduced its risk profile, repaired its balance sheet, reduced central costs and has put in place a strategy which we believe will deliver future growth.

Our two businesses, Laing Homes and Laing Investments operated in favourable markets in the first half of the year and we expect conditions to remain broadly positive in the second half.

We believe that house prices will be stable in the second half and the strong forward sales position gives us confidence that Laing Homes will make good progress and continue to prosper.

The PFI/PPP market is set to grow considerably over the coming years both in the UK and overseas, and Laing Investments has the skills, expertise and capacity to achieve greater prominence in this growing sector, and is very well placed to take advantage of opportunities arising. Our existing portfolio will deliver significant earnings growth and capital value enhancement. We have increased our bidding activity and are targeting acquisitions which will add to our longer-term growth prospects.

Given the strengths and capabilities of our businesses the Board is confident that the Group has a sound platform on which to grow profit coupled with growth in underlying assets, and that the recovery demonstrated in the first half will continue for the full year.

W W Forrester

Executive Chairman

2 September 2002

At the Board meeting today the Directors approved the issue of the following consolidated results of the Group for the half year ended 30 June 2002 and statement of affairs as at that date.

Group Profit and Loss Account

| | | First Half 2002 | | | First Half 2001 | Full Year 2001 |
|--|-------|-------------------------|---------------------------|--------------------|------------------------|------------------------|
| | Notes | Continuing £ million | Discontinued £ million | Total £ million | Restated* £ million | Restated* £ million |
| TURNOVER | 3 | 354.0 | 15.4 | 369.4 | 623.5 | 1,389.0 |
| Deduct: | | | | | | |
| Share of joint venture turnover | | (36.1) | (1.1) | (37.2) | (129.7) | (187.6) |
| Share of associate turnover | | (44.9) | – | (44.9) | (9.4) | (111.3) |
| GROUP TURNOVER | | 273.0 | 14.3 | 287.3 | 484.4 | 1,090.1 |
| Continuing | | 273.0 | – | 273.0 | 220.7 | 491.3 |
| Acquisitions | | – | – | – | 14.9 | 53.2 |
| Discontinued | | – | 14.3 | 14.3 | 248.8 | 545.6 |
| Cost of sales | | (227.8) | (9.3) | (237.1) | (482.1) | (1,029.0) |
| GROSS PROFIT | | 45.2 | 5.0 | 50.2 | 2.3 | 61.1 |
| Exceptional cost of reorganisation | | – | – | – | (0.1) | (8.7) |
| Other operating and administrative expenses | | (28.7) | (3.6) | (32.3) | (58.4) | (104.6) |
| Total operating and administrative expenses | | (28.7) | (3.6) | (32.3) | (58.5) | (113.3) |
| Other operating income | | 0.7 | – | 0.7 | 1.3 | 2.9 |
| GROUP OPERATING PROFIT/(LOSS) | | 17.2 | 1.4 | 18.6 | (54.9) | (49.3) |
| Share of operating profit of: | | | | | | |
| Joint ventures | | 9.6 | 0.3 | 9.9 | 12.0 | 18.3 |
| Associates | | 3.5 | – | 3.5 | 0.7 | 8.0 |
| OPERATING PROFIT/(LOSS) INCLUDING JOINT VENTURES AND ASSOCIATES | | 30.3 | 1.7 | 32.0 | (42.2) | (23.0) |
| Continuing | | 30.3 | – | 30.3 | 26.7 | 47.4 |
| Acquisitions | | – | – | – | 13.2 | 24.1 |
| Discontinued | | – | 1.7 | 1.7 | (82.1) | (94.5) |
| Profit on disposal of, and amounts written off investments and other fixed assets | 4 | 0.3 | 0.2 | 0.5 | 0.4 | 51.2 |
| Profit/(loss) on disposal of operations | | – | 1.8 | 1.8 | – | (33.6) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST | 3 | 30.6 | 3.7 | 34.3 | (41.8) | (5.4) |
| Interest receivable: | | | | | | |
| Group | | | | 3.8 | 3.9 | 8.4 |
| Joint ventures | | | | 8.5 | 4.9 | 14.7 |
| Associates | | | | 0.2 | – | 0.1 |
| Total | | | | 12.5 | 8.8 | 23.2 |
| Interest payable: | | | | | | |
| Group | 8 | | | (14.7) | (8.9) | (24.9) |
| Joint ventures | | | | (16.8) | (7.3) | (20.6) |
| Associates | | | | (1.8) | (0.5) | (2.6) |
| Total | | | | (33.3) | (16.7) | (48.1) |
| Net interest | | | | (20.8) | (7.9) | (24.9) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | | | 13.5 | (49.7) | (30.3) |
| Taxation | 5 | | | (4.1) | (0.8) | (12.1) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | | | | 9.4 | (50.5) | (42.4) |
| Minority interests | | | | (0.1) | (0.3) | (0.6) |
| PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS | | | | 9.3 | (50.8) | (43.0) |
| Dividends on equity and non-equity shares | | | | (4.9) | (4.5) | (13.3) |
| RETAINED PROFIT/(LOSS) FOR THE PERIOD | | | | 4.4 | (55.3) | (56.3) |
| Dividends per share | | | | 2.0p | 3.3p | 7.6p |
| Earnings per share – basic | 6 | | | 4.6p | (53.6)p | (38.6)p |
| – diluted | 6 | | | 4.5p | (53.6)p | (38.6)p |

