1345670

ANNUAL REPORT AND ACCOUNTS 2003

JOHN LAING plc

DRIVING **CHANGE**

ACWS4UCK
A35 0363
COMPANIES HOUSE 17/04/04

CONTENTS

1 Introduction
2 Chairman's Statement
6 Operating Review & Chief Executive's Report
26 Financial Review
34 Corporate Social Responsibility
38 Board of Directors
40 Accounts

FINANCIAL HIGHLIGHTS

	2003	2002 Restated*
Turnover (including joint ventures and associates)	**£481.5m**	£744.9m
Profit/(loss) before taxation	**£21.2m**	£(14.1)m
Shareholders' funds	**£114.0m**	£106.1m
Net cash/(borrowings) – recourse	**£86.8m**	£69.5m
– non-recourse	**£(295.0)m**	£(383.6)m
Earnings/(losses) per share	**3.1p**	(15.8)p
Dividends per share	**3.0p**	6.8p

* restated for changes in accounting policies, refer to note 1.

JOHN LAING HAS CHANGED:

BY DRIVING CHANGE WE HAVE CREATED THE UK'S LEADING LISTED DEVELOPER DEDICATED TO PRIVATELY FINANCED PUBLIC SECTOR INFRASTRUCTURE PROJECTS...

WE NOW DRIVE CHANGE FOR OUR CLIENTS BY DELIVERING NEW INVESTMENT AND BETTER SERVICES THROUGH A WIDE RANGE OF PUBLIC PRIVATE PARTNERSHIPS...

BUT THESE CHANGES, BOTH AT HOME AND ABROAD, ARE BUILT ON VALUES THAT NURTURE LONG-TERM RELATIONSHIPS AND PRIORITISE HIGH QUALITY OUTCOMES...

THIS REPORT EXPLAINS HOW WE HAVE CHANGED, HOW WE WORK WITH OUR PARTNERS, AND HOW WE ARE CREATING NEW VALUE FOR OUR SHAREHOLDERS...

CHAIRMAN'S STATEMENT

W W FORRESTER
EXECUTIVE CHAIRMAN

OUR BUSINESS STRATEGY >

WE HAVE A SINGLE AGENDA

OUR SECTOR FOCUS ON PUBLIC SERVICE ACCOMMODATION, ROADS AND RAIL HAS PROVED TO BE A PLATFORM FOR SIGNIFICANT GROWTH IN ACTIVITY

Last year, I reported that John Laing was making progress after a very difficult period.

I am now extremely pleased to report a return to profitability for the Group and excellent progress in our fast growing infrastructure development, investment and operations businesses.

2003 has been a year of successful implementation following the fundamental review of strategy in 2002. Our programme of disposing of non-core operations is largely complete, and our sector focus on public service accommodation, roads and rail has proved to be a platform for significant growth in activity.

Your Board remains committed to a strategy of delivering sustainable project earnings and cash returns, together with continuing growth in value of the infrastructure assets developed and managed by the Company.

RESULTS

The Group profit before tax for the year ended 31 December 2003 was £21.2 million, compared to a prior year loss of £14.1 million. The figure for the 2002 loss has been restated from a previously reported loss of £18.6 million to reflect a consistent basis of accounting for the expanded PFI portfolio and the adoption of FRS 17 for pension accounting.

The profit before tax attributable to the continuing businesses was £16.7 million compared to a prior year profit before tax for the same businesses of £1.2 million as restated (refer to note 1). This progress reflects the growth in the profitability of the investments portfolio.

DIVIDENDS

As previously stated, the Board intends to align dividends more closely with earnings. Clearly we need to recognise the change in our earnings profile and that shareholders' returns will derive from capital as well as earnings growth.

For the year ended 31 December 2003 the Board is recommending a final dividend of 2.0 pence per Ordinary Share (2002 – 4.8 pence), bringing the total for the year to 3.0 pence per Ordinary Share (2002 – 6.8 pence). Subject to shareholder approval, the final dividend will be paid on 1 June 2004 to shareholders registered at the close of business on 2 April 2004.

DIRECTORS AND EMPLOYEES

During 2002, in line with the re-positioning of the John Laing Group, the Board was strengthened through the appointment of three independent non-executive Directors, Tim Boatman, Paul Meredith and The Baroness Noakes. Subsequently two of the four executive Directors left the Board following the sale of the Property and main UK House Building businesses.

All three independent non-executive Directors appointed in 2002 have made a significant contribution to the business during a period of restructuring, and in particular I would like to thank The Baroness Noakes, who resigned from the Board subsequent to the year end to concentrate on other business interests.

Since the reconstitution of the Board in 2002, there has been a major change in structure and focus of Group activity but there have also been substantial developments in relation to best practice and corporate governance in business, culminating in the new Combined Code issued in July 2003.

The requirements of the new Combined Code are stringent in relation to many matters, including the balance to be maintained between executive and independent non-executive Board representation, and the Group will be moving to ensure complete compliance in this regard. As a consequence, it is the Board's intention to make further appointments during 2004 to bring Board composition into line with both the new Combined Code and the nature of the restructured business.

...THE GROUP'S **CHANGE** IN STRATEGIC DIRECTION HAS CREATED THE UK'S LISTED MARKET LEADER IN PFI/PPP INFRASTRUCTURE PROJECTS THROUGH INNOVATION AND DELIVERING QUALITY SOLUTIONS

CHAIRMAN'S STATEMENT (CONTINUED)

> THE PROFIT BEFORE TAX OF THE CONTINUING BUSINESSES WAS £16.7 MILLION COMPARED TO A PRIOR YEAR RESTATED PROFIT OF £1.2 MILLION

> PURCHASE FROM AMEY PLC OF A PORTFOLIO OF PROJECT INTERESTS PLUS A PIPELINE OF BIDDING OPPORTUNITIES

> JOHN LAING PORTFOLIO INCLUDED 33 PROJECT INTERESTS OF WHICH 22 ARE FULLY OPERATIONAL

> A FURTHER 3 PROJECTS HAVE REACHED FINANCIAL CLOSE DURING JANUARY 2004

> PORTFOLIO VALUATION OF £250.3 MILLION, A 23% GROWTH OVER THE REBASED DECEMBER 2002 VALUATION

After many years' service to the John Laing Group, Sir Martin Laing, former executive Chairman and a current non-executive member of the Board, will step down from the Board with effect from 30 April 2004. The Board has invited Sir Martin to accept the honorary position of President. On behalf of generations of Group staff and Board colleagues, I would like to thank Sir Martin for his wholehearted contribution to the Company over nearly four decades and, in particular, I wish to express my gratitude for the invaluable support he has given to me as his successor over the last two years.

Recent years have thrown up the challenge of major change as the John Laing Group has striven to overcome past difficulties and create a renewed and profitable business. I would like to pay tribute to the enthusiasm and commitment of the many staff who are contributing to improved performance and to the establishment of a soundly based profitable company – a leader in its field with an exciting future.

DISPOSALS

During the year the Group received the final £214.8 million of proceeds from the sale of Laing Homes Limited and divested its interest in three of the four residual housing businesses for a combined profit after costs of £1.2 million and a net cash receipt of £53.9 million.

Subsequent to these transactions the Group's only retained housing interest is its 30% stake in Octagon Developments Limited (net book value of £15.8 million at 31 December 2003), which it intends to divest in due course.

The Group sold its Australian Airport interests during 2003 for a combined profit on disposal of £4.9 million and a cash consideration of £19.4 million, of which £13.2 million was received in 2003 and the remainder at the end of January 2004. The move reflected both John Laing's strategic focus on the accommodation, roads and rail sectors and also a decision to concentrate bid resources on emerging European opportunities.

ACQUISITIONS

The purchase from Amey plc of a portfolio of project interests plus a pipeline of bidding opportunities was completed in March 2003 for £29.1 million in cash and the assumption of £13.8 million in future equity commitments. During 2003 these investments were successfully integrated into the John Laing operating structure and underlying project performance was in line with our expectations. The acquisition was particularly useful in strengthening our position in the UK schools market.

One further acquisition was carried out in 2003 with the £1.8 million purchase of 100% of the equity in the operational Cleveland Firearms Facility. Taken together with the Gravesend Firearms & Public Order Training Facility, the acquisition gives John Laing complete coverage of this PFI sector in the English and Welsh markets, reinforcing a market leading position in the police sector as a whole.

PORTFOLIO REVIEW

After taking these movements into account, the John Laing portfolio at 31 December 2003 included 33 project interests of which 22 are fully operational. A further 3 projects reached financial close during January 2004.

Operational projects are performing well, with the risk transfer inherent in our approach to sourcing construction and service activities proving robust. The value of the portfolio remains heavily weighted towards less risky projects with availability based payment mechanisms. Our most significant exposure to volume risk relates to Chiltern Railways where both passenger revenues and profits grew ahead of expectations during 2003.

A valuation exercise has been conducted in line with the methodology that we have consistently applied since 2000, and the application of that methodology has been independently verified. The results indicate a portfolio valuation of £250.3 million – a 23% growth over the December 2002 valuation after movements in the portfolio are taken into account.

RETAINED LIABILITIES

The Group retained a number of liabilities following the sale of Laing Construction in 2001, relating both to residual construction activity and potential contract disputes. Provision was made in the 2001 accounts for the estimated costs to complete these contracts, which have been successfully managed in the interim. No substantive construction work now remains to be completed and a number of potential disputes have been resolved. Accordingly, the Board has concluded that it is prudent to release £2.6 million to the profit and loss account. The Board is confident that the remaining provision is sufficient to satisfy the Group's commitment in respect of all retained liabilities.

PENSIONS

The FRS 17 post retirement deficit has reduced during the year from £146.8 million to £129.5 million, which further reduces to a net £93.7 million after accounting for the associated deferred tax asset (2002 – £103.8 million). Employer contributions re-commenced from 1 January 2003 and employee contributions have been re-introduced as of January 2004. It remains Group strategy to address the deficit over time, and to this end a schedule of contributions has been agreed with the John Laing Pension Fund Trustees providing for the contribution of an additional £4 million per annum over and above the normal level for the period from 2004 to 2007, at which point we will review the future funding requirements.

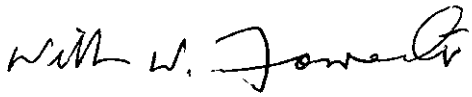
PROSPECTS

Prospects for the infrastructure development, investment and operations business remain excellent. Bidding activity, expanded in 2002, has lead to a significant growth in both preferred bidder positions and the identified pipeline of future opportunities in each of our key sectors.

In July 2003 the UK Government confirmed its intention to continue to utilise PFI in key social infrastructure sectors targeted by the Group, and the latter half of 2003 saw a marked evolution of the UK's secondary market for operational infrastructure assets, which, as it matures further, will allow the Group to release significant value from signed projects.

More broadly, a number of opportunities are now emerging in the European and wider OECD markets where John Laing's specialist development capabilities position it well for pursuing new activity in association with strong local partners.

John Laing is now established as a market leader. The Group is active in sectors where new opportunities are developing apace and where the Board is confident that its established track record and focus on quality will continue to grow and create value for shareholders.



W W Forrester
Chairman
22 March 2004

...THE BOARD IS CONFIDENT THAT THE GROUP'S ESTABLISHED TRACK RECORD AND FOCUS ON QUALITY OUTCOMES WILL CONTINUE TO GROW AND CREATE **VALUE FOR SHAREHOLDERS**

ANDREW FRIEND
CHIEF EXECUTIVE

FOCUS >

WE ARE DEVELOPERS AND OPERATORS OF INFRASTRUCTURE

OUR CORE BUSINESS IS CREATING SHAREHOLDER VALUE AS A FOCUSSED DEVELOPER AND OPERATOR

2003 HIGHLIGHTS

- GROUP PROFIT BEFORE TAXATION OF £21.2 MILLION (2002 LOSS BEFORE TAXATION - £14.1 MILLION)
- 16% GROWTH IN PORTFOLIO VALUATION TO £250.3 MILLION (2002 - £215.3 MILLION)
- CASH FLOW DERIVED FROM PORTFOLIO EXCEEDS COST OF ACQUISITIONS AND EQUITY SUBSCRIPTIONS BY £2.5 MILLION
- PORTFOLIO OF 33 LONG-TERM CONCESSIONS, WITH 22 FULLY OPERATIONAL
- NET BOOK VALUE OF INVESTMENTS OF £149.8 MILLION (2002 - £119.8 MILLION) PLUS FORWARD EQUITY COMMITMENT OF £58.0 MILLION (2002 - £48.0 MILLION)
- CONTINUED STRONG DEVELOPMENT OF PIPELINE WITH 18 PROJECTS AT PREFERRED BIDDER STAGE (2002 - 10) WITH RIGHTS TO COMMIT EQUITY OF £98 MILLION AT YEAR END (2002 - £35 MILLION)
- JOHN LAING PLC NAMED DEVELOPER OF THE YEAR FOR ITS PFI/PPP ACHIEVEMENTS[1]

(1) Infrastructure Journal Awards January 2004. Laing Investments also won PPP Developer of the Year in the same awards for 2002, as did Equion for 2001.

BUSINESS STRATEGY AND OPERATING STRUCTURE

John Laing plc acts as a developer of substantial infrastructure assets utilised in the provision of public services. These assets are privately financed and in general subject to long-term concessions which have a public authority as the counterparty.

Competitiveness in this market is determined by the ability to offer the public sector value for money solutions and, in the UK in particular, increased emphasis is being placed on the credibility and track record of sponsors in delivering high quality operating assets beyond the construction phase.

John Laing is unique among listed companies in that its core business is creating shareholder value through its role as a focussed developer of PFI/PPP projects and operations. As such the company specialises in originating projects, integrating all the financial and technical elements required for their delivery, and managing the investment phase and the subsequent operational risks.

We invest in accommodation, road and rail. In accommodation we focus on health, education, defence, emergency services, local authority and social housing/urban regeneration sectors. As at 31 December 2003, 92% of the portfolio by value is in the UK but other European markets represent an increasing proportion of current business development activity.

Within the contractual arrangements that underpin such projects, John Laing does not bear construction risk, but rather it works with a range of construction partners with strong track records of delivery and the capacity to adequately guarantee construction outcomes.

Similarly, although such projects are typically highly geared (with debt to equity ratios of 9:1 in relation to availability fee based accommodation projects), debt finance raised by special purpose Project Companies is non-recourse to John Laing.

Projected returns from project investments are subject to performance deductions if required service standards are not met, but service related sub-contracts generally provide for such deductions to be passed through to contracted providers. These arrangements are robust and, while the level of performance deductions is in any case very low in successful accommodation projects, there was no instance during 2003 in which performance deductions impacted on projected cash flows to equity in any of our availability based projects.

John Laing assumes such operational risks in limited circumstances on some police and education projects where Equion FM is the appointed sub-contractor. Equion FM's capacity and activity assists the Group to price service inputs more broadly and by creating the option of direct provision contributes to risk mitigation across the portfolio as a whole.

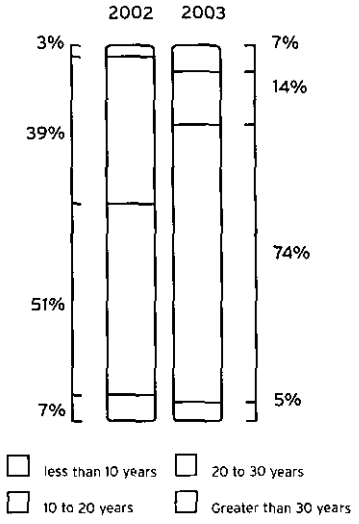
The Group is highly selective in its exposure to volume based payment mechanisms and concessions with a significant degree of patronage risk. The principal case in point is our Chiltern Railways investment where both passenger revenues and profitability developed ahead of expectations during 2003.

The Group's business model places emphasis on rigorous targeting of the most appropriate opportunities and selective partnering to assemble the most suitable response to these opportunities. John Laing adopts active management of projects and the relationships that underpin them in order to both enhance the quality of its partnerships with the public sector and the community, and to preserve and enhance returns on its project investments.

John Laing is a long-term investor, developer and operator of facilities and serviced assets. As such the Group will often take a position of between 50-100% of total equity at financial close and, while it will not generally seek to fully exit from significant operational investments, it may sell down a proportion of its holding in a project once the crucial early phases of risk management and delivery have been successfully completed. In addition it will actively seek to dispose of any non-core interests.