* see note 11.

Group Statement of Total Recognised Gains and Losses

| First Half 2002 Total £ million | First Half 2001 Restated* £ million | Full Year 2001 Restated* £ million |
|--|--|---|
| Profit/(loss) attributable to shareholders | (50.8) | (43.0) |
| Unrealised surpluses on revaluation of properties | – | (0.1) |
| Currency translation differences on foreign currency net investments | (1.0) | (0.5) |
| TOTAL GAINS/(LOSSES) RECOGNISED IN THE PERIOD | 9.8 | (43.6) |
| Prior year adjustment* | (4.7) | |
| TOTAL GAINS RECOGNISED SINCE LAST FINANCIAL STATEMENTS | 5.1 | |

* see note 11.

Group Balance Sheet

| | At 30 June 2002 | At 30 June 2001 Restated* | At 31 December 2001 Restated* |
|--|-----------------------|------------------------------------|--|
| Note | £ million | £ million | £ million |
| ASSETS EMPLOYED | | | |
| FIXED ASSETS | | | |
| Intangible assets | 13.4 | 8.9 | 10.7 |
| Tangible assets | 91.7 | 203.5 | 83.1 |
| Investments | 23.1 | 26.9 | 22.7 |
| Investment in joint ventures: | | | |
| Share of gross assets | 637.8 | 485.6 | 677.2 |
| Share of gross liabilities | (550.5) | (406.1) | (578.5) |
| | 87.3 | 79.5 | 98.7 |
| Investment in associates | 49.5 | 47.6 | 51.7 |
| | 265.0 | 366.4 | 266.9 |
| CURRENT ASSETS | | | |
| Land and developments | 369.4 | 394.8 | 402.2 |
| Stocks and work in progress | 1.4 | 2.9 | 2.6 |
| Debtors – due within one year | 54.2 | 202.1 | 77.8 |
| – due in more than one year | 117.9 | 36.6 | 94.3 |
| | 172.1 | 238.7 | 172.1 |
| Short-term investments | 2.2 | 2.2 | 2.2 |
| Cash at bank and in hand | 49.6 | 55.9 | 33.8 |
| | 594.7 | 694.5 | 612.9 |
| CREDITORS: amounts falling due in less than one year | | | |
| Bank and other loans | 9.9 | 41.3 | 8.5 |
| Other creditors | 188.6 | 448.3 | 193.8 |
| | 198.5 | 489.6 | 202.3 |
| NET CURRENT ASSETS | | | |
| | 396.2 | 204.9 | 410.6 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | 661.2 | 571.3 | 677.5 |
| CREDITORS: amounts falling due after more than one year | | | |
| Bank and other loans | 308.5 | 327.9 | 302.2 |
| Other creditors | 5.2 | 28.7 | 19.5 |
| | 313.7 | 356.6 | 321.7 |
| PROVISION FOR LIABILITIES AND CHARGES | | | |
| | 79.4 | 27.8 | 94.8 |
| | 268.1 | 186.9 | 261.0 |
| FINANCED BY | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 83.2 | 63.8 | 83.1 |
| Share premium account | 81.7 | 26.2 | 81.2 |
| Property revaluation reserve | 0.1 | 4.7 | 3.6 |
| Profit and loss account | 100.2 | 89.9 | 90.1 |
| Other reserves | 2.2 | 1.6 | 2.2 |
| SHAREHOLDERS' FUNDS | | | |
| Equity | 229.3 | 148.1 | 222.1 |
| Non-equity | 38.1 | 38.1 | 38.1 |
| | 267.4 | 186.2 | 260.2 |
| Minority interests – equity | 0.7 | 0.7 | 0.8 |
| | 268.1 | 186.9 | 261.0 |

* see note 11.

Group Cash Flow

| | Notes | First Half 2002 £ million | First Half 2001 Restated† £ million | Full Year 2001 £ million |
|--|-------|---------------------------------|--|--------------------------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 10 | (44.2) | (81.8) | (115.8) |
| DIVIDENDS RECEIVED FROM JOINT VENTURES AND ASSOCIATES | | 4.5 | – | 1.5 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest received | | 3.1 | 4.9 | 8.5 |
| Interest paid | | (12.5) | (8.1) | (26.5) |
| Dividends received | | 0.3 | 0.1 | 1.2 |
| Dividends paid to non-equity shareholders | | (1.3) | (1.3) | (2.5) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (10.4) | (4.4) | (19.3) |
| TAXATION | | | | |
| UK corporation tax (paid)/received | | (0.7) | 2.2 | 2.8 |
| Overseas tax received/(paid) | | 0.6 | (2.4) | (3.5) |
| | | (0.1) | (0.2) | (0.7) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | | |
| Purchase of fixed assets | | (2.1) | (2.8) | (5.9) |
| Increase in Project Finance Companies' fixed assets | | (16.9) | (13.3) | (31.5) |
| Sale of fixed assets | | 8.5 | 1.0 | 1.5 |
| Purchase of investments | | – | – | (4.4) |
| Sale of investments | | 32.1 | 0.1 | 31.4 |
| NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS | | 21.6 | (15.0) | (8.9) |
| ACQUISITIONS AND DISPOSALS | | | | |
| Purchase of subsidiary undertakings | | (1.7) | (79.7) | (105.3) |
| Net overdraft balance acquired with subsidiaries | | – | (132.5) | (132.6) |
| Purchase of interests in and loans to associated undertakings and joint ventures | | (0.4) | (7.7) | (12.2) |
| Sale of Property business (net of expenses) | | 31.4 | – | (1.5) |
| Net cash balance disposed with subsidiaries | | (0.3) | – | 39.0 |
| Sale of interests in and repayment of loans by associated undertakings and joint ventures | | 2.5 | 41.3 | 47.0 |
| Sale of operation | | 2.3 | – | – |
| Net cash balance disposed with business | | (0.4) | – | – |
| Net cash inflow/(outflow) from acquisitions and disposals | | 33.4 | (178.6) | (165.6) |
| EQUITY DIVIDENDS PAID | | (0.1) | – | (11.5) |
| NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING MANAGEMENT OF LIQUID RESOURCES | | 4.7 | (280.0) | (320.3) |
| MANAGEMENT OF LIQUID RESOURCES | | | | |
| Net cash transfer from bank deposits | | (4.3) | 19.2 | 25.4 |
| Net cash flow from management of liquid resources | | (4.3) | 19.2 | 25.4 |
| FINANCING | | | | |
| Issue of ordinary share capital | | 0.6 | 1.0 | 74.9 |
| Increase/(decrease) in bank borrowings falling due within one year | | 3.5 | 26.7 | (12.6) |
| Increase in bank borrowings falling due after more than one year | | 9.1 | 236.1 | 214.0 |
| Net cash inflow from financing | | 13.2 | 263.8 | 276.3 |
| INCREASE/(DECREASE) IN CASH IN THE PERIOD | | 13.6 | 3.0 | (18.6) |