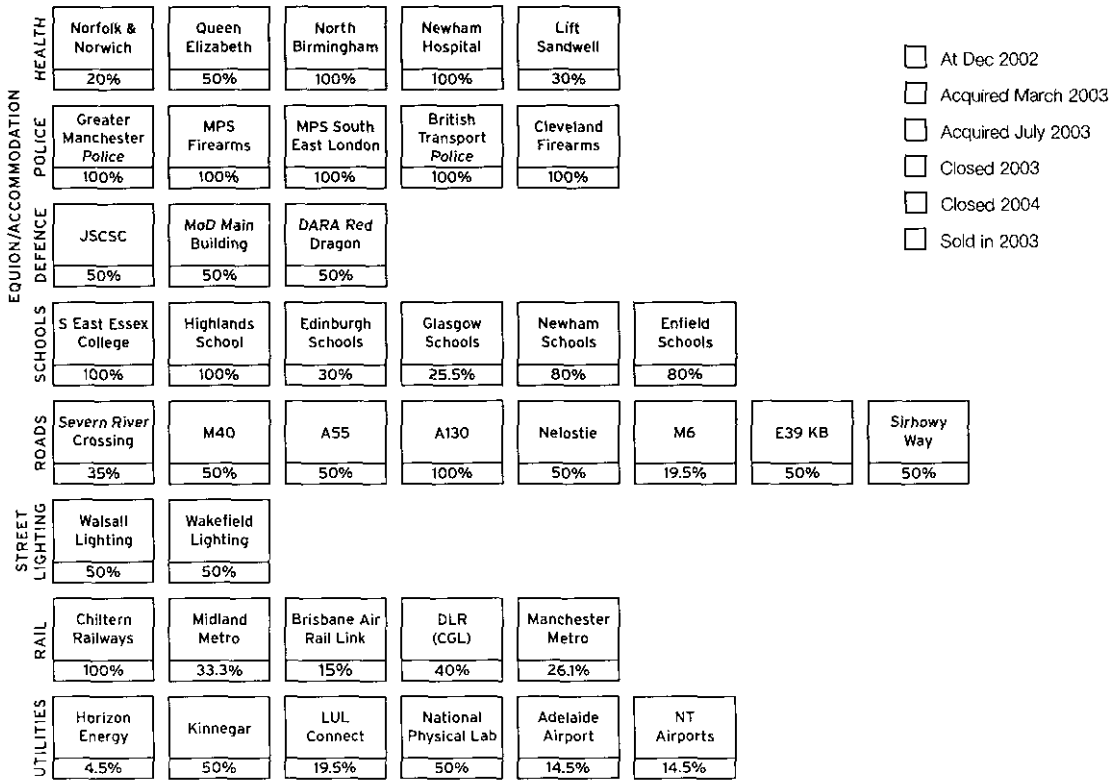
Project delivery, from bidding to the management of operational concessions, is organised through three sector focussed subsidiaries; Equion, Laing Roads and Laing Rail. Equion specialises in accommodation projects.

VALUE BY CONCESSION LIFE REMAINING



INVESTMENT PORTFOLIO >

(AT MARCH 2004)



PORTFOLIO DEVELOPMENT

As at 31 December 2003, the portfolio included 33 project interests, and a further 3 projects reached financial close in January 2004 bringing the current total to 36 (2002 – 25).

Growth in the number of signed projects to date, since 1 January 2003 has arisen as a result of 8 John Laing originated bids reaching financial close and project interests entering the portfolio through acquisition. 4 project interests were sold during the period.[1]

Projects reaching financial close and entering the construction phase during 2003 included the E39 Norwegian road, Newham Schools, Enfield Schools, the DARA Red Dragon aeronautical facility and Wakefield street-lighting. In addition Newham Hospital, Sirhowy Way and the Sandwell Local Investment Financing Trust ('Sandwell LIFT') projects achieved financial close in January of 2004.

The projects acquired during the year have all performed to expectation, both in terms of operational experience and value growth. The 6 new project interests which were acquired from Amey and which remain in the portfolio were integrated into the subsidiary company and overall portfolio management structure, in line with the anticipated timetable. The portfolio acquired from Amey also included an interest in Modus (the Project Company for the MoD Main Building), raising our shareholding of the project from 40% to 50%.

Disposals during the year were undertaken where opportunities arose to exit from under performing legacy projects at above carrying value (National Physical Laboratory, Manchester Metro), or to realise significant premiums from sale of interests in a non-core sector to secondary investors (Adelaide Airport, and Northern Territories Airports). All disposals were achieved at prices in excess of the 2002 portfolio valuation.

As at the end of February 2004, the portfolio included 22 fully operational projects (2002 – 19), 8 part operational projects where construction completion is occurring on a phased basis (2002 – 4), and 6 projects in the construction phase (2002 – 2).

(1) In addition, the A19 interest was both acquired from Amey and disposed of through pre-emption rights during the period.

THE MARKET >

The signature event of the year as regards UK PFI/PPP was the publication by the Treasury in July 2003 of 'PFI: Meeting the Investment Challenge'. This substantial review of the sector explained the Government's perspective on private finance as a whole and was particularly useful in drawing together evidence to date concerning the value for money ('VFM') being obtained by the public sector from PFI. As such it also addressed a series of misconceptions about both the public sector's motivation for utilising private finance and the impact on particular services and the broader public finances.

2003: UK GOVERNMENT REAFFIRMS COMMITMENT TO MAINTENANCE AND IMPROVEMENT OF A SIGNIFICANT PFI/PPP PROCUREMENT PROGRAMME

> EMERGENCE OF BETTER MANAGED, BETTER DEFINED PIPELINES OF OPPORTUNITY BENEFITS SECTOR

> EMERGING DEAL FLOW WELL MATCHED TO JOHN LAING'S SECTOR FOCUS, CAPABILITIES AND SPECIALIST ROLE

> COMPETITION AND INNOVATION DELIVER RECORD LEVELS OF FINANCE TO THE SECTOR

> SECONDARY MARKET FOR PFI EQUITY ATTRACTS GREATER LIQUIDITY AND DELIVERS AN INCREASED NUMBER OF TRANSACTIONS

> CLEAR, BUT UNEVEN, PROGRESS IN DEVELOPMENT OF PPP ACROSS EUROPEAN MARKET

> UK RAIL REVIEW TO CONFIRM ROLE OF PRIVATE OPERATORS AND STRUCTURE OF INDUSTRY AS A PPP, BUT FORESHADOWS NECESSARY ORGANISATIONAL AND REGULATORY IMPROVEMENTS

Key features of the Government's strategic statement included commitments to:

> PURSUE PFI FOR VFM REASONS, NOT 'OFF BALANCE SHEET' FINANCING OR OTHER REASONS

> PROMOTE MORE SOPHISTICATED PROCESSES FOR EVALUATING POTENTIAL VFM ACROSS GOVERNMENT AND ITS AGENCIES

> PLAN FOR 10-15% OF PUBLIC SECTOR CAPITAL INVESTMENT TO BE DELIVERED THROUGH PFI/PPP MECHANISMS ONGOING

> CONTINUE WITH UTILISATION OF PFI IN SECTORS SUCH AS HEALTH AND EDUCATION WHERE SUBSTANTIAL PROGRAMMES OF ACTIVITY ARE REQUIRED

> CEASE USE OF PFI IN AREAS, SUCH AS INFORMATION TECHNOLOGY, WHERE EXPERIENCE SUGGESTS THE MODELS UTILISED TO DATE HAVE NOT WORKED AND TO GENERALLY AVOID SMALL PROJECTS OF £20 MILLION OR LESS WHERE TRANSACTION COSTS MITIGATE AGAINST VFM

> EXPLORE A SIGNIFICANT MEDIUM TERM EXTENSION OF PFI TO SECTORS SUCH AS SOCIAL HOUSING, URBAN REGENERATION AND WASTE

> PLACE EMPHASIS ON OBTAINING QUALITY OUTCOMES FROM PROJECTS PROCURED ON A SUSTAINABLE BASIS

> UTILISE FINANCIAL INNOVATION (SUCH AS CREDIT GUARANTEE FINANCING) TO ENSURE AN OPTIMUM MIX OF DEBT FINANCE WHILE PRESERVING THE CRUCIAL ROLE OF PRIVATE SECTOR EQUITY IN PROJECT DEVELOPMENT, DELIVERY, RISK TAKING AND RISK MANAGEMENT

In parallel with this development of the policy framework, 2003 saw innovation in procurement with various initiatives including the roll out of the LIFT programme (42 area based concessions for local health facilities put to market over 18 months), initial development of framework funding mechanisms for bundled projects, and an initial batching of 3 acute hospitals into a single phased procurement exercise. Innovation in procurement is expected to continue with an aim of increasing its cost-effectiveness and presenting market participants with greater certainty as to the parameters of future deal flow.

The PFI debt market rose from £4.9 billion to £8.2 billion in 2003, with debt for new projects (as opposed to refinancings) rising from £4.4 billion to £6.7 billion.

The volume of bond deals rose markedly to the point where they amounted to over a third of all project financings. However, the reduction in PFI debt margins (accompanied over the six years to 2002 by falling long-term rates, increased bank/bond competition and an increase in the number of debt providers), has now moderated and to some extent reversed. To the extent that banks may deliver higher pricing and potentially adopt a more cautious view of PFI project credit going forward, and that limits to the supply of bond finance may be tested and that it is not in any case universally appropriate, Government innovation to sustain a diversity of funding sources, and trial new structures, should be welcomed.

2003 also saw increased secondary trading of both PFI related debt and equity, an expected development considering that PFI/PPP deals valued in excess of £40 billion have now reached financial close in the UK. A number of vehicles targeting acquisition of equity in operational projects announced commitments or initiated fundraising during the year, with announcements indicating intentions to acquire some £1 billion of PFI equity. Some sponsor sales followed, although a gap between vendor expectations and purchaser yield requirements is evident. This gap is expected to close as the market matures and competition to acquire assets is accompanied by a wider understanding of the attractions of this asset class.

Turning to the market for PFI/PPP in other European jurisdictions, a significant number of opportunities are now emerging and where John Laing's specialist development capabilities position it well for pursuing new opportunities in association with strong local partners. The Group has prioritised selective bidding within the European Union over pursuing further opportunities in Australia. Initial developments in other national markets are focussing on transport related infrastructure, usually roads, with some examples now of Governments making preparatory moves to facilitate PFI-style investment in social infrastructure.

The Secretary of State for Transport announced a review of the structure of the UK Rail sector on 19 January 2004. The review process is targeting improvements in the regulatory environment, reduction of complex interfaces in the rail supply chain, and greater cost efficiencies in order to improve both customer satisfaction and VFM for the taxpayer. These are all issues requiring urgent attention, and both Chiltern Railways and Laing Rail Projects are well placed to take advantage of a successful outcome to the review process.

OUR PEOPLE >

The high calibre and skills mix of our people is the cornerstone of our success. Clarity about the skill sets needed to transform the John Laing Group into a unique player in the PFI/PPP sector has been at the forefront of our strategy and we have been successful in attracting and retaining talented people with the aptitude and desire to grow with the business.

From this skills base we provide the right mix of technical, professional and managerial skills to select and then work alongside the most appropriate joint venture partners and contractors for each project. This mix is crucial to our success in managing projects through the mobilisation and operational phases.

As an employer we seek to continually demonstrate our commitment to developing our employees. Whilst in part this is addressed through formal training and development, and less formal initiatives such as topical lunchtime seminars, we believe the best development opportunities lie in supported experiential learning on bids, live projects and working responsibly with our public and private sector partners. The flexibility that this approach provides in resourcing bids and projects creates a dynamic learning and delivery culture, and one to which our staff respond enthusiastically and with considerable commitment. Furthermore, it enables every one of our employees to know the value and importance of their contribution.

OUR PARTNERS >

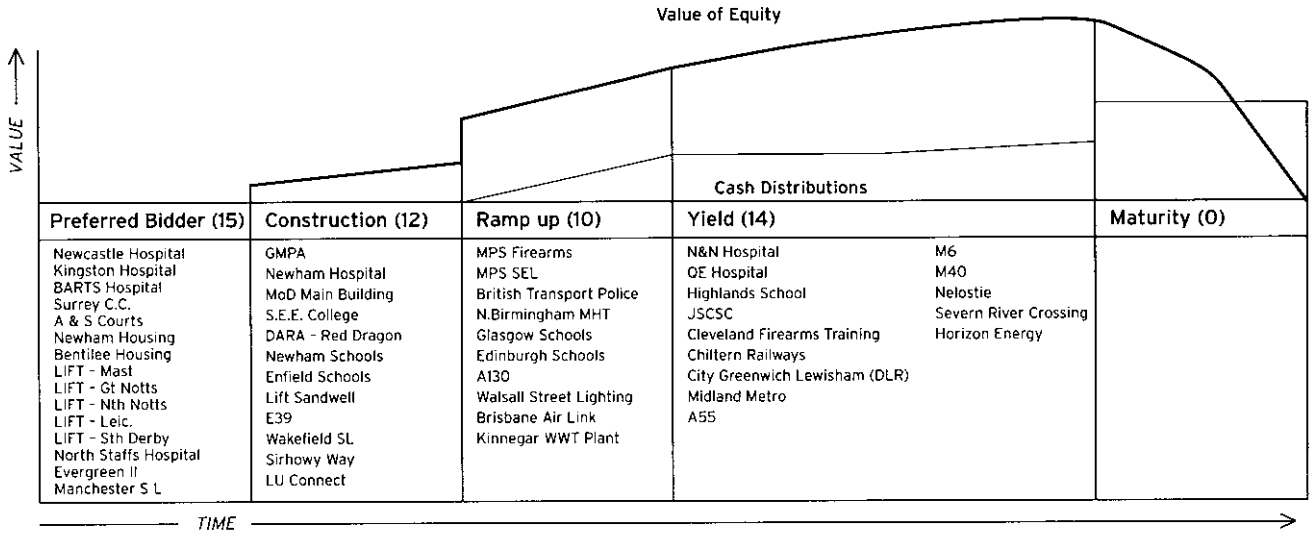
We have built on our own strengths and abilities through forging strong relationships with joint venture partners with whom we co-invest and who bring to the PFI Project Companies their skills of construction, facilities management and financing.

Due to the long-term nature of the PFI projects we select our partners with care paying particular attention to the added value they contribute to the specific projects and sectors in which we join forces.

We work with a broad range of partners and in the past year we reached financial close on projects with Amey, Costain, Laing O'Rourke, Skanska and Wates. We are also currently bidding with Innesfree, Sodexho and Pinnacle and have formed joint ventures with GNER Holdings, Kier and HBOS amongst others.

VALUE CREATION >

(AT 22 MARCH 2004)



REGULAR LOCAL TEAM BRIEFINGS KEEP EMPLOYEES UPDATED ON OVERALL BUSINESS PERFORMANCE AND INITIATIVES GOING ON ACROSS THE GROUP.

OUR PEOPLE

WE CREATE A STIMULATING WORK ENVIRONMENT WHERE EVERY ONE OF OUR EMPLOYEES KNOWS THE VALUE AND IMPORTANCE OF THEIR CONTRIBUTION.

W W FORRESTER, CHAIRMAN SAYS,

"RECENT YEARS HAVE REPEATEDLY THROWN UP THE CHALLENGE OF MAJOR CHANGE AS THE JOHN LAING GROUP HAS STRIVEN TO OVERCOME PAST DIFFICULTIES AND CREATE A RENEWED AND PROFITABLE BUSINESS. 2003 WAS NO EXCEPTION IN THIS REGARD, AND I WOULD LIKE TO PAY TRIBUTE TO THE ENTHUSIASM AND COMMITMENT OF THE MANY STAFF WHO HAVE ASSISTED THE CHANGE AND ARE CONTRIBUTING TO IMPROVED PERFORMANCE ACROSS OUR BUSINESSES."

OUR PEOPLE PROVIDE STRENGTH AND DEPTH IN WIDE RANGING SKILLS DEMONSTRATING IMPRESSIVE ENTHUSIASM AND COMMITMENT TO OUR BUSINESS.

RAIL

Some of our projects

- > PROCUREMENT OF 168-2 ROLLING STOCK
- > EVERGREEN 1
- > CGL
- > MOOR STREET STATION (PHASE 1)
- > AYLESBURY DEPOT
- > PLATFORM EXTENSIONS (NORTH)

PROSPECTS

2003 SAW A SIGNIFICANT DEVELOPMENT OF JOHN LAING'S FORWARD PIPELINE IN EACH OF OUR CORE SECTORS. SUCCESSFUL BIDDING STRATEGIES HAVE BEEN REINFORCED BY THE STRONG AND GROWING REPUTATION OF EQUION, LAING ROADS AND LAING RAIL FOR DELIVERING QUALITY OUTPUTS IN LINE WITH THEIR CONTRACTUAL COMMITMENTS

ROADS

Some of our projects

- > M40
- > E39 (NORWAY)
- > A130
- > SRC
- > M6

ACCOMMODATION

Some of our projects

- MOD MAIN BUILDING
- NORFOLK & NORWICH HOSPITAL
- METROPOLITAN POLICE FIREARMS & PUBLIC ORDER TRAINING FACILITY
- JOINT SERVICES COMMAND AND STAFF COLLEGE
- NEWHAM AND ENFIELD SCHOOLS

BUILDING RELATIONSHIPS

ACCOMMODATION

Financial Highlights

	2003 £ million	2002 Restated* £ million
Turnover	**237.6**	131.4
Profit before taxation	**10.5**	7.8
Net assets	**261.4**	161.0

* restated for changes in accounting policies, refer to note 1.

one strategy... absolute focus

EQUION IS THE JOHN LAING DIVISION SPECIALISING IN INVESTING IN AND MANAGING PROJECT COMPANIES ENTIRELY FOCUSSED ON THE PFI/PPP SERVICED ACCOMMODATION SECTOR. IT CURRENTLY MANAGES A PORTFOLIO OF 19 SIGNED PROJECTS AND HAS A SUBSTANTIAL BID PROGRAMME. IT IS SHORT-LISTED ON 11 PROJECTS AND IS PREFERRED BIDDER ON A FURTHER 13. EQUION'S KEY SECTORS INCLUDE: EDUCATION, HEALTH, DEFENCE, POLICE AND CRIMINAL JUSTICE AS WELL AS NEW MARKETS INCLUDING LIFT, SOCIAL HOUSING AND REGENERATION. IT WORKS CLOSELY WITH CLIENTS TO DEVELOP, FINANCE AND MANAGE NEW, REFURBISHED OR REGENERATED PUBLIC FACILITIES.