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

Reconciliation of Net Cash Flow to Movement in Net Debt

| | | | | |
|--|---|----------------|---------|---------|
| NET DEBT AT 1 JANUARY | | (276.9) | (30.0) | (30.0) |
| Increase/(decrease) in cash in the period | | 13.6 | 3.0 | (18.6) |
| Net cash flow from management of liquid resources | | 4.3 | (19.2) | (25.4) |
| (Increase)/decrease in bank borrowings falling due within one year | | (3.5) | (26.7) | 12.6 |
| Increase in bank borrowings due in more than one year | | (9.1) | (236.1) | (214.0) |
| Exchange movement | | 2.8 | (4.3) | (1.5) |
| PERIOD END NET DEBT | 7 | (268.8) | (313.3) | (276.9) |

† restated to separately identify purchases of fixed assets in Project Finance Companies.

Notes

- 1 The comparative figures for the financial year ended 31 December 2001 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's Auditors and delivered to the Registrar of Companies. The report of the Auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Figures for the half year ended 30 June 2002 have been reviewed by the Auditors, KPMG Audit Plc; the scope of this review was substantially less than an audit in accordance with Auditing Standards.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the 2001 Annual Report and Accounts, except as described below:

The Group has adopted Financial Reporting Standard 19, 'Deferred Tax'. This has had no material effect on the Group's results and no prior year restatement is necessary.

Following the issue of UITF 34 'Pre-contract costs' in May 2002, the Group has applied this to its portfolio of PFI/PPP projects and its partnership housing business, and restated prior years accordingly.

For consistency across the Group, the prior year results have been restated to reflect the change in presentation from 'fixed asset' to 'finance debtor' in the case of two Project Finance Companies acquired during 2001.

3 SECTOR ANALYSIS

| | First Half 2002 | First Half 2001 | Full Year 2001 |
|--|----------------------------|------------------------|------------------------|
| | £ million | Restated* £ million | Restated* £ million |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST | | | |
| ACTIVITY: | | | |
| Homes | 22.5 | 23.9 | 56.1 |
| Investments | 13.6 | 16.2 | 70.2 |
| Property development | 3.6 | 6.1 | 9.7 |
| Construction | (0.1) | (82.7) | (128.1) |
| Group management/general | (5.3) | (5.3) | (13.3) |
| | 34.3 | (41.8) | (5.4) |
| GEOGRAPHIC AREA: | | | |
| United Kingdom | 30.8 | (40.5) | (62.5) |
| Rest of Europe | 0.8 | 3.3 | 57.2 |
| Middle East | - | (1.7) | (3.7) |
| America | 2.7 | (2.7) | 2.8 |
| Australasia | - | (0.2) | 0.8 |
| | 34.3 | (41.8) | (5.4) |
| Profits/(losses) shown above are stated after charging exceptional costs incurred on the disposal of the Construction Division | - | - | (33.6) |
| TURNOVER | | | |
| Homes | 233.3 | 239.7 | 550.7 |
| Investments | 105.3 | 91.2 | 218.9 |
| Property development | 30.8 | 38.3 | 71.2 |
| Construction | - | 254.3 | 548.2 |
| | 369.4 | 623.5 | 1,389.0 |
| Deduct: | | | |
| Share of joint venture turnover | (37.2) | (129.7) | (187.6) |
| Share of associate turnover | (44.9) | (9.4) | (111.3) |
| | 287.3 | 484.4 | 1,090.1 |
| NET ASSETS** | | | |
| Homes | 336.3 | 317.3 | 308.0 |
| Investments | 269.2 | 292.6 | 261.7 |
| Property development | (10.0) | 35.8 | 39.9 |
| Construction | (42.6) | (128.3) | (55.7) |
| General | (16.0) | (17.2) | (16.0) |
| | 536.9 | 500.2 | 537.9 |

* see note 11.

** net assets exclude cash net of borrowings.

Notes (continued)

4 PROFIT ON DISPOSAL OF, AND AMOUNTS WRITTEN OFF INVESTMENTS AND OTHER FIXED ASSETS

| | First Half 2002 £ million | First Half 2001 £ million | Full Year 2001 £ million |
|--|--|---------------------------------|--------------------------------|
| HOMES | | | |
| Loss on reduction of interest in joint venture | – | (3.5) | (3.5) |
| INVESTMENTS | | | |
| Release/(charge) of impairment provision on the value of investments | 0.5 | (1.1) | (4.8) |
| (Loss)/profit on sale of investments | (0.3) | 4.8 | 56.4 |
| Profit on reduction of interest in joint venture | 0.1 | – | – |
| PROPERTY | | | |
| Profit on sale of properties | 0.2 | 0.2 | 3.1 |
| | 0.5 | 0.4 | 51.2 |

5 TAXATION

| | First Half 2002 £ million | First Half 2001 £ million | Full Year 2001 £ million |
|---------------------------------|--|---------------------------------|--------------------------------|
| The taxation charge comprises: | | | |
| Group UK corporation tax at 30% | (4.1) | (1.6) | (3.0) |
| Overseas tax | (0.3) | (0.3) | (0.3) |
| Deferred tax | 1.2 | 3.4 | (5.6) |
| Associates and joint ventures | (0.9) | (2.3) | (3.2) |
| | (4.1) | (0.8) | (12.1) |

The taxation charge of £4.1 million represents an effective rate of 30% on the profit before tax for the first half of 2002.

6 EARNINGS PER SHARE

Earnings per share have been calculated by reference to 174.9 million basic and 178.4 million diluted shares, these being the average number in issue during the six months to 30 June 2002 (six months to 30 June 2001 – 97.2 million basic, 97.2 million diluted). Convertible preference shares totalling 13.3 million shares have been excluded from the calculation as they are anti-dilutive.

7 NET DEBT

Included in the cash, bank and other loans are non-recourse balances related to Project Finance Companies in which the Group has a controlling interest.

| | First Half 2002 £ million | First Half 2001 £ million | Full Year 2001 £ million |
|---|--|---------------------------------|--------------------------------|
| Recourse: | | | |
| Cash | 33.3 | 52.6 | 25.0 |
| Bank and other loans falling due within one year | (6.4) | (40.3) | (8.5) |
| Bank and other loans falling due after more than one year | (155.9) | (142.3) | (183.9) |
| | (129.0) | (130.0) | (167.4) |
| Non-recourse: | | | |
| Cash | 16.3 | 3.3 | 8.8 |
| Bank and other loans falling due within one year | (3.5) | (1.0) | – |
| Bank and other loans falling due after more than one year | (152.6) | (185.6) | (118.3) |
| | (139.8) | (183.3) | (109.5) |
| Period end net debt | (268.8) | (313.3) | (276.9) |

Notes (continued)

8 INTEREST PAYABLE

Group interest payable of £14.7 million (2001 – £8.9 million) includes floating rate interest payable on bank loans and overdrafts drawn under committed facilities of the Group at a margin of 300 basis points above LIBOR.

Group interest payable also includes fixed rate interest on US\$110.0 million of Senior Loan Notes, at a rate of 11.82% on US\$85.0 million due 2004-2010 and 11.96% on US\$25.0 million due 2008-2012.

The committed bank facilities of the Group mature on 31 August 2004 and the US\$ Loan Notes become repayable on demand from that date. Early repayment of these Notes attracts a substantial repayment premium. If the Notes had been repaid on 30 June 2002, the premium would have been approximately US\$27 million (£18 million). If the Notes are repaid on 31 August 2004, based on current interest rates, the premium is estimated to be US\$18 million (£12 million).