2003 Highlights

- PROFIT BEFORE TAXATION OF £10.5 MILLION (2002 - £7.8 MILLION)
- PORTFOLIO OF 19 SIGNED PROJECTS AS AT 22 MARCH 2004 (2002 - 10)
- EXCELLCARE (JOINT VENTURE WITH HALIFAX BANK OF SCOTLAND) REACHED FINANCIAL CLOSE (IN JANUARY 2004) ON THE FIRST OF THE 6 LIFT SCHEMES ON WHICH IT HAS BEEN AWARDED PREFERRED BIDDER STATUS
- REGENTER (JOINT PROJECT WITH UK PACIFIC INVESTMENT MANAGEMENT) FORMED TO TARGET OPPORTUNITIES IN SOCIAL HOUSING AND URBAN REGENERATION SECTORS, AND IS PREFERRED BIDDER ON TWO PROJECTS
- SIGNIFICANT PIPELINE OF 13 PREFERRED BIDDER PROJECTS AS AT 22 MARCH 2004 WITH A CAPITAL VALUE OF £1.8 BILLION
- METROPOLITAN POLICE FIREARMS & PUBLIC ORDER TRAINING FACILITY AND SOUTH EAST LONDON POLICE STATIONS REACHED CONSTRUCTION COMPLETION AND BECAME FULLY OPERATIONAL WITH THE FINAL POLICE STATION BEING COMPLETED IN JANUARY 2004
- REFINANCING OF THE NORFOLK & NORWICH HOSPITAL PROJECT GENERATING A CASH INFLOW OF £18.5 MILLION
- SECURED THE FIRST JOINT AUTHORITY SCHOOLS PROJECT WITH NEWHAM AND ENFIELD LOCAL AUTHORITIES

one aim...

to be a leading developer and investor of road concessions in the UK

LAING ROADS IS THE JOHN LAING DIVISION SPECIALISING IN PFI ROAD AND BRIDGE CONCESSIONS (INCLUDING HIGHWAYS MAINTENANCE AND STREET-LIGHTING PROJECTS). IT MANAGES A PORTFOLIO OF 10 ROADS CONCESSIONS, INCLUDING 8 IN THE UK AND 2 IN THE NORDIC REGION (NORWAY AND FINLAND). IN ADDITION, THE DIVISION ALSO MANAGES INVESTMENTS IN 2 UTILITIES CONCESSIONS IN THE UK.

2003 Highlights

- PROFIT BEFORE TAXATION OF £6.6 MILLION (2002 - £3.9 MILLION)
- PORTFOLIO OF 10 SIGNED PROJECTS AS AT 22 MARCH 2004 (2002 - 5)
- E39 NORWAY WON AND CLOSED IN THE FIRST HALF OF 2003, WITH OUR PARTNER SKANSKA, THE FIRST OF A NEW PFI PROGRAMME IN THAT COUNTRY. THE PROCUREMENT WAS COMPLETED IN RECORD TIME FOR A PILOT PROJECT, SPANNING JUST OVER ONE YEAR
- INVESTMENTS ACQUIRED IN MARCH 2003 AS PART OF A PORTFOLIO OF PROJECTS FROM AMEY PLC (M6 AND WALSALL STREET-LIGHTING) WERE SUCCESSFULLY INTEGRATED INTO THE PORTFOLIO DURING 2003
- ENTRY INTO UK STREET-LIGHTING SECTOR ACHIEVED THROUGH AMEY ACQUISITION AND SUBSEQUENT PROJECTS WITH AMEY HIGHWAYS. THE WAKEFIELD STREET-LIGHTING PROJECT REACHED FINANCIAL CLOSE IN LATE 2003, AND THE MANCHESTER STREET LIGHTING PROJECT IS EXPECTED TO REACH FINANCIAL CLOSE VERY SOON
- COMPLETION OF THE FINAL SECTION OF THE A130 PROJECT IN ESSEX IN THE FIRST HALF OF 2003, THE FIRST LOCAL AUTHORITY PFI ROAD CONCESSION AWARDED IN THE UK. TRAFFIC LEVELS ON THE A130 HAVE GROWN MORE SLOWLY THAN FORECAST TO DATE WHICH REQUIRED THE PROJECT FUNDING TO BE RESTRUCTURED. A REFINANCING WAS SUCCESSFULLY COMPLETED IN JANUARY 2004, PROVIDING A ROBUST LONG-TERM INVESTMENT STRUCTURE FOR THE PROJECT, WHICH REMAINS PROFITABLE
- THE SIRHOWY WAY PROJECT IN WALES WON AND CLOSED IN JANUARY 2004, FOR CAERPHILLY BOROUGH COUNCIL, ANOTHER LOCAL AUTHORITY PFI ROAD CONCESSION IN THE PORTFOLIO

PARTNERSHIPS CONTINUE TO BE DEVELOPED TO PURSUE FUTURE EUROPEAN ROAD OPPORTUNITIES, FOR EXAMPLE IN THE NORDIC REGION, GERMANY AND FRANCE.

ROADS

Financial Highlights

	2003 £ million	2002 Restated* £ million
Turnover	37.3	16.4
Profit before taxation	6.6	3.9
Net assets	126.3	107.3

* restated for changes in accounting policies, refer to note 1.

RAIL

Financial Highlights

	2003 £ million	2002 Restated* £ million
Turnover	**96.6**	87.6
Profit before taxation	**10.1**	0.8
Net assets	**44.3**	32.2

* restated for changes in accounting policies, refer to note 1.

one agenda... customer focus

LAING RAIL WAS FORMED IN 2002 AFTER THE ACQUISITION OF THE REMAINING MINORITY INTERESTS IN M40 TRAINS LIMITED, THE CHILTERN RAILWAYS FRANCHISE HOLDER. CURRENTLY INVESTED IN THE UK ALONE, LAING RAIL HAS EXPERTISE IN BOTH TRAIN OPERATIONS AND INFRASTRUCTURE DELIVERY. THIS IS A UNIQUE COMBINATION IN THE CHANGING LANDSCAPE OF UK RAIL, WHERE THE DISCIPLINES OF PROJECT MANAGEMENT FOCUSSED ON COST CONTROL, VALUE FOR MONEY DELIVERY AND CUSTOMER FOCUS ARE NOW IN DEMAND. LAING RAIL IS NOT CURRENTLY PURSUING TRAM PROJECTS, WHICH HAVE HAD A CHEQUERED COMMERCIAL HISTORY IN THE UK, BUT IS EXAMINING OPTIONS TO EXPAND BOTH ITS OPERATIONAL INTERESTS AND ITS ROLE IN INFRASTRUCTURE ENHANCEMENT, WHERE THE CAPABILITIES THAT ARE CENTRAL TO PFI/PPP PROCUREMENT ARE EQUALLY RELEVANT.

2003 Highlights

- PROFIT BEFORE TAXATION OF £10.1 MILLION (2002 - £0.8 MILLION)
- CHILTERN PASSENGER REVENUES INCREASED 9.4% YEAR-ON-YEAR WITH 90.75% OF TRAINS ON TIME (MOVING ANNUAL AVERAGE)
- IMPLEMENTATION OF CHILTERN FRANCHISE INVESTMENT COMMITMENTS ON SCHEDULE
- CHILTERN RAILWAYS UK NATIONAL #1 FOR OVERALL CUSTOMER SATISFACTION AS MEASURED BY THE STRATEGIC RAIL AUTHORITY
- CHILTERN ALSO WON THE BEST RAIL ROUTE, BEST MEDIUM-SIZED STATION (MARYLEBONE) AND BEST INFRASTRUCTURE PROJECT CATEGORIES AT THE 2003 NATIONAL RAIL AWARDS
- JOHN LAING FORMED THE LONDON & WESTERN RAILWAYS JOINT VENTURE WITH GNER HOLDINGS IN ORDER TO TARGET THE GREATER WESTERN FRANCHISE; THIS VENTURE BRINGS TOGETHER EXPERTISE IN BOTH INTERCITY, LOCAL AND REGIONAL SERVICES AND TWO OF THE MOST CONSISTENTLY SUCCESSFUL UK RAIL COMPANIES
- THE VALUE OF JOHN LAING'S INVESTMENT IN THE CITY GREENWICH LEWISHAM LINK OF THE DOCKLAND'S LIGHT RAILWAY WAS SUBSTANTIATED IN LATE 2003 THROUGH MOWLEM'S SUCCESSFUL DISPOSAL OF ITS EQUITY INTEREST TO INFRASTRUCTURE INVESTORS L.P., AN EMERGING SECONDARY FUND JOINTLY MANAGED BY SUBSIDIARIES OF BARCLAYS AND SOCIÉTÉ GÉNÉRALE

PORTFOLIO VALUATION >

An internal valuation of the John Laing portfolio has been carried out on a consistent basis for each 6 month period since June 2000. The exercise does not seek to establish the market value of the assets in the portfolio – but does illustrate movements in value between periods, and the impact of intervening transactions, through the application of a consistent methodology.

METHODOLOGY

The valuation process is based on one of 4 methods to establish a value for each of the projects in the portfolio:

- in the majority of projects discounted cash flow analysis ('DCF') is applied to the future forecast cash flows to which John Laing as shareholder, or holder of subordinated debt, is entitled

  The exceptions to this can be:

- where investments are listed, the closing price at the period end date is used ('market value')
- where a current independent third party value is available, usually because of a recent transaction, it is used ('third party valuation')
- where, in the case of two investments, there are no long-term financial forecasts available, or where the asset has been written down to zero, current book value is used ('book value')

DCF was utilised in 30 of the 33 projects for the 31 December 2003 valuation. In this exercise the detailed financial models, approved and updated at Project Company level in line with operational experience and lenders' requirements, are scrutinised to determine forecast future cash flows to John Laing. A post-tax DCF analysis was then applied, with any flows resulting from interest bearing loan notes taxed at a notional 30%.

No value is ascribed to any proposed extensions of project scope since, whilst their scale may be known and they may be projected to yield substantial additional future cash flows, they are not contractually certain. Similarly, no value is derived from planned refinancing, which although projected as creating additional value through accelerating cash release from projects, have yet to reach financial close. No value is ascribed to preferred bidder positions.

The discount rate utilised is arrived at by adding risk premia of 2%, 4% and 6% to a base 7.5% depending on the distribution of project cash flows between the construction phase, ramp up (two years from the start of operations) and subsequent operations. Additional risk premia will be added if the future performance of the project is subject to particular uncertainties, in relation to a payment mechanism incorporating significant volume risk or other unusual risks.

For those investments valued by DCF the weighted average annual discount rate in the 2003 valuation is 10.8% (2002 – 10.5%). The marginal increase in the average discount rate reflects in the main the inclusion of early stage

Movements in the portfolio valuation are set out below:

CHANGES IN VALUATION

	Portfolio valuation December 2002 £ million	Acquisitions £ million	Disposals £ million	Equity & loan note subscriptions £ million	Refinancing and distributions £ million	Rebased Dec 2002 value at Dec 2003 £ million	Growth on rebased valuation £ million	Portfolio valuation December 2003 £ million	Growth on rebased valuation
PORTFOLIO									
Accommodation	75.3	22.8	(0.8)	5.7	(24.8)	78.2	34.6	112.8	44%
Roads	51.6	9.3	(2.3)	1.7	(2.8)	57.5	2.2	59.7	4%
Rail	66.8	–	(1.1)	–	(6.1)	59.6	4.7	64.3	8%
Utilities & Airports	21.6	–	(12.8)	–	(0.5)	8.3	5.2	13.5	63%
TOTAL	**215.3**	**32.1**	**(17.0)**	**7.4**	**(34.2)**	**203.6**	**46.7**	**250.3**	**23%**

2003 VALUATION RESULTS

> AT 31 DECEMBER 2003 THE PORTFOLIO VALUATION IS £250.3 MILLION, AS AGAINST £215.3 MILLION AT 31 DECEMBER 2002, WITH THE 2003 TOTAL REPRESENTING A 16% GROWTH OVER 2002

> THE INCREASE IN THE VALUATION AROSE IN ADDITION TO THE FACT THAT NET CASH FLOW DERIVED FROM THE PORTFOLIO AS A RESULT OF DISTRIBUTIONS AND SALE PROCEEDS EXCEEDED THE CASH IMPACT OF ACQUISITIONS AND EQUITY SUBSCRIPTIONS BY £2.5 MILLION

> AFTER REBASING TO TAKE THESE CASH FLOWS INTO ACCOUNT THE PORTFOLIO VALUATION REFLECTS UNDERLYING GROWTH OF 23% OR £46.7 MILLION ON A REBASED 31 DECEMBER 2002 VALUATION OF £203.6 MILLION

> THE 7 PROJECTS (AND ONE PREFERRED BID) ACQUIRED FROM AMEY AND REMAINING IN THE PORTFOLIO AT YEAR END ALSO EXHIBIT VALUE GROWTH OF 20% OVER THE FAIR VALUE ASCRIBED TO THE ASSETS ACQUIRED (THE EIGHTH PROJECT, THE A19, WAS SOLD AT FAIR VALUE UNDER PRE-EMPTION PROVISIONS SHORTLY AFTER ACQUISITION); OVERALL THE VALUE OF THIS ACQUISITION HAS INCREASED IN LINE WITH EXPECTATIONS AND THE INCREASE IN VALUE FOR THE PORTFOLIO AS A WHOLE

> AT 31 DECEMBER 2003, 55% OF THE TOTAL VALUATION RELATES TO AVAILABILITY BASED PAYMENT STREAMS (2002 - 48%), 20% TO ROAD PROJECT SHADOW TOLLS (2002 - 19%) AND 23% TO VOLUME RELATED REVENUE STREAMS (2002 - 26%)

projects that were either acquired or reached financial close during the year. Projected Chiltern base case shareholder cashflows are discounted at 15% (2002 – 15%).

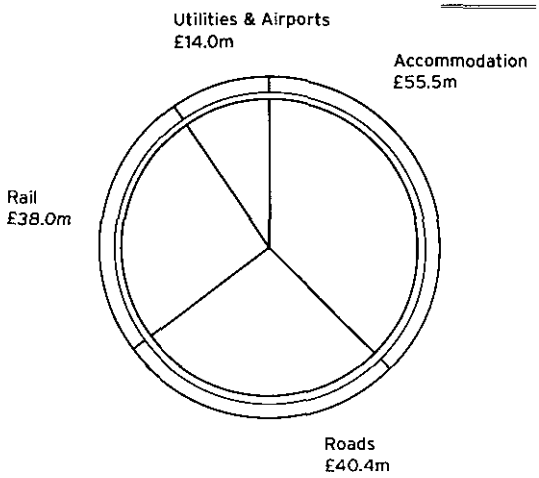
In two cases, Horizon Energy and the Second Severn River Crossing ('SRC') debenture stock, market valuation as at 31 December 2003 has been used for the current exercise. The remaining SRC equity interest has been valued on a DCF basis. In a further two cases, both fully written down, a book valuation has been used. As before, these are the Brisbane Air Rail Link project, acquired as part of the Hyder Investments transaction in 2001, and the Midland Metro, where patronage has not met expectations. The total on page 22 ascribes no value to the equity interests in these projects.

Included in the valuation as at 31 December 2003 is the cash receivable of £6.3 million on Northern Territories Airports ('NTA') and £3.6 million receivable on Modus, both interests were contractually sold prior to the year end and in the case of NTA, the cash was received in January 2004.

As in 2002, the calculations underpinning the 2003 valuation have been validated by Ernst & Young LLP in line with a brief requiring them to ensure that the financial analysis used to generate the valuation is both accurate and in accordance with the adopted methodology. Ernst & Young LLP have not reviewed each of the financial forecasts approved at Project Company level by the relevant Project Company entities.

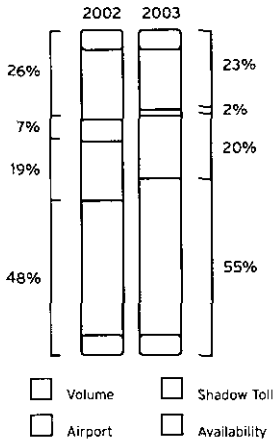
Net assets employed after deducting project specific finance for the projects valued in each of the sub-sectors at 31 December 2003 were:

	2003 £ million
Accommodation	**55.5**
Roads	**40.4**
Rail	**38.0**
Utilities & Airports	**14.0**
	147.9

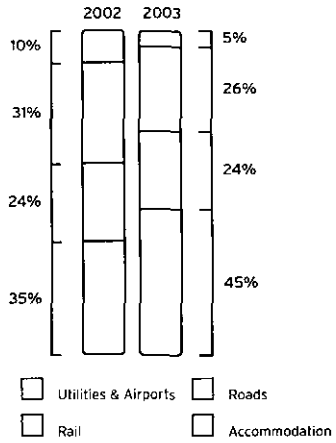


AT DECEMBER 2003 THE PORTFOLIO VALUATION IS £250.3 MILLION WHICH IS A 16% GROWTH OVER 2002

VALUE BY PAYMENT TYPE



VALUE BY SECTOR



Cash movements related to acquisitions include the project investments covered by the Amey transaction and the purchase of 100% of the equity in the Cleveland Firearms Training Facility.

Cash movements from disposals relate to the sale of equity in the National Physical Laboratory, the A19 road subsequent to its acquisition from Amey, the Manchester Metro project, and the sale of Adelaide Airport.

Equity and loan note subscriptions relate principally to injection of shareholder funds into projects during or at the end of the construction phase.

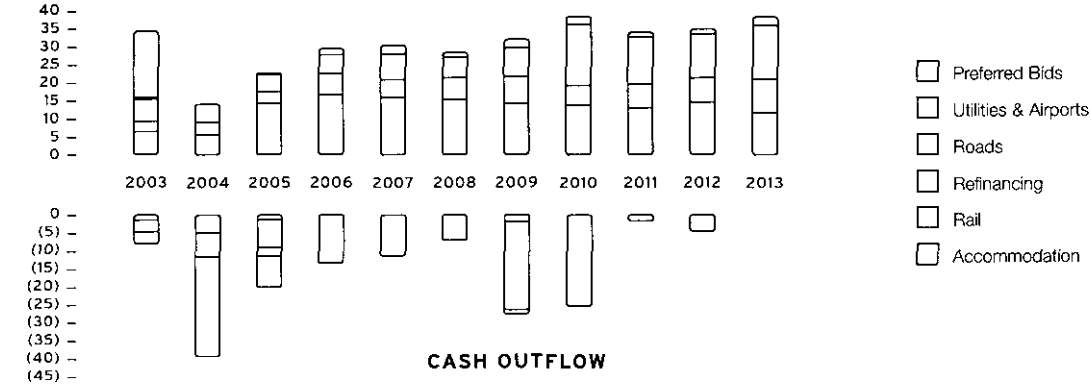
Refinancing proceeds and distributions include investment receipts from yielding projects, whether dividend distributions, loan repayments or interest received, and cash distributions accelerated as a result of refinancing at the project level. The total includes £18.5 million derived from the refinancing of the Norfolk & Norwich Hospital project in December 2003.

On a sectoral level, the Accommodation sector exhibited a 50% growth year-on-year in value and accounts for 45% of the portfolio total (2002 – 35%). This in part reflects the value of the assets acquired and projects closed during the year, and also a change in accounting policy related to Modus at Project Company level from a fixed asset to finance debtor basis. This has the effect of accelerating cash flow to equity by releasing previously trapped cash and brings the accounting policy adopted by the Project Company into line with the Group accounting policy.

The Roads sector valuation increased by 16% and accounts for 24% of the portfolio total (2002 – 24%). Within this a reduction in the value ascribed to the A130 due to lower than forecast traffic growth was offset by a range of factors including acquisition of the M6 project, financial close being achieved on the E39 Norway project and strong traffic and revenue growth on the Nelostie shadow toll road.

The Rail sector valuation gross total decreased by 4% and accounts for 26% of the portfolio total (2002 – 31%). This overall movement reflects the sale of the Manchester Metro interest, significant distributions during 2003 and revised projections for the CGL investment.

CASH INFLOW



CASH OUTFLOW

Excludes acquisitions, disposals, bid costs and overheads

The Chiltern investment accounts for 72% of the sectoral total and increased in value by 17%.

The Utilities & Airports sector valuation gross total decreased by 38% reflecting the disposal of Adelaide Airport and accounted for 5% of the total portfolio by value at 31 December 2003, prior to the receipt of cash related to the sale of the Northern Territories Airport project interest. Both Airport sales were achieved at a significant premium over the net book values, which had been used as the basis for valuation in December 2002 due to significant uncertainties over projected future revenues. After rebasing for the effect of the £12.8 million of cash received as a result of the Adelaide sale and distributions received during 2003, the portfolio valuation for this sector reflects an underlying increase of 63%.

DCF valuation underpins 98% of the total portfolio valuation of £250.3 million.

PROSPECTS >

2003 saw a significant development of John Laing's forward pipeline in each of our core sectors. Successful bidding strategies have been reinforced by the strong and growing reputation of Equion, Laing Roads and Laing Rail for delivering quality outputs in line with their contractual commitments.

Our investment in bids was particularly successful during the second half of 2003 when the impact of earlier decisions to expand bid resources fed through. A total of 17 bids on which the Group was previously short-listed were decided during this period, with preferred bidder status achieved on 9 of these projects (for a total of 18 preferred bidder positions at 31 December 2003). These new preferred bidder projects have an estimated combined capital value of £2.0 billion and, in aggregate, John Laing expects to provide 54% of the equity required in these projects.

The Group expects ExcellCare to reach financial close on a further 5 LIFT schemes during 2004 and, through Equion, on a further 4 UK hospital investments during 2004-5. Given announced Government plans, the health sector is expected to remain a major focus for Equion, with an expanded programme of schools bidding also increasing in importance. In Roads, we expect to progress bidding a number of opportunities elsewhere in the European region during 2004. Within Rail, financial close on schemes to deliver further track and facility improvements for Chiltern is forecast for 2004 and, depending on SRA confirmation of its franchising timetable, we expect London & Western Railways to *initiate bid activity in relation to the proposed Greater* Western franchise.

2003 saw development of significant liquidity in the UK's secondary market for operational infrastructure assets, and this trend is expected to continue in 2004 and beyond. While the market is expected to take some time to mature, it will in due course allow the Group to release significant value from operational projects. The number of fully operational projects is expected to increase during 2004 as projects currently under construction reach completion. Particularly significant in this regard will be the completion of the MoD Main Building project forecast for the second half of 2004.

Having implemented the transformation of the Group during 2003, we enter 2004 with confidence in the outlook for our core investments business. The prospects for all our markets in PFI/PPP investment are strong and the high quality of our existing portfolio supports our bidding for new projects.

A Friend
Chief Executive
22 March 2004

The long-term cash flows analysed as part of the DCF analysis are shown below:

ESTIMATED FUTURE CASH FLOW TO JOHN LAING AFTER ALL TAXES (£ MILLION)

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Accommodation	(18.8)	4.5	16.6	15.9	15.3	14.1	13.8	13.2	12.2	11.7	13.9	13.5	14.0	11.1
Roads	(3.3)	0.9	5.8	5.0	6.0	6.3	5.4	6.5	6.8	9.2	14.6	5.5	12.1	5.8
Rail	5.0	4.5	5.3	7.2	5.8	8.1	17.1	13.2	14.5	15.0	12.6	13.9	15.8	16.9
Utilities & Airports	6.3	(7.3)	2.0	2.4	1.7	1.8	1.9	2.1	2.3	2.5	1.8	2.4	2.2	2.1
TOTAL	**(10.8)**	**2.6**	**29.7**	**30.5**	**28.8**	**30.3**	**38.2**	**35.0**	**35.8**	**38.4**	**42.9**	**35.3**	**44.1**	**35.9**

YEAR	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Accommodation	11.0	13.7	13.5	13.8	14.7	14.9	16.8	17.8	24.3	35.4	36.2	66.9	21.8	7.9
Roads	8.2	5.7	3.3	3.3	7.5	9.8	15.2	17.0	25.7	14.7	7.8	8.8	3.9	0.4
Rail	17.2	18.4	18.5	7.3	5.3	–	–	–	–	–		–	–	–
Utilities & Airports	6.2	3.7	3.7	0.3	0.1	0.3	0.2	–	–		–	–	–	–
TOTAL	**42.6**	**41.5**	**39.0**	**24.7**	**27.6**	**25.0**	**32.2**	**34.8**	**50.0**	**50.1**	**44.0**	**75.7**	**25.7**	**8.3**

Excludes bid costs and overheads, and includes in 2004 cash inflows relating to 2 project interests contractually sold in 2003.

ADRIAN EWER
FINANCE DIRECTOR

THE GROUP >

HAS REPORTED A PROFIT BEFORE TAXATION OF £21.2 MILLION FOR THE YEAR ENDED 31 DECEMBER 2003

RETURN TO PROFITABILITY FOLLOWING 2 YEARS OF MANAGING CHANGE

The Group profit before tax for the year ended 31 December 2003 was £21.2 million (2002 – loss £14.1 million restated, refer to note 1). The profit before tax attributable to the continuing businesses for 2003 was £16.7 million (2002 – £1.2 million as restated, refer to note 1) as shown in the profit and loss summary on page 28. This turnaround in performance underlines the growth in profitability of our Investment portfolio. Considerable progress was made during the year on divesting the residual housing businesses and now the only remaining non-core activity is the 30% interest in Octagon Developments Limited. Net Group funds at 31 December 2003 were £86.8 million (2002 – £69.5 million) excluding non-recourse borrowings.

ACCOUNTING POLICIES

The application of appropriate accounting policies in the PFI/PPP sector has been evolving in recent years. In 2002 we adopted UITF 34 in respect of 'Pre contract costs' and restated the results of accommodation projects so as to achieve consistency of accounting across the whole of our accommodation project portfolio. In March 2003 we acquired a portfolio of PFI assets from Amey plc. We have brought the accounting policies on the accommodation assets acquired from Amey into line with John Laing policies. Following the Amey portfolio acquisition we have reviewed the accounting policies on all of our transport projects and have restated prior year results to reflect the consistent policies that we are now adopting. We had 33 PFI/PPP projects at 31 December 2003 (2002 – 25 projects). Of these, 12 are consolidated as subsidiaries and 18 are gross equity accounted as joint ventures. We adopt investment accounting at cost for the other 3 projects, where we neither exercise control nor exercise significant influence, which have a combined net book value of £0.5 million. The bases on which revenues are earned and the asset recognition policies adopted in the Group accounts are as follows:

...ACCOUNTING FOR PFI HAS EVOLVED ACROSS THE WHOLE SECTOR, WE HAVE **CLEAR AND CONSISTENT** POLICIES THROUGHOUT OUR PORTFOLIO

Project type	Revenue basis	Number	Asset recognition	* Net Assets Employed At 31 December 2003 £ million
Accommodation	Availability fee	17	Finance debtor	55.5
Roads	Shadow toll/availability	6	Finance debtor	38.4
Bridge	Real toll	1	Finance debtor	1.6
Heavy rail	Farebox	1	Fixed asset	24.2
Light rail	Availability fee	1	Finance debtor	13.8
Street-lighting	Performance	2	Long-term contract	0.4
Utilities	Output	1	Fixed asset	0.7
	Availability/output	1	Finance debtor	6.5

* Net assets employed are shown after deducting the Group's share of project specific net debt. The table does not include the £6.3 million debtor in respect of Northern Territories Airports or £0.5 million in respect of Horizon Energy.

The different accounting treatments for each of the above asset recognition policies are explained in accounting policy (O).

As previously announced and reflected in our interim results for 2003, we have changed the basis for post retirement benefit accounting and adopted FRS 17, 'Retirement Benefits'. This has resulted in a net deficit of £93.7 million (2002 – £103.8 million) being introduced to the Group balance sheet.

The restatement of 2002 comparatives resulting from these changes to accounting policies is explained in note 1. All comparative results set out in this review have been restated.

The implementation of International Financial Reporting Standards in 2005 is unlikely to result in material changes to the Group results if they remain as currently drafted. There will, however, be significant changes to the presentation format and disclosures. The Directors believe that finance debtor accounting is appropriate for the majority of PFI projects, where there is limited demand risk and limited exposure to residual property values. We urge the international standard setters to follow the UK's lead in accounting for PFI projects.

PROFIT AND LOSS SUMMARY

The profit before tax shown against each of the operating divisions includes interest payable on non-recourse project finance and interest receivable on finance debtors recognised by PFI/PPP Project Companies. There are very significant differences in the presentation of results between those projects that adopt finance debtor accounting, on which major maintenance costs are added to the finance debtor when incurred, and those that adopt fixed asset accounting. The most appropriate measure of performance is to compare results after charging or crediting all project related interest. As shown in the table below, all sectors of the core business achieved significant growth in profit before tax in 2003.

The growth in profit before tax of accommodation projects reflects the increasing number of investments achieving operational status and therefore generating revenue. All operational accommodation projects are profitable. The Norfolk & Norwich Hospital project was refinanced in December 2003, upon which a charge to the profit and loss account of £0.7 million was recognised in terms of debt issue costs.

The results of Laing Roads show steady growth. No new roads entered the operational phase in 2003. Traffic volumes on the A130 PFI road project are significantly below the base case forecast for the first full year of operation. As a result, the profitability of the A130 has reduced from our initial expectations and it has been appropriate to refinance the project. The results shown above include the writing off of £1.5 million of debt issue costs on the refinancing. All operational roads are profitable, including the A130, before allowing for the cost of refinancing.

The principal contribution to Rail profits comes from Chiltern Railways where passenger revenues grew by 9.4% in 2003. The Group has sold its interest in Manchester Metro at a profit of £1.0 million and has withdrawn from future involvement in Midland Metro. In the latter case this resulted in a reversal of £1.1 million of losses recognised in prior periods. The Group has no further funding obligations with regard to this project.

The profit reported in Utilities & Airports stems principally from the sale of our minority interests in Adelaide Airport and the Northern Territories Airports in Australia which totalled £4.9 million.

The Group is now focussed on the development, investment and operating phases of PFI/PPP projects. It is part of the Group's strategy to create capital growth in the value of its portfolio by holding and managing assets throughout construction and the early stages of operation. Thereafter, the Group will seek to realise a portion of the value growth through refinancing or selective disposal. The profit and loss summary shown above includes £7.1 million of profit from the sale of, and revaluation of, investments, operations and other fixed assets within our continuing businesses (2002 – £2.8 million).

PROFIT AND LOSS SUMMARY

	2003			2002
	Turnover £ million	Profit before interest £ million	Profit before tax £ million	Restated Profit before tax £ million
CONTINUING BUSINESSES				
Accommodation	237.6	6.6	10.5	7.8
Roads	37.3	5.5	6.6	3.9
Rail	96.6	10.1	10.1	0.8
Utilities & Airports	4.7	6.6	6.2	1.3
Bidding activity and Group costs (net of deferred revenue release)	5.6	(13.4)	(17.0)	(15.4)
Core continuing businesses	381.8	15.4	16.4	(1.6)
Remaining Homes and Property businesses	29.1	2.1	0.3	2.8
	410.9	17.5	16.7	1.2
DISCONTINUED BUSINESSES				
Construction – sold 2001	–	1.8	2.7	1.1
Homes – sold 2002	70.6	1.5	–	14.8
Property – sold 2002	–	1.5	1.8	6.8
Exceptional refinancing costs and Group interest charge	–	–	–	(38.0)
	70.6	4.8	4.5	(15.3)
TOTAL	481.5	22.3	21.2	(14.1)

PROFIT/(LOSS) ON DISPOSAL OF, AND AMOUNTS WRITTEN OFF INVESTMENTS, OPERATIONS AND OTHER FIXED ASSETS WITHIN THE CONTINUING BUSINESSES

During 2003 the Group sold its interest in Australian Airports. Only 2 Australian investments are now held, having a net book value of £0.5 million (2002 – 4 investments with a net book value of £14.7 million). One of the remaining investments is a 5% interest in Horizon Energy Investment Limited in respect of which the market value has declined by £0.1 million. The sale of our interest in Manchester Metro realised a profit of £1.0 million and the

PROFIT/(LOSS) ON DISPOSAL OF, AND AMOUNTS WRITTEN OFF INVESTMENTS, OPERATIONS AND OTHER FIXED ASSETS WITHIN THE CONTINUING BUSINESSES		
	2003 Profit before interest and tax £ million	2002 Profit before interest and tax £ million
ACCOMMODATION		
Sale of investments	**0.4**	–
Impairment in value of investments	**–**	(0.2)
ROADS		
Sale of service company	**0.7**	(0.3)
RAIL		
Sale of investments	**1.0**	–
Release of provision	**–**	2.8
UTILITIES & AIRPORTS		
Sale of investments	**5.1**	1.2
Impairment in value of investments	**(0.1)**	(0.7)
TOTAL	**7.1**	2.8

sale of our interest in the National Physical Laboratory realised a profit of £0.4 million. Following the purchase of a portfolio of 8 projects from Amey, an existing consortium member exercised its pre-emption rights over the A19 road project. This was subsequently sold at no profit or loss.

DISCONTINUING BUSINESSES

Homes

During the year the Group sold its interest in 3 of the residual housing businesses.

- On 1 May 2003 the Group sold its 100% interest in Beechcroft Developments Limited, the retirement housing business, for a cash consideration of £34.0 million, including £29.0 million on the repayment of intercompany loans, and at a profit of £0.1 million after costs. During the four months of trading prior to the sale, Beechcroft Developments Limited incurred losses before interest and tax of £2.2 million.
- On 1 July 2003 the Group sold its 22.5% interest in WL Homes LLC, the US house builder, for net cash consideration of £24.1 million and at a profit of £0.8 million after costs.
- On 24 September 2003 the Group sold its 100% interest in John Laing Partnership Limited for £16.4 million. The divested company had cash balances and intercompany loans receivable of £19.7 million at the time of disposal, resulting in a net cash outflow on disposal of £3.3 million and a profit on sale of £0.3 million after costs.

The single remaining house building business, Octagon Developments Limited, in which the Group holds a 30% interest at a net book value of £15.8 million, will be divested in due course. The company operates in the South East of England as a niche house builder at the high value end of the housing market.

On 1 November 2002 the Group sold its interest in Laing Homes Limited to George Wimpey Plc. The sale consideration totalled £295.2 million of which £30.0 million was paid on completion and a further £50.0 million on 31 December 2002. The remaining balance of £215.2 million has all been received in 2003.

Property

On 12 April 2002 the Group sold its interest in Laing Property Developments Limited. During 2003, the Group received £3.3 million of which £1.9 million had been recognised as profit in 2002. The balance of £1.4 million, having been conditional upon the granting of planning consents now received, has been recognised as profit in 2003. A further £1.6 million of conditional deferred consideration may be received in the future, subject to the granting of third party consents.

Construction

In October 2001 the Group sold its interest in Laing Construction plc but retained financial responsibility for the completion and finalisation of a number of specified contracts. Provision was made in the 2001 results for the estimated costs to complete these contracts and for the cost of settling related disputes with clients and subcontractors. All of these contracts have reached practical completion and progress has been made with settling some of the disputes. The Board has reviewed the remaining provision and has concluded that it is prudent to release a net £2.6 million to the profit and loss account, net of underwriting losses referred to below, within discontinued activities.

The Group's captive insurance company, Woodcroft Insurance Company Limited, has provided reinsurance to the Group's primary external insurers since its formation in 1987. Woodcroft's exposure is capped in terms of individual claims and in aggregate for each year. The vast majority of claims affecting Woodcroft relate to the Group's discontinued Construction activities. During 2003 Woodcroft recorded a loss before taxation of £0.6 million. This result reflects an independent actuarial assessment of claims incurred but not yet reported. Woodcroft no longer underwrites insurance in respect of the Group's continuing operations but it continues to remain at risk on construction related claims, including industrial disease, where the loss occurred prior to the disposal of Laing Construction plc and Laing Homes Limited.

PROVISION FOR WARRANTIES, RETAINED LIABILITIES AND RESERVES FOR INSURANCE CLAIMS

	2003 £ million	2002 £ million
Provisions and reserves at 1 January	**59.6**	77.0
Provisions held in businesses sold during the year	**(0.3)**	–
Net release to profit and loss account	**(2.6)**	(2.0)
Provisions and reserves utilised	**(12.3)**	(15.4)
Provision at 31 December	**44.4**	59.6

The provision for claims and reserves for claims not yet reported at 31 December 2003 amounted to £19.0 million (2002 – £19.2 million).

The Group's insurers are continuing to defend a legal action in respect of the Great Eastern Hotel management contract on which the client is claiming damages of £19.7 million. The Board is of the view that the claim has no substance and it is being rigorously defended.

The Group continues to carry a provision for rectification of defects at the Cardiff Millennium Stadium. The Board believes it is nearing completion of all known defects. However, the client has lodged claims in respect of the pitch and the sliding roof.

Work is now well advanced on the Second Severn River Crossing to correct engineering design defects on maintenance equipment.

The Board is satisfied that the remaining provisions and reserves of £44.4 million are sufficient to satisfy the Group's commitment in respect of all retained liabilities.

INTEREST

Joint Ventures

Interest payable in respect of joint ventures includes the Group's share of interest payable on project specific debt provided to special purpose PFI/PPP Project Companies. Interest receivable includes interest on finance debtors and interest receivable on the cash reserves of Project Companies.

Joint venture interest payable includes the Group's share of debt issue costs written off on the refinancing of the Norfolk & Norwich Hospital project.

INTEREST ANALYSIS

	2003					2002
	Non-recourse funds					
	PFI/PPP Project Companies £ million	Bridging finance £ million	Associates £ million	Corporate funds £ million	Total £ million	Total £ million
JOINT VENTURES						
Interest payable on non-recourse debt and shareholder loans	**(52.3)**	–	–	–	**(52.3)**	(45.0)
Interest receivable on finance debtors and deposits	**52.7**	–	–	–	**52.7**	43.1
Debt issue costs written off on refinancing	**(0.7)**	–	–	–	**(0.7)**	(9.1)
Amortisation of debt issue costs	**(0.7)**	–	–	–	**(0.7)**	–
ASSOCIATES						
Group share of interest payable	–	–	**(2.8)**	–	**(2.8)**	(3.0)
GROUP						
Interest payable	**(14.2)**	**(4.9)**	–	**(1.8)**	**(20.9)**	(21.0)
Interest receivable on finance debtors and deposits and loans to PFI Project Companies	**16.3**	–	–	**9.1**	**25.4**	8.1
Amortisation of debt issue costs	**(2.1)**	**(2.5)**	–	**(0.5)**	**(5.1)**	(0.6)
Release of discount on deferred consideration	–	**6.3**	–	–	**6.3**	1.7
FRS 17 financing (cost)/income on pension funds	–	–	–	**(3.0)**	**(3.0)**	5.5
Exceptional refinancing cost	–	–	–	–	–	(22.7)
NET INTEREST (CHARGE)/CREDIT	**(1.0)**	**(1.1)**	**(2.8)**	**3.8**	**(1.1)**	(43.0)

Associates

The Group's share of interest payable by associates relates to WL Homes LLC, prior to the sale of the Group's equity interest, and to Octagon Developments Limited.

Group

Group interest includes interest receivable on cash deposits, amortisation of debt issue costs on the Group's corporate facilities, commitment fees and letter of credit fees. Group interest also includes the interest payable on project specific debt and receivable on finance debtors in relation to the PFI/PPP Project Companies that are consolidated as subsidiaries. This incorporates debt issue costs written off on the refinancing of the A130 PFI road project and a school project.

The Group has paid interest on the bridging facility arranged to finance the deferred consideration on the sale of Laing Homes Limited and has fully amortised the issue costs associated with that facility. The reversal of the discount applied to the deferred consideration has been credited to the profit and loss account as interest receivable.

The Group interest charge includes the FRS 17 financing costs/income associated with the post retirement obligations

The comparatives for 2002 include the breakage costs on prepayment of US loan notes following the sale of Laing Homes Limited and the rearranging of the Group's corporate facilities.

As the interest analysis table demonstrates, the Group's share of interest receivable and payable related to the finance debtors and non-recourse borrowings of PFI Project Companies is broadly neutral.

At the start of 2003, UK base rates were 4.0% but reduced to 3.75% in February and then to 3.5% in July. As a response to increasing consumer credit and fears of inflationary pressures the Monetary Policy Committee moved rates up to 3.75% in the fourth quarter and then to 4.0% at the start of 2004. The Group's main corporate facilities attract interest at a margin of 175 basis points over Libor.

The most significant items included within the Group's interest charge relate to the PFI/PPP Project Companies, where in each case the interest rates for the project's long-term borrowings are fixed using interest rate swaps. Short-term junior facilities are typically small in nature and are left unhedged.

At the end of 2003, the Group had no recourse borrowings and had cash deposits that are unhedged. The Board reviews the Group's hedging policy on a regular basis.

TAXATION

The Group's tax charge for 2003 was £13.3 million (2002 – £11.3 million). This includes prior year tax charges of £1.9 million associated with the discontinued businesses on final apportionment of taxable profits and losses available to the pre and post sale periods.

The corporation tax charge of £2.8 million for the year is mainly associated with the tax charges in PFI/PPP Project Companies. The corporation tax charge of £7.1 million in 2002 reflected the tax charges in both PFI/PPP Project Companies and that attributed to Laing Homes Limited. The tax legislation applicable to Project Companies falls into two distinct categories. Project Companies to which the 'Composite Trade Basis' applies tend to have an effective tax rate that approximates 30% on reported profits before tax. Whereas those that attract capital allowances tend to have a much higher effective rate of tax because only a proportion of construction costs attract capital allowances.

The Group has insufficient taxable profits to obtain full deduction for its bid costs and overheads and this is projected to continue until 2006, when it is anticipated that taxable profits will exceed allowable expenses. Tax losses arising in 2003, which have been carried forward for future use, amounted to £13.4 million. No deferred tax asset has been recognised in respect of these losses.

The Group has taken advantage of Substantial Shareholding Exemption on UK capital gains totalling £4.8 million but Capital Gains Tax of £1.0 million has been charged in relation to the sale of the Australian Airports.

Having implemented FRS 17 early, the Group has recognised a deferred tax asset of £35.8 million (2002 – £43.0 million) on the deficit to reflect the tax deduction that the Directors believe will be available on future pension contributions and medical insurance premiums.

TAXATION ANALYSIS

	2003		
	Profit before tax £ million	Tax (charge)/ credit £ million	Effective tax rate
CONTINUING BUSINESSES			
PFI/PPP Project Companies	24.1	(10.2)	42%
Capital gains on sale of investments	7.1	(1.0)	14%
Holding companies, bid costs and overheads	(14.5)	1.4	10%
	16.7	(9.8)	59%
DISCONTINUED BUSINESSES	4.5	(3.5)	78%
TOTAL	21.2	(13.3)	63%

PENSION AND MEDICAL INSURANCE

The FRS 17 post retirement deficit has reduced during the year from £146.8 million to £129.5 million. This is principally due to the increase in the value of equities held as investments by the respective funds. After accounting for the associated deferred tax asset, the net deficit reduced from £103.8 million to £93.7 million.

The Group re-commenced employer contributions to the John Laing Pension Fund from 1 January 2003 at 18% of pensionable salaries. With effect from 1 January 2004 employee contributions re-commenced at 2% of pensionable salaries, rising to 6% by 2006. The John Laing defined benefit schemes have been closed to new members since January 2002.

During 2003 the Group has agreed a schedule of contributions with the trustees of the John Laing Pension Fund which provides for special contributions, over and above the employer and employee contributions referred to above, of £4.0 million per annum for at least the next four years. In 2003 a £5.0 million special contribution was paid in order to top up the transfer value of assets to the George Wimpey Plc pension fund relating to the employees of Laing Homes Limited.

Note 6 to the accounts sets out the detailed FRS 17 disclosures relating to post retirement benefits.

BALANCE SHEET

Group consolidated net assets at 31 December 2003 were £114.0 million (2002 – £106.1 million) after including the FRS 17 deficit in respect of post retirement benefits of £93.7 million (2002 – £103.8 million).

The principal assets employed in the PFI/PPP sector are included within investments in joint ventures at £91.1 million and in line by line consolidation of 12 wholly owned PFI Project Companies. These had net assets employed of £46.7 million, after deducting non-recourse project finance. In addition, the balance sheet includes fixed asset investments of £0.5 million and debtors of £9.9 million being the consideration due on the sale of our interest in Northern Territories Airports and a 10% interest in Modus. The total net book value of these infrastructure project interests is included in the consolidated balance sheet at £148.2 million and the portfolio value of these assets, which is not recorded in the Group balance sheet, is estimated at £250.3 million.

Outside of PFI/PPP projects, the Group balance sheet includes provisions of £44.4 million for retained liabilities (2002 – £59.6 million). Net assets employed in the retained housing businesses at 31 December 2003 were £15.8 million (2002 – £79.1 million, net of non-recourse bridging finance on deferred consideration due from the sale of Laing Homes Limited).

FINANCING

During 2003 the Group has fully repaid the bridging facility arranged to finance the deferred consideration on the sale of Laing Homes Limited. The sale of the residual housing businesses generated a net cash inflow of £53.9 million and the purchase of a portfolio of 8 PFI assets from Amey and the Cleveland Firearms facility absorbed cash resources of £32.8 million. On 16 June 2003, due to contractual rights arising from the Amey acquisition, the Group sold its interest in the A19 road for £3.4 million. On 27 October 2003 the Group sold its interest in Adelaide Airport for a net cash consideration of £12.8 million. The balance of £6.3 million of the £6.5 million proceeds from the sale of Northern Territories Airports in Australia, which was contractually completed on 17 November 2003, was received in January 2004.

The non-recourse borrowings of PFI/PPP Project Companies consolidated as subsidiaries increased during 2003 from £202.1 million to £295.0 million and the non-recourse bridging finance of £184.0 million against the deferred consideration from the sale of Laing Homes Limited was fully repaid.

Bid costs and overheads accounted for a relatively high cash outflow in 2003 due to a very heavy programme of projects at the preferred bidder stage, many of which will not achieve financial close until the following years, when bid cost recoveries will be more favourable.

The Group received £18.5 million in December 2003 from the successful refinancing of the Norfolk & Norwich Hospital project.

Of the net Group funds of £86.8 million, amounts of £19.2 million are held on deposit in the name of Woodcroft Insurance Company Limited as asset backing to insurance claims reserves, £2.2 million is held as backing for future rental payments and £0.3 million is held against performance bonds. These amounts are not freely available for alternative uses.

The Group has £90 million of corporate debt facilities available up to 15 October 2007 and a further £5 million of overdraft facilities that are available on demand. The facilities remain largely undrawn in terms of debt as at 31 December 2003. However, the corporate facilities have been utilised for the issue of letters of credit in support of future equity commitments to PFI/PPP Project Companies.

At 31 December 2003 the Group had committed £62.5 million (2002 – £50.9 million) for equity and loan subscriptions to PFI/PPP Project Companies. Of this, £56.5 million (2002 – £48.0 million) was backed by letters of credit. The estimated equity commitments available to the Group on its projects at preferred bidder status that had not reached financial close at 31 December 2003 was £98 million (2002 – £35 million).

CASH FLOW SUMMARY 2003

	Recourse funds/(borrowings) £ million	£ million	Non-recourse funds/ (borrowings*) £ million	Total Group £ million
BALANCE AT 1 JANUARY 2003		69.5	(383.6)	(314.1)
DISCONTINUED BUSINESSES				
Deferred consideration received on Laing Homes	30.8		184.0	214.8
Sale of residual housing businesses	53.9		–	53.9
Dividend received from WL Homes	0.9		–	0.9
Special pension contributions – Homes	(5.0)		–	(5.0)
Operating cash flows – Homes	(13.2)		(2.5)	(15.7)
Deferred consideration from sale of Laing Property	3.3		–	3.3
Retained liability contracts	(12.3)		–	(12.3)
		58.4		
CONTINUING OPERATIONS – PORTFOLIO CASHFLOW				
Acquisition of Amey and Cleveland projects	(32.8)		(20.7)	(53.5)
PFI/PPP investment	(13.7)		–	(13.7)
Proceeds from refinancing PFI projects	18.5		–	18.5
Dividends received from PFI projects	6.7		–	6.7
Interest received from PFI Project Companies	5.2		–	5.2
Sale of PFI Project Companies	17.9		–	17.9
Loans repaid by PFI Project Companies	3.8		–	3.8
Cash flows of PFI project subsidiaries	–		(72.2)	(72.2)
Purchase/sale of fixed assets	(1.8)		–	(1.8)
Rail projects – on balance sheet	(3.1)		–	(3.1)
Equion FM	1.8		–	1.8
		2.5		
BIDDING ACTIVITY AND GROUP COSTS		(21.0)	–	(21.0)
OTHER NON-OPERATING MOVEMENTS				
Interest paid – bridging facility	(6.5)		–	(6.5)
– corporate loans	(2.0)		–	(2.0)
Taxation	(1.1)		–	(1.1)
Group dividends paid	(12.7)		–	(12.7)
Exchange rate movements	(0.3)		–	(0.3)
		(22.6)		
BALANCE AT 31 DECEMBER 2003		**86.8**	**(295.0)**	**(208.2)**

FOREIGN CURRENCY

The Group historically operated a policy of hedging against significant balance sheet exposures to foreign currency fluctuations where a cost effective and efficient hedging instrument was available. The Group's investment in overseas assets has reduced considerably during the year to levels that are unlikely to result in significant adverse currency fluctuations and the Board has therefore endorsed a decision to remain unhedged apart from Aus $14.0 million held against the proceeds from the sale of the Northern Territories Airports. The currency exposure is reviewed by the Board on a regular basis. At 31 December 2003 the unhedged value of overseas assets amounted to £6.0 million (2002 – £48.6 million).

The Group seeks to cover significant transactional exposures arising from receipts and payments in foreign currencies, where appropriate and cost effective. The present operations of the Group do not involve significant foreign currency transactions.

A J H Ewer
Finance Director
22 March 2004

CORPORATE SOCIAL RESPONSIBILITY

- FOLLOWING EXTENSIVE REORGANISATION OF THE COMPANY THE DIRECTORS HAVE SET UP A CORPORATE SOCIAL RESPONSIBILITY ('CSR') WORKING GROUP TO DEVELOP THE EXISTING POLICY
- THE LAING'S CHARITABLE TRUST ('LCT'), WHICH IS NOT A GROUP COMPANY AND IS INDEPENDENTLY FINANCED, DONATED £180,462 TO CHARITABLE ORGANISATIONS DURING THE YEAR. IN ADDITION £17,983 WAS DONATED FROM OTHER GROUP COMPANIES. THESE CHARITABLE ORGANISATIONS CONCENTRATED ON THE PLIGHTS OF HOMELESS PEOPLE, DISADVANTAGED YOUNG AND ELDERLY PEOPLE, EDUCATION AND THE ENVIRONMENT
- MATCHED FUNDING OF EMPLOYEE FUNDRAISING OF £9,355 AND THE CONTINUATION OF THE 'GIVE AS YOU EARN' SCHEME
- CLOSER LINKS WITH COMMUNITY DEVELOPMENT FOUNDATION (A NON-DEPARTMENTAL PUBLIC BODY PROMOTED BY THE HOME OFFICE) FOLLOWING THE APPOINTMENT OF THE COMPANY'S DIRECTOR OF COMMUNITY AFFAIRS AS A TRUSTEE/DIRECTOR
- CONTINUING FINANCIAL AND BUSINESS SUPPORT FOR 'SCHOOL GOVERNORS ONE STOP SHOP' A CHARITY SET UP BY THE DfES TO PROMOTE BUSINESS PEOPLE TO BECOME SCHOOL GOVERNORS
- CATALOGUING OF ALL THE DONATED LAING MATERIAL AT NORTHAMPTONSHIRE COUNTY ARCHIVE TO ENABLE PUBLIC ACCESS TO HISTORICAL DOCUMENTS
- EQUION ACHIEVED ISO 14001 IN JUNE 2003
- CHILTERN RAILWAYS HAS BEEN AWARDED SUCCESSIVE CHARTER MARKS SINCE 1995 ACKNOWLEDGING CONTINUED DELIVERY OF EXCELLENT PUBLIC SERVICE
- FINANCIAL SUPPORT THROUGH LCT TO MORE THAN 850 FORMER EMPLOYEES

HISTORY

CSR is not new to John Laing plc. John Laing's community policy was set more than ten years ago and is as relevant to our current business activities as it was then. The Company's founder, John Laing, set up LCT more than forty years ago in order to make charitable donations to individuals and charities. The Company covenanted money to LCT for a number of years and it now has a sizeable asset base that enables it to continue to support organisations often in long-term partnerships. The Company has been an active member of Business in the Community ('BitC') since 1986.

HEALTH AND SAFETY

The Company's health and safety policy is determined and monitored by the Board. The Chief Executive, A E Friend, is accountable to the Board for the Company's health and safety performance. In addition a committee has been set up to regularly review health and safety and report to the Board. All areas of the Company's business activities and its staff are represented on the Committee. A full time, dedicated resource monitors and advises on health and safety matters.

Each of the Company's projects is reviewed at least annually and health and safety issues are monitored via a system of management procedures and risk registers maintained at project level. Significant risks are escalated to Board level via stated procedures.

The Company is committed to safeguarding the health and safety of its employees, of others who carry out work on its behalf and of those who may be affected by its work. The Company follows a health and safety policy of continual improvement. This policy is employed throughout all areas carrying out operations for its clients as part of its health and safety management system and local management are actively encouraged to obtain an appropriate qualification in this area. The policy is available to all clients, contractors and, when requested, to the local community.

The safe operation of the Company's services is of paramount importance and the Board recognises that health and safety standards are a key contributor to the sustainable growth of the business.

The Company continues to monitor closely all issues relating to its marketplace and takes action where appropriate updating its policy statement as required. The Company also reviews the health and safety performance and policies of its partners and appointed contractors.

The Company actively promotes positive compliance with legal and other requirements through an action programme that sets individual annual objectives and, whenever appropriate, adopts openness in respect of the disclosure of its health and safety performance.

Chiltern Railways trained staff visit schools on the Chiltern route to educate children of all ages about safety and the dangers of railway crime.

The Company has a rigorous training regime for new train drivers including refresher courses. Driver performance is closely monitored with particular attention to Signals Passed At Danger, all incidents of which are reported to senior management and subject to a detailed investigation.

The effectiveness of any health and safety policy depends upon the culture encouraged by the Company and its clients and the behaviour and willingness of employees to follow the Company's stated procedures. All employees receive awareness training during induction and are expected to support the Company's policies and procedures.

A consistent documented health and safety management system is maintained at every level of the Company to describe how these issues are dealt with in practice. This is based on ISO 9001 (Quality) and ISO 14001 (Environment), and integrates health and safety into all aspects of our business. The health and safety system, together with the environment and quality systems, are designed to complement each other.

We work closely with industry bodies, clients, the Health and Safety Executive and Government and respond to their requirements wherever possible. The Company shares information and best practice in the interest of furthering these relationships and improving its health and safety performance. The Company fully supports the Government's 'Revitalising Health and Safety' report. Following its publication the Company will consider what actions may be taken to comply with its requirements.

The Company's accident rate is already below the figures published by the Health and Safety Executive for its industry sector but it intends to focus on the following areas to enhance its health and safety performance in the short to medium term:

- The Company intends to apply for the 'Bronze Award' given by The Royal Society for the Prevention of Accidents ('RoSPA'), demonstrating its commitment to maintaining and improving health and safety standards across the Company.
- To fully integrate its health and safety, environmental and quality practices within its existing management system as far as practicable in order to achieve a consistent and effective approach across the Company.

THE COMPANY IS **COMMITTED TO SAFEGUARDING** THE HEALTH AND SAFETY OF ITS EMPLOYEES, OF OTHERS WHO CARRY OUT WORK ON ITS BEHALF AND OF THOSE WHO MAY BE AFFECTED BY ITS WORK

> SUPPORT FOR DAY CENTRES THAT PROVIDE ASSISTANCE TO HOMELESS PEOPLE CONTINUED TO ORGANISATIONS SCARBOROUGH, WOLVERHAMPTON, LEEDS AND LONDON

> THE EMMAUS ORGANISATION THAT SETS UP AND RUNS COMMUNITIES FOR HOMELESS PEOPLE WAS GIVEN FURTHER FINANCIAL SUPPORT FOR THE THIRD YEAR RUNNING MAKING A TOTAL OF MORE THAN £25,000

> A DONATION OF £5,000 WAS GIVEN TO HERTFORDSHIRE YOUNG HOMELESS GROUP TO SUPPORT THE PUBLICATION OF THEIR REGULAR NEWSLETTER

> SUPPORT FOR YOUNG ENTERPRISE, A CHARITY THAT PROVIDES YOUNG PEOPLE WITH ENTERPRISE EXPERIENCES, CONTINUED. JOHN LAING HAVE SUPPORTED YOUNG ENTERPRISE FOR MORE THAT TEN YEARS

COMMUNITY POLICY

In creating and practicing its Community Policy the Company has tried to ensure a close fit between it and its business activities. The Company takes account of social, environmental and ethical issues when bidding for new contracts. Such matters are taken into account by project bid teams and bids are reviewed by sub-committees of the Board who report material matters to the Board using risk registers and stated procedures. Highlighted below are the principles and practical examples of putting them into action. The policy stands on the following principles:

> WORKING IN PARTNERSHIP WITH VOLUNTARY ORGANISATIONS AND OTHER AGENCIES TO BRING HELP AND HOPE TO DISADVANTAGED PEOPLE IN THE COMMUNITY

THE COMPANY HAS BEEN SUPPORTING THE CHARITY HOMELESS LINK AND ITS PREDECESSORS FOR NINE YEARS. IN THAT TIME IT HAS CONCENTRATED ITS SUPPORT ON DAY CENTRES FOR THE HOMELESS. THE LATEST SUPPORT ENABLED A DAY CENTRES HANDBOOK TO BE PRODUCED BY HOMELESS LINK

> ENCOURAGING YOUNG PEOPLE TO GET MAXIMUM BENEFIT FROM EDUCATION AND TRAINING OPPORTUNITIES

THE COMPANY SUPPORTED THE MERGER COSTS OF TWO EDUCATIONAL CHARITIES TO HELP CREATE A NEW CHARITY 'CONTINYOU'. AN ART COMPETITION WAS LAUNCHED IN EDINBURGH AND GLASGOW SCHOOLS WITH INDIVIDUAL AND SCHOOL PRIZES

> PROMOTING THE PARTICIPATION OF LOCAL PEOPLE AND GROUPS IN DECISIONS REGARDING THE REGENERATION OF THEIR COMMUNITIES

THE COMPANY CONTINUED SUPPORT FOR THE COMMUNITY DEVELOPMENT FOUNDATION AND NATIONAL TENANTS RESOURCE CENTRE THROUGH THE ESTABLISHMENT AND FUNDING OF TRAINING COURSES AIMED AT SMALLER COMMUNITY GROUPS

> CREATING A BETTER LIVING AND WORKING ENVIRONMENT

THE COMPANY CONTINUED TO SUPPORT A 'SCHOOL GROUNDS IMPROVEMENT PROGRAMME' IN CONJUNCTION WITH HERTFORDSHIRE GROUNDWORK INVOLVING PARENTS, TEACHERS, GOVERNORS AND ESPECIALLY PUPILS IN JUNIOR AND SPECIAL NEEDS SCHOOLS. IN ADDITION IT CREATED AN ENVIRONMENTALLY ADVANCED SCHOOL IN NEWHAM FEATURING A GRASS ROOF, RAINWATER RECYCLING AND WILDLIFE PONDS

> ENCOURAGING A SPIRIT OF ENTERPRISE AS A BASIS FOR ECONOMIC WELL-BEING IN THE COMMUNITY

THE COMPANY CONTINUED TO FUND A CHILDREN'S SOCIETY PROJECT TO DEVELOP MODELS FOR SUSTAINABLE COMMUNITY ENTERPRISE BASED ON ITS SUCCESSFUL CHILDCARE INITIATIVE IN THANET

JOHN LAING'S COMMUNITY POLICY WAS SET MORE THAN TEN YEARS AGO AND IS AS RELEVANT TO OUR **CURRENT BUSINESS ACTIVITIES** AS IT WAS THEN

FORMER STAFF WELFARE

The Company has always been concerned both for its existing employees and its previous employees. Contact is maintained through its network of retirement clubs, LCT's welfare staff who make home visits and its quarterly news magazine. Financial assistance is directed towards former employees in need.

ENVIRONMENT

Given the long-term nature of many of our projects and the need to work closely with Government departments, local authorities and local communities, the environment is justifiably an important consideration in all of the Company's proposed activities. Each area of the business takes account of such matters and provides training to its staff where necessary.

Through Equion, and as part of its commitment to ISO 14001, all sites are recording water, gas, electricity and oil consumption and are monitoring CO_2 emissions. All of Equion's bids are internally and externally audited and part of this process is the review of compliance with its environmental policy. The project teams work closely with each client to minimise the impact of its activities on the environment and often project specifications include enhancements that are identified by the Company that will improve the sustainability and quality of the local environment. Equion is committed to producing year-on-year improvements on the environmental targets that are set. In 2004 it intends to reduce its level of wastage and CO_2 emissions.

Chiltern Railways maintain an extensive environmental policy and set objectives under the requirements of its operating licence which have to be approved by the Rail Regulator. The objectives and targets set follow the British Standard BS7750 Specification for Environmental Management Systems. The targets are monitored by management specifically identified as having such responsibility. Chiltern Railways already have well-established safety and quality systems in place and seeks to make its environmental standards compatible with these.

Chiltern Railways have reduced the number of train miles by more than 750,000 whilst increasing passenger numbers, promoted the use of Bicester Urban taxi buses and brought back into use Moor Street Station.

> BADGER UNDERPASSES ON NEW ROAD PROJECTS WERE INTRODUCED ON BOTH THE A55 AND A130. IN ADDITION, SPECIAL FENCING DESIGNED TO ENSURE RABBITS AND BADGERS ARE DISCOURAGED FROM THE ROADS WAS INCORPORATED AS A PROTECTION FOR THE ANIMALS AS WELL AS A SAFETY MEASURE FOR ROAD USERS

In Laing Roads proposals for the refurbishment of existing roads or the creation of new roads in ecologically and environmentally sensitive areas are thoroughly reviewed by all interested parties. Often licences are required from Government departments before any work can commence. Such licences are only granted following input from both national and local environmental agencies and specialists.

Full consultation takes place throughout the process and often the Company will not only protect but also improve the local environment.

In respect of the Sirhowy Way road project in Wales, the Company is working with the Countryside Commission for Wales, the Environment agency, the Welsh Assembly, the Caerphilly County Borough Council and other local bodies to ensure the proper protection and improved environmental conditions for bats, badgers, dormice, otters and other species living in proximity to the road.

COMPANY TARGETS

> EXISTING CSR POLICY AND PRACTICE TO BE REVIEWED

> SUSTAINABILITY/ENVIRONMENTAL DEVELOPMENT POLICY TO BE REVISED

> FURTHER INTEGRATION OF CSR POLICY WITHIN NEW BUSINESS

> DEVELOPMENT OF FURTHER PARTNERSHIPS WITH THE VOLUNTARY SECTOR INCLUDING ANOTHER EDUCATION CHARITY AND THOSE WHO CAN INCREASE COMMUNITY INVOLVEMENT WITHIN SUITABLE PUBLIC SECTOR BUILDINGS OPERATED BY EQUION

> TO MEET THE REQUIREMENTS SET OUT IN THE HOME ENERGY CONSERVATION ACT 1995 IN CONJUNCTION WITH LOCAL AUTHORITY HOUSING REGENERATION PROJECTS FOLLOWING THE SETTING OF TARGETS BY ITS CLIENTS

BOARD OF DIRECTORS

> BILL FORRESTER M.INST.M (63)*

NON-EXECUTIVE CHAIRMAN, 1 JULY 2003

EXECUTIVE CHAIRMAN, 1 FEBRUARY 2002 TO 30 JUNE 2003

DIRECTOR, JOHN LAING PLC, 2002

CHAIRMAN, INHOCO 3000 LIMITED, 11 MARCH 2004

GROUP CHIEF EXECUTIVE, SIG PLC, 1995 TO 2001

DIRECTOR, SIG PLC, 1981 TO 2001

> ANDREW FRIEND MA (51)

GROUP CHIEF EXECUTIVE, 1 JULY 2003

DIRECTOR, JOHN LAING PLC, 2001

JOINED JOHN LAING PLC, 1999

ASSOCIATE DIRECTOR, MACQUARIE BANK, LONDON, 1997 TO 1999

CHIEF EXECUTIVE, CITY OF MELBOURNE, 1995 TO 1997

> ADRIAN EWER FCA (50)

FINANCE DIRECTOR, JOHN LAING PLC, 1999

JOINED JOHN LAING PLC, 1991

* MEMBER OF NOMINATIONS COMMITTEE

MEMBER OF AUDIT, NOMINATIONS AND REMUNERATION COMMITTEES

> TIM BOATMAN FCA (62)#

NON-EXECUTIVE DIRECTOR

JOINED JOHN LAING PLC, APRIL 2002

AUDIT PARTNER, PRICEWATERHOUSECOOPERS, 1974 TO 2001

> SIR MARTIN LAING CBE, MA, FRICS, FICE (62)#

NON-EXECUTIVE DIRECTOR

JOINED JOHN LAING PLC, 1966

CHAIRMAN, JOHN LAING PLC, 1985 TO 2002

CHAIRMAN, AMERICAS ADVISERS, TRADE PARTNERS UK

NON-EXECUTIVE CHAIRMAN, NHP PLC, 1998

DIRECTOR RICS FOUNDATION, 2001

MEMBER, WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

> PAUL MEREDITH FIA (58)#

SENIOR NON-EXECUTIVE DIRECTOR

JOINED JOHN LAING PLC, JUNE 2002

CHAIRMAN, PHILLIPS AND DREW FUND MANAGEMENT, 1990 TO 1999

DIRECTOR, INVESTMENT MANAGEMENT REGULATORY ORGANISATION, 1995 TO 2000

ACCOUNTS CONTENTS

41 Directors' Report
43 Directors' Remuneration Report
51 Corporate Governance
58 Independent Auditors' Report
59 Group Profit and Loss Account
60 Group Statement of Total Recognised Gains and Losses
60 Group Statement of Historical Cost Profits and Losses
61 Group Balance Sheet
62 Company Balance Sheet
63 Group Cash Flow
64 Accounting Policies
68 Notes to the Accounts
100 Five-Year Review
100 Advisors
IBC Shareholder Services

DIRECTORS' REPORT

The Directors submit their Report and audited Financial Statements for the year ended 31 December 2003 which they approved on 22 March 2004.

RESULT AND DIVIDENDS

The profit before taxation for the year was £21.2 million (2002 – loss £14.1 million restated). After taxation and minority interests the profit attributable to shareholders was £7.9 million (2002 – loss £25.3 million restated*).*

The Directors recommend a final dividend of 2.0 pence per Ordinary Share to be paid on 1 June 2004 to shareholders whose names appear on the register at the close of business on 2 April 2004.

With the interim dividend of 1.0 pence per share paid on 3 November 2003 the total dividend for the year is 3.0 pence per share (2002 – 6.8 pence per share).

** restated for change in accounting policy, refer to note 1.*

REVIEW OF BUSINESS DEVELOPMENTS

A commentary on events during the year and on the development of the business are given in the Chairman's Statement, the Operating Review & Chief Executive's Report and in the Financial Review.

GROUP ACTIVITIES

John Laing plc is a focussed developer, operator and investor in privately financed infrastructure projects in the growing UK and overseas markets.

A list of principal subsidiaries, joint ventures and associated undertakings can be found on pages 98 and 99.

DIRECTORS

The Directors who served throughout the year were:

W W Forrester
A E Friend
A J H Ewer
T G Boatman
Sir Martin Laing
P M C Meredith
The Baroness Noakes

On 1 July 2003 W W Forrester became non-executive Chairman and A E Friend was appointed Chief Executive.

On 10 February 2004 The Baroness Noakes resigned as a Director of the Company.

Sir Martin Laing has indicated his intention to resign as a Director on 30 April 2004.

The Directors retiring by rotation in accordance with the Articles of Association are W W Forrester and T G Boatman who, being eligible, offer themselves for re-election. Each has appointment terms that include a three month notice period from the Company.

Biographical details of Directors offering themselves for re-election are shown on pages 38 and 39 and in the circular sent to shareholders.

DIRECTORS' INTERESTS

SHARES

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

DIRECTORS' REPORT

SHARES (continued)

	At 31 December 2003 Ordinary Shares 25p each	At 31 December 2003 6.4% Convertible Cumulative Preference Shares £1 each	At 1 January 2003 Ordinary Shares 25p each	At 1 January 2003 6.4% Convertible Cumulative Preference Shares £1 each
BENEFICIAL				
W W Forrester	**50,000**	**–**	50,000	–
A E Friend	**6,786**	**–**	6,786	–
A J H Ewer	**46,711**	**–**	46,711	–
T G Boatman	**500**	**–**	500	–
Sir Martin Laing	**1,224,533**	**154,067**	1,224,533	154,067
P M C Meredith	**500**	**–**	500	–
The Baroness Noakes	**500**	**–**	500	–
AS TRUSTEE (non-beneficial)				
Sir Martin Laing	**3,015,835**	**500,000**	4,055,729	500,000

Details of Directors Share Options and awards under the John Laing Long-Term Incentive Plan 2001 are set out in the Directors' Remuneration Report on pages 49 and 50.

SUBSTANTIAL SHAREHOLDINGS

As at 22 March 2004, the Directors had received the following notifications of substantial interests in the shares of the Company.

	Ordinary Shares 25p each	%
Schroders plc	**22,685,441**	**12.81**
Legal and General Group plc and its subsidiaries	**18,394,046**	**10.39**
AMVESCAP PLC	**17,516,521**	**9.89**
Kirby Laing Principal Trust	**9,139,744**	**5.17**
Prudential plc and its subsidiaries	**9,008,923**	**5.09**
Aviva Plc and its subsidiaries	**8,323,580**	**4.70**
Shell Petroleum Company Limited	**5,373,079**	**3.03**

EMPLOYEES

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff, and resultant queries handled by the business head or executive Director as appropriate. Regular team briefings at local level provide employees with information about the performance of and initiatives in their part of the business. A wide range of information is also communicated across the Group's intranet, including the electronic publication of the Group's financial results and all press releases.

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 arise. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by those terms of payment. Trade creditors at 31 December 2003 were equivalent to 66 days (2002 – 43 days), based on the average daily amount invoiced by suppliers during the year. The Company does not carry on a trade.

AUDITORS

The Company appointed Deloitte & Touche LLP as auditors with effect from 1 August 2003, following a competitive tender process and the resignation of KPMG Audit Plc during the year. In accordance with Section 385 of the Companies Act 1985 a resolution for the appointment of Deloitte & Touche LLP as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

R K Miller
Company Secretary
22 March 2004

DIRECTORS' REMUNERATION REPORT

THE REMUNERATION COMMITTEE

The Remuneration Committee (the 'Committee') comprises all the non-executive Directors of the Group other than the Chairman. There have been two changes to the composition of the Committee. W W Forrester became a member of the Committee on 1 July 2003 when he relinquished his executive responsibilities. The Baroness Noakes resigned from the Committee coterminous with her resignation from the Board with effect from 10 February 2004. The members of the Committee during the year were:

T G Boatman
Sir Martin Laing
P M C Meredith (Chairman of the Committee)
The Baroness Noakes
W W Forrester (with effect from 1 July 2003)

As executive Chairman until 30 June 2003, W W Forrester was not a member of the Committee; he attended the meetings by invitation but was not present when his personal remuneration was discussed and reviewed. The Chief Executive, A E Friend, appointed on 1 July 2003 is not a member of the Committee; he attends the meetings by invitation but is not present when his personal remuneration is discussed and reviewed. The Group Director of Human Resources, A J Emerson, attends in an advisory capacity and acted as Secretary up to 8 December 2003. Thereafter R K Miller, Company Secretary, has acted as Secretary.

The Committee has three scheduled meetings a year, and meets additionally as circumstances require. In 2003 there were four meetings of the Committee. All members of the Committee attended each of these meetings, except for The Baroness Noakes who was unable to attend one meeting.

During the year professional advice was sought from the following external consultants. Other services provided by them to the Group during the financial year are shown in brackets.

- *Towers Perrin (also actuaries to The John Laing Pension Fund and John Laing Pension Plan)*
- *Linklaters (also advisors on letters of appointment for non-executive Directors and share plans in general)*
- *Pinsents (also advisors in the disposal of Beechcroft Developments Limited and John Laing Partnership Limited)*
- *New Bridge Street Consultants LLP*

The Committee has authority to appoint professional advisors. Towers Perrin was the formally appointed independent professional advisor to the Committee until 8 December 2003. Following a tender process New Bridge Street Consultants LLP (who gave no other advice to the Group) were formally appointed independent professional advisor to the Committee from 8 December 2003. The other consultants used, not formally appointed by the Committee, provided advice on specific matters arising and provided other services to the Group only as identified above. The Committee was also provided with information and data from national surveys on executive pay and conditions by Towers Perrin.

Information and proposals were also provided to the Committee by the executive Chairman, Chief Executive and Group Director of Human Resources. These were discussed thoroughly, and when appropriate, amended by the Committee prior to recommendation to the Board. The recommendations of the Committee have been accepted by the Board without substantial amendment.

The Terms of Reference of the Committee have been revised for 2004 to comply with the new Combined Code and are provided on the John Laing plc website. From January 2004 only the independent non-executive Directors are members of the Committee, with the Chairman, W W Forrester, and Sir Martin Laing attending meetings by invitation.

Regular business review meetings have taken place throughout 2003 between W W Forrester and the executive Directors. Furthermore, W W Forrester has undertaken an annual review of personal performance for 2003 with A E Friend, and A E Friend has undertaken an annual review of personal performance for 2003 with A J H Ewer, the outcomes of which have been shared with the Board. W W Forrester undertook a review of the Board's performance separately with the non-executive Directors and the executive Directors, and this process will continue in 2004.

DIRECTORS' REMUNERATION REPORT

REMUNERATION POLICY

The Committee sets and monitors the overall remuneration policy for executive Directors and other senior executives, and makes recommendations to the Board on these matters. Remuneration and benefits are set at market levels comparable with companies of similar size and scope of activity in order to be able to attract, retain and motivate high calibre individuals. During 2003 and in anticipation of the Group completing its strategic change in direction, initial work was undertaken on determining more appropriate market benchmarks on remuneration. The review of remuneration, share plans and pensions continues through 2004 but has shaped the approach taken on remuneration for 2004. This review is not yet at a stage to provide outline proposals for 2005. The Committee keeps the remuneration policy under close and regular review and hence the current policy set out in this report may change over time.

The remuneration and benefits package for the executive Chairman, W W Forrester, was set upon appointment and consisted of basic salary, an executive share option scheme, car allowance and fuel card, and provision of a health insurance scheme. None of the items were subject to review or pensionable. Entitlements under the executive share option scheme are subject to the achievement of a performance condition (details pages 45-47). Full details of W W Forrester's share grants are given under the Share Options section. The above arrangements only applied whilst W W Forrester was executive Chairman, an appointment he held up to 30 June 2003. From 1 July 2003 W W Forrester became Chairman (non-executive) and receives a fixed fee of £100,000 per annum, with all benefits in kind and payments other than options ceasing from this date.

The components of the remuneration package for A E Friend and A J H Ewer are basic salary, annual cash bonus, a Long-Term Incentive Plan ('LTIP'), membership of a pension scheme, car allowance and fuel card, provision of a health insurance scheme and provision of a pension cap related supplement. Entitlements under the LTIP are subject to the achievement of a performance condition (details on page 46). Full details of the LTIP awards are given under the Long-Term Incentive Scheme section.

In addition to the normal annual review of salaries for executive Directors in 2003, A E Friend's base salary was increased to £325,000 per annum upon his appointment as Chief Executive on 1 July 2003. The 2004 review of basic pay for A E Friend and A J H Ewer resulted in no increase for either executive Director. The variable pay element for 2004 will revolve around a cash bonus scheme (details on page 45).

The structure of remuneration for executive Directors under the remuneration policy (excluding pensions) is such that for achievement of budgeted performance approximately one third of the total package would be directly performance related i.e. short-term cash and long-term share arrangements.

The Board as a whole determines the non-executive Directors' fees and these are reviewed in alternate years. These fees are set at a level that will attract individuals with the necessary experience and ability to make a significant contribution to the affairs of the Group and are benchmarked with available market data. The Group's policy is to pay a fixed fee to each non-executive Director, irrespective of whether they chair committees. A review was due on 1 January 2004, which included the Chairman, and this resulted in no increase to the fees in payment.

REMUNERATION COMPONENTS

Basic salary

Salaries for executive Directors take account of external market data, the individual's responsibilities, experience, and performance, and are reviewed annually. Executive Directors have role specific financial and strategic personal objectives. When the Committee reviews the salaries of executive Directors it assesses performance and personal objectives and sets pay in the context of external market rates. The Company's annual pay review for staff (excluding executive Directors) undertaken on 1 January 2004 resulted in an aggregate cost of 3.8% of the pay bill.

Benefits in kind and allowances

Benefits in kind comprise membership of private health insurance (provided by BUPA), provision of a fuel card for business and personal purposes, and a taxable car allowance. These benefits are in line with those offered by peer group companies and to other middle and senior managers in the Group. None of these form part of pensionable earnings.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMPONENTS

Annual cash bonus arrangements

The executive Directors participate in a performance related scheme that is entirely linked to annual financial objectives for the business and is self-financing. The financial targets are reviewed and set annually by the Committee and ratified by the Board. The arrangement in 2003 for executive Directors was entirely Group profit related and provided A E Friend and A J H Ewer respectively with a maximum bonus of 60% and 40% (which for 2004 has been increased to 50%) of basic salary. Bonuses earned by the executive Directors are paid in March of the year following the full financial year, and after the results have been audited. Details of the payments to executive Directors are included in the Directors' Remuneration table on page 48.

Retirement benefits

With the exception of W W Forrester who held executive office up to 30 June 2003, the executive Directors are in a senior executive pension scheme which in 2003 was a non-contributory, funded, tax approved and defined benefit pension arrangement. From 1 January 2004 employee contributions to the defined benefit pension arrangement have re-commenced.

The executive Directors' pensionable pay is limited by the earnings cap provisions of the Finance Act 1989. In such cases the Group pays the Director a salary supplement above the pensions cap to reflect the loss of pension coverage. This supplement is recorded in the executive Directors' remuneration and is not taken into account in making bonuses or any other form of remuneration. Details of the individual executive Directors' pension arrangements are shown in a separate table on page 49. W W Forrester was not a member of any Group pension arrangement, nor did he receive any remuneration in lieu. The Committee is reviewing the pension arrangements in light of the planned changes in taxation of pension benefits.

Service contracts

The Group's policy is for all executive Directors to have contracts of employment that terminate on the attainment of the normal retirement age of 60. In order to mitigate its liability on early termination, the Group's policy is that it should be able to terminate such contracts on no more than 12 months notice, and that payments for loss of executive office are restricted to the value of salary and other contractual entitlements for the notice period. All serving executive Directors throughout 2003 had 12 month notice periods.

A E Friend has a contract effective from 31 August 1999 that expires on his normal retirement date of 25 June 2012. A J H Ewer has a contract effective from 1 July 1991 that expires on his normal retirement date of 19 September 2013. A E Friend and A J H Ewer may terminate their contracts upon 6 months notice. The contract for W W Forrester as executive Chairman was effective from 1 January 2002 (appointed executive Chairman with effect from 1 February 2002) automatically terminating on his 65th birthday on 29 July 2005 or terminated earlier with 12 months notice by either party. By mutual consent W W Forrester's appointment as executive Chairman was terminated with less than 12 months notice effective 30 June 2003 and without any payment in lieu.

The non-executive Directors, including with effect from 1 July 2003 W W Forrester, do not have service contracts but letters of appointment. The terms of such letters are available for inspection on request and may be found on the Company's website. They do not participate in the Group's annual cash bonus scheme, its Long-Term Incentive Plan or Share Option Plan (except W W Forrester who retains share options granted during his executive Chairman tenure), nor its pension arrangements and, except for Sir Martin Laing, they do not receive any benefits in kind. Sir Martin Laing, who is not deemed to be independent, receives private health insurance. The Group is obliged to give 3 months' notice to terminate the appointment of a non-executive Director.

SHARE PLAN STRATEGY

At the AGM held on 15 May 2002 the shareholders approved a new executive share option scheme called The John Laing plc Executive Share Option Plan 2002 (the 'Option Plan'). At that time the Group said it was not its present intention to grant options to executives (including executive Directors) who participate in the Group's LTIP. This approach has been continued in making LTIP share awards and share option grants in 2003, and is the prime reason for the performance condition being the same for both. The performance conditions for all share plans are set by the Committee so as to be challenging and incentivising performance hurdles. For conditional share awards and grants over shares made in 2003 the performance condition was relative to Total Shareholder Return ('TSR'). This was a change from the performance measure used in 2002 that was based on earnings per share ('EPS') targets. In anticipation of the Group completing its strategic change in direction during 2003, and because the Group was listed in the Support Services Sector of the FTSE All Share Index for the full financial year in 2003, TSR against the Support Services Sector was considered an appropriate measure.

SHARE PLAN STRATEGY (continued)

The TSR performance condition compares the Group's performance against the total shareholder returns of all the companies in the comparator group, namely all the sterling denominated companies in the Support Services Sector of the FTSE All Share Index, over a performance period from 1 January 2003 to 31 December 2005. The percentage of option exercisable or share award vesting is calculated as follows:

Ranked in top quartile: 100% of the total award

Ranked at median: one third of the total award

Ranked below median: zero

Ranked between median and top quartile: straight-line apportionment

The Committee has commenced a review of the Group's share plan arrangements, the outcomes of which will be implemented in 2005.

In 1996 shareholders approved The John Laing Savings-Related Share Option Scheme aimed at encouraging all employees to participate in the Group as shareholders by offering share options funded by a Save-As-You-Earn contract. The Group has only made one invitation to participate which was in 1996 and which has run its course.

Option Plan

A second grant under the Option Plan was made in 2003 using the measure and targets set out above. No options were granted to current executive Directors under the Option Plan in 2003, since they participated in the Group's LTIP. Option grants were made to other senior executives in 2003.

Options will lapse to the extent that they do not become exercisable as calculated above and no re-test applies.

In line with his appointment terms and service contract the executive Chairman received an option grant on 16 January 2003. The performance measure applying to this option is relative TSR against the comparator group and for the performance period described above. However, the option may not be exercised unless the TSR of the Group ranks in the top quartile. The grant was made under the Option Plan.

Long-Term Incentive Plan

Under the LTIP approved by shareholders in 2001, conditional share awards were made to the executive Directors and other senior executives in 2003. The share awards are conditional upon the performance condition described above.

Full details of the share options granted to W W Forrester during his tenure as executive Chairman, and LTIP share awards made to the other executive Directors are set out on pages 49 and 50. The non-executive Directors have no performance related element to their remuneration.

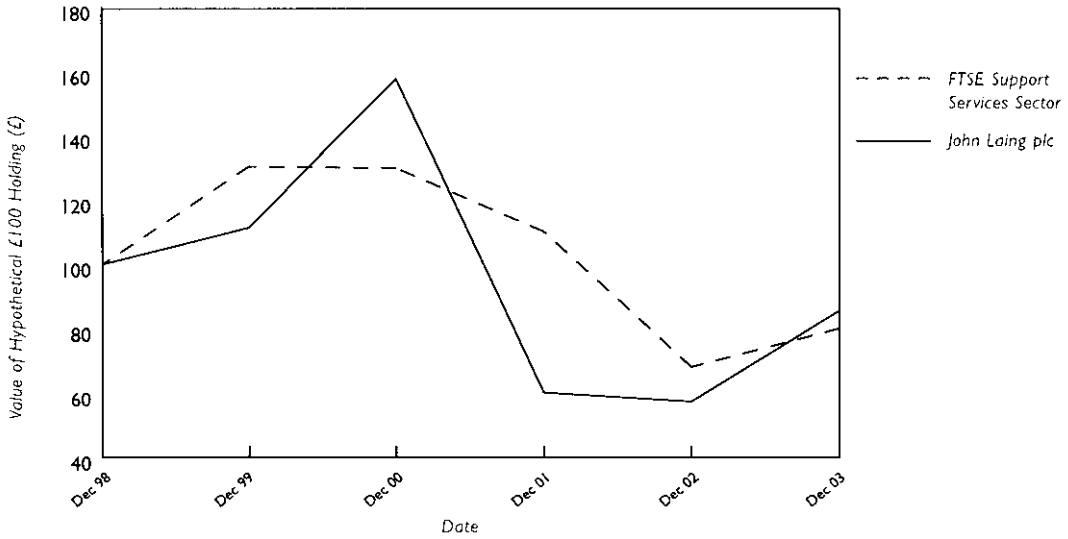
DIRECTORS' REMUNERATION REPORT

TSR PERFORMANCE GRAPHS

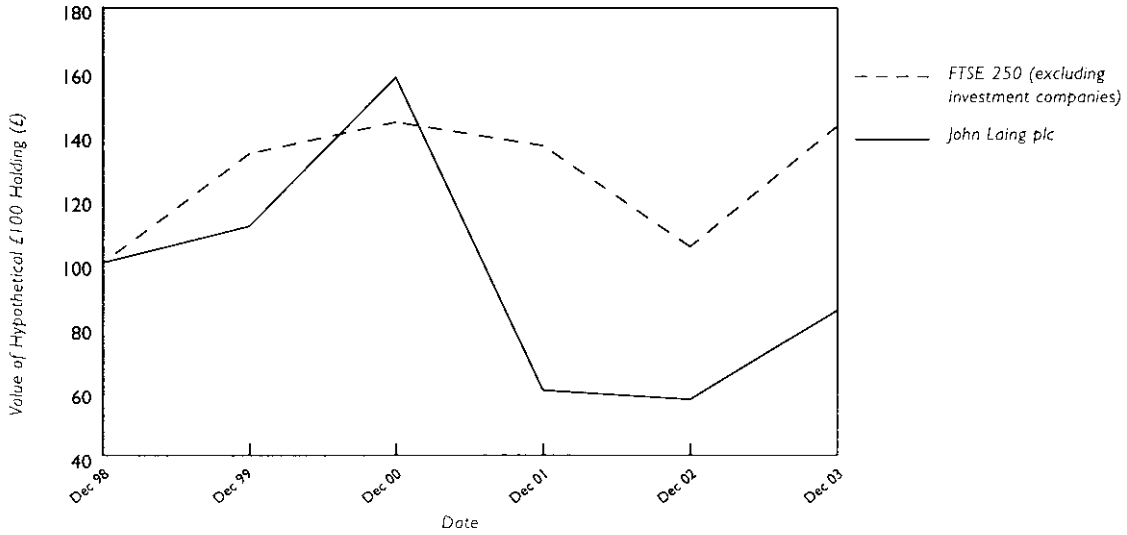
Owing to major corporate restructuring and a strategic change in business direction the Group has not remained in the same sector of the FTSE All Share Index over the last 5 years. The Group considers it more appropriate to use the FTSE All Share indices of the Support Services Sector and the FTSE 250 (excluding investment companies), rather than the Group's previous construction sector, to provide a consistent basis for performance assessment. These indices are currently believed to be the most relevant going forward.

The following graphs chart the total cumulative shareholder return of the Group over the past 5 years.

FIVE-YEAR HISTORICAL TSR PERFORMANCE
GROWTH IN THE VALUE OF A HYPOTHETICAL £100 HOLDING OVER FIVE YEARS
FTSE SUPPORT SERVICES SECTOR COMPARISON BASED ON 30 TRADING DAY AVERAGE VALUES



FIVE-YEAR HISTORICAL TSR PERFORMANCE
GROWTH IN THE VALUE OF A HYPOTHETICAL £100 HOLDING OVER FIVE YEARS
FTSE 250 (EXCLUDING INVESTMENT COMPANIES) COMPARISON BASED ON 30 TRADING DAY AVERAGE VALUES



DIRECTORS' REMUNERATION REPORT

The following information, pages 48 to 50, has been audited.

DIRECTORS' REMUNERATION

	Salary & fees £	Bonus[4] £	Benefits & allowances £	Taxable pension supplement[11] £	Total 2003 £	Total 2002 £	Pensions 2003 £	Pensions 2002 £
W W Forrester [1]	**181,250**	–	**16,287**	–	**197,537**	317,856	–	–
A E Friend [2]	**307,500**	**170,663**	**18,439**	**58,506**	**555,108**	517,709	**17,739**	17,496
A J H Ewer	**290,000**	**107,300**	**18,024**	**53,606**	**468,930**	521,603	**17,739**	17,496
T G Boatman [9]	**35,000**	–	–	–	**35,000**	22,007	–	–
Sir Martin Laing [3]	**35,000**	–	**4,428**	–	**39,428**	65,021	–	5,475
P M C Meredith [9]	**35,000**	–	–	–	**35,000**	20,416	–	–
The Baroness Noakes [9]	**35,000**	–	–	–	**35,000**	20,416	–	–
D Ardern [10]	–	–	–	–	–	1,460,424	–	7,290
B O Chilver	–	–	–	–	–	46,170	–	–
P J Harper	–	–	–	–	–	45,000	–	–
The Rt. Hon Lord Howell	–	–	–	–	–	40,000	–	–
R S Lidgate [4],[10]	–	–	–	–	–	1,990,987	–	14,580
R A Wood	–	–	–	–	–	33,010	–	5,926
					1,366,003	5,100,619	**35,478**	68,263

Notes

1. *W W Forrester's basic salary as executive Chairman was fixed on appointment at £300,000 per annum and was not subject to annual review. From 1 April 2003 W W Forrester reduced his work commitment and his salary was reduced to £225,000 per annum. W W Forrester ceased to be executive Chairman on 30 June 2003 and with effect from 1 July 2003 was appointed Chairman (non-executive) on a fee of £100,000 per annum.*
2. *A E Friend was appointed Chief Executive with effect from 1 July 2003 on a salary of £325,000 per annum. Under his terms holiday entitlement was increased to 30 days per annum. No changes were made to benefits.*
3. *The benefits figure shown for Sir Martin Laing relates to private medical insurance cover in retirement – a benefit provided historically to a number of senior executives.*
4. *R S Lidgate left on 1 November 2002, the date on which his employment as an executive Director was terminated following the sale of Laing Homes Limited. Remuneration of £68,232 (2002 – £24,500) was paid during 2003 as fees to a former Director for consultancy services. R S Lidgate is no longer engaged in any capacity, his consultancy services having ceased on 31 July 2003. In addition, R S Lidgate received benefits in kind of £6,368 which were paid in the year ended 31 December 2003.*
5. *During the period remuneration of £64,603 (2002 – £80,166) was received by J Armstrong, a former Director, as fees for consultancy services specifically related to the National Physical Laboratory ('NPL') project. J Armstrong was not engaged on any other work, and his services on NPL are expected to reduce significantly in 2004.*
6. *Annual bonus payments included within total Directors' Remuneration amounted to £277,963 (2002 – £337,800). Annual bonuses are calculated by reference to achievement of pre-determined profit targets set for the Group as a whole, as measured by the Group's management accounts. Such profit targets are approved by the Board. The Committee recommended the individual bonus arrangements.*
7. *Pension contributions stated above include an employer contribution rate of 18% (2002 – notional charge of 18%) on pensionable salaries. This is shown in order to reflect the normal cost of providing accrued pension benefits. The 2003 pension figures for A E Friend and A J H Ewer show only 18% cost of the earnings cap.*
8. *A E Friend and A J H Ewer are affected by the Inland Revenue earnings cap. A taxable pension supplement is provided and is 28% of pensionable remuneration in excess of the earnings cap.*
9. *The remuneration of T G Boatman, P M C Meredith and The Baroness Noakes for 2002 was for part of the year following their appointment as non-executive Directors.*
10. *The remuneration of D Ardern and R S Lidgate in 2002 included bonus payments of £1,000,000 and £720,000 respectively as performance related payments based on the consideration achieved on the sale of the Property and the UK Housing business.*

DIRECTORS' REMUNERATION REPORT

DIRECTORS' PENSION ENTITLEMENTS

Year to 31 December 2003

Executive Directors	Accumulated total accrued pension at 31 December 2002 £	Accumulated total accrued pension at 31 December 2003 £	Increase in accrued pension due to inflation £	Increase in accrued pension in excess of inflation £	Total increase in accrued pension during 2003 £
A E Friend	10,799	14,299	302	3,198	3,500
A J H Ewer	37,260	41,250	1,050	2,940	3,990

Executive Directors	Transfer value of accrued pension at 31 December 2002 £000s	Transfer value of accrued pension at 31 December 2003 £000s	Increase in transfer value £000s	Transfer value of increase in accrued pension (excluding inflation) £000s
A E Friend	114.9	152.6	37.7	34.1
A J H Ewer	376.3	404.3	28.0	28.9

Notes

1. *Throughout 2003 the above executive Directors were members of The John Laing Pension Fund (the 'Fund') which is a defined benefit and tax-approved scheme. Membership of the Fund was non-contributory throughout 2003, but is contributory from 1 January 2004.*
2. *The pension entitlements shown are those that would be paid annually on retirement based on service to 31 December 2003.*
3. *The figures representing the increase to accrued pension during the year in excess of inflation exclude statutory increases on both the Guaranteed Minimum Pension ('GMP') and non-GMP components of pension.*
4. *The transfer values of non-pensioners have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values do not allow for any reduction that might be applied by the Trustees of the Fund were the member actually to transfer out of the Fund.*

SHARE OPTIONS

Details of the share options held by those Directors who served during the year are as follows:

	At 1 January 2003	Granted	Exercised	Lapsed	At 31 December 2003	Exercise price (pence)	Earliest date of exercise	Expiry date
W W Forrester:								
Individual Share Option Agreement	379,746[1]	–	–	–	379,746	158.0	18/01/05	17/01/12
The John Laing Plc Executive Share Option Plan 2002	–	235,294[2]	–	–	235,294	127.5	16/01/06	15/01/13

Notes

1. *As the Group did not have a performance related share option scheme in place at the time of the grant to W W Forrester, an Individual Share Option Agreement was the vehicle for the grant. The performance condition applying to this option is relative TSR. The options may not be exercised unless the TSR of the Group ranks in the top quartile of the TSR of all the companies comprised in the comparator group, namely all the Sterling denominated companies in the Construction and Building Materials and Support Services Sectors of the FTSE All Share Index, over a performance period from 1 January 2002 to 31 December 2004.*

2. *Options were granted to W W Forrester on 16 January 2003 and are exercisable from 16 January 2006 to 15 January 2013 if the TSR of the Group is in the top quartile of the TSR's of all of the companies comprised in the comparator group, namely all the sterling denominated companies in the Support Services Sector of the FTSE All Share Index, over the performance period from 1 January 2003 to 31 December 2005.*

SHARE OPTIONS (continued)

No options were exercised by the Directors and there was no variation in the terms of any options during the year. Had any Director exercised an option during the year the price paid for the options would have been the exercise price set out in the table on page 49. No options have been granted to or exercised by the Directors between 31 December 2003 and the date of this report.

The highest and lowest prices of the Company's Ordinary Shares during the year were 179.75 pence and 103.0 pence respectively. The price of the Company's Ordinary Shares at the year end was 179.75 pence.

The Group's Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe.

Long-Term Incentive Scheme

Under the LTIP approved by shareholders in 2001, further conditional share awards were made to the executive Directors and other senior executives in 2003. Details of the entitlements of those Directors who served during the year are set out below:

	At 1 January 2003	Provisional award 16 April 2003[1]	Money value £	Vested	Waived	At 31 December 2003	Period of qualifying conditions	
A E Friend	117,647	–	210,000	–	–	117,647	01/01/02	31/12/04
	–	174,000	217,500	–	–	174,000	01/01/03	31/12/05
A J H Ewer	118,907	–	212,249	–	–	118,907	01/01/02	31/12/04
	–	174,000	217,500	–	–	174,000	01/01/03	31/12/05

Note

1. *The executive Directors were provisionally awarded the shares detailed above at nil cost when the share price was 125.0 pence. The awards are conditional upon satisfaction of a TSR performance condition. This ranks the TSR of the Company against the TSR's of all the companies in the comparator group, namely all the Sterling denominated companies in the Support Services Sector of the FTSE All Share Index, over the performance period set out above. The conditional award vests fully if the Company's TSR is ranked in the top quartile. One third will vest if ranked at median and nothing vests if ranked below median. A ranking between median and the top quartile will trigger a straight-line apportionment.*

No provisional awards made to the executive Directors have vested during the year. No provisional awards have been made or have vested between 31 December 2003 and the date of this report.

There are currently no proposals to vary the terms and conditions of the LTIP.

Further details of the interests of the Directors in the Group's share capital can be found on page 42.

Approved by the Board and signed on its behalf by

P M C Meredith
Chairman, Remuneration Committee
22 March 2004

CORPORATE GOVERNANCE

In July 2003 the Financial Reporting Council issued the new Combined Code on Corporate Governance, embracing the recommendations from the Higgs Report 'Review of the Role and Effectiveness of Non-Executive Directors' and the report of a group lead by Sir Robert Smith on 'Audit Committees Combined Code Guidance'. Whilst the reporting requirements of the new 'Code' do not yet apply to the Company, the Board has decided to adopt the reporting requirements early and, accordingly, the following report sets out how the Company has complied with the existing Code and the Code provisions set out in Section 1 of the new Combined Code on Corporate Governance.

This report on corporate governance, incorporating the Directors' report on internal controls, should be read in conjunction with the Directors' Remuneration Report, the Audit Committee Report and the Nominations Committee Report. References in this report to internal control are to internal control processes including risk management.

Throughout the year ended 31 December 2003, the Group has been in compliance with the existing Code and the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003, except for the following matters.

Code Provision	
A.2.1, A.2.2, B.1.3 (New Code) A.2.1 (Existing Code)	W W Forrester did not meet the independence criteria on his appointment as Chairman on 1 July 2003 in that, prior to this appointment, he had held the position of executive Chairman since 1 February 2002 and that, as a member of the executive management, W W Forrester had been granted share options as set out in the Directors' Remuneration Report. His intention to appoint a Chief Executive and to remain in the capacity of non-executive Chairman was announced to shareholders in the AGM statement on 14 May 2003 but this did not include a consultation with major shareholders as now required under the new Code. The Board believed it was appropriate to combine the roles of Chief Executive and Chairman for the short period from 1 February 2002 to 1 July 2003 in order to see through the urgent and necessary reconstitution of the Board, restructuring of the Group's activities, the achievement of financial stability and a review of Group strategy. These tasks, which included the disposal of Laing Homes Limited and the focussing of the Group on its PFI/PPP activities, were completed in a relatively short time frame. As a consequence, the Board believed that W W Forrester could operate as an effective non-executive Chairman since his executive role had been for only a short period and had been necessary in order to drive through the high level changes.
A.4.1, B.2.1, C.3.3 (New Code)	The terms of reference of the Board sub-committees have not been available throughout the year ended 31 December 2003. Following publication of the new Code, the terms of reference are now available on request and may be found on the Group's website at www.laing.com.
B.2.1, C.3.1 (New Code) B.2.2 (Existing Code)	The Code requires that the Remuneration Committee and the Audit Committee should consist of at least three non-executive Directors who should all be independent. The Remuneration Committee comprised four non-executive Directors, of whom one is not independent, between 1 January 2003 and 30 June 2003, and five non-executive Directors for the remainder of the year, of whom two are not independent. The Audit Committee comprised four non-executive Directors of whom one is not independent. The Board considers this to be appropriate due to the strong representation of independent non-executive Directors on the Committees. In 2004, following the resignation of Sir Martin Laing, the Committees will consist entirely of independent non-executive Directors.
D.1.1 (New Code)	The independent non-executive Directors have not been offered the opportunity to attend meetings with major shareholders during 2003. A process for arranging such opportunities and specifically for the attendance of the senior independent non-executive Director at a number of meetings is now being developed and will be implemented in 2004.

CORPORATE GOVERNANCE

DIRECTORS

The Board meets on a regular basis throughout the year and as needed to deal with special business. The Board has appointed an Audit Committee, a Remuneration Committee and a Nominations Committee which consider issues relevant to their specific terms of reference. Attendance of Directors at meetings of the Board and by members of the sub-committees during 2003 was as follows:

Number of Meetings

	Board	Audit Committee	Nominations Committee	Remuneration Committee
MEETINGS HELD IN 2003	8	3	2	4
Attended by:				
W W Forrester – non-executive Chairman	8	n/a	1#*	3#, 1~
A E Friend – Chief Executive	8	n/a	n/a	1#
A J H Ewer – Finance Director	8	3#	n/a	n/a
P M C Meredith – senior independent non-executive – Ch. Remuneration Committee	8	3	2	4
T G Boatman – independent non-executive – Ch. Audit Committee	7	3	2	4
The Baroness Noakes – independent non-executive – Ch. Nominations Committee	8	3	2	3
Sir Martin Laing – non-executive	7	1	2	4

* *W W Forrester was appointed to the Nominations Committee on 1 July 2003. No meetings of the Committee