Group interest payable also includes £4.2 million (2001 – £0.8 million) relating to the non-recourse borrowings of Project Finance Companies in which the Group has a controlling interest.

9 PENSIONS

The Group continues to adopt SSAP 24 'Accounting for Pension Costs'. The SSAP 24 pension prepayment and movements in the period are as follows:

| | First Half 2002 £ million | First Half 2001 £ million | Full Year 2001 £ million |
|------------------------|--|---------------------------------|--------------------------------|
| At 1 January | 27.5 | 27.9 | 27.9 |
| Profit and loss charge | (1.6) | (0.2) | (0.4) |
| At end of period | 25.9 | 27.7 | 27.5 |

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

| | First Half 2002 £ million | First Half 2001 £ million | Full Year 2001 £ million |
|---|--|---------------------------------|--------------------------------|
| Group operating profit/(loss) | 18.6 | (54.9) | (49.3) |
| Depreciation and amortisation charges | 2.5 | 10.3 | 13.3 |
| Loss on sale of vehicles, plant and machinery | – | 0.2 | 0.3 |
| Dividends received | (0.7) | (1.3) | (2.9) |
| Decrease/(increase) in stocks | 13.3 | (80.5) | (88.2) |
| Increase in debtors | (36.0) | (3.4) | (106.3) |
| Exchange loss in trading profit | (1.5) | – | (1.1) |
| (Decrease)/increase in creditors | (25.5) | 51.5 | 64.8 |
| (Decrease)/increase in provisions | (14.9) | (3.7) | 53.6 |
| Net cash outflow from operating activities | (44.2) | (81.8) | (115.8) |

Notes (continued)

11 RESTATEMENT OF PRIOR YEAR RESULTS

The Group has complied with UITF 34 'Pre-contract costs' and has changed the accounting policies adopted for bid costs associated with PFI/PPP projects.

The Group has also reviewed the accounting policies adopted by Project Finance Companies acquired during 2001 and has changed the basis of the presentation from 'fixed asset' to 'finance debtor' in the case of two such companies, in order to achieve consistency across all of the Group's investment activities.

The results of prior years have been restated as follows to reflect the combined effect of adopting UITF 34 and the changed basis of presentation referred to above.

| | First Half 2001 £ million | | | Full Year 2001 £ million | | |
|---|--|------------------------------------|-------|--|------------------------------------|--------|
| | Project Finance Companies changed basis of presentation | UITF 34 'Pre-contract costs' | Total | Project Finance Companies changed basis of presentation | UITF 34 'Pre-contract costs' | Total |
| Group turnover | – | (0.6) | (0.6) | – | (5.2) | (5.2) |
| Loss on ordinary activities before interest | (3.0) | (1.0) | (4.0) | (6.7) | (6.3) | (13.0) |
| Net interest | 4.7 | – | 4.7 | 7.4 | – | 7.4 |
| Profit/(loss) on ordinary activities before taxation | 1.7 | (1.0) | 0.7 | 0.7 | (6.3) | (5.6) |
| Fixed asset investments | 1.7 | – | 1.7 | 0.7 | (1.5) | (0.8) |
| Current assets | – | (0.1) | (0.1) | – | (3.9) | (3.9) |
| Net assets | 1.7 | (0.1) | 1.6 | 0.7 | (5.4) | (4.7) |

Independent Review Report

by KPMG Audit Plc to John Laing plc

INTRODUCTION

We have been instructed by the Company to review the financial information set out on pages 4 to 11 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

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

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of Interim financial information issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG Audit Plc

Chartered Accountants

8 Salisbury Square

London EC4Y 8BB

2 September 2002

PLEASE NOTE OUR **NEW** ADDRESS:

JOHN LAING plc

Registered Office:

NATIONS HOUSE,
103 WIGMORE STREET,
LONDON W1U 1RR

Registered No. 1345670

Tel: +44 (0)20 7647 8800

Fax: +44 (0)20 7647 8811

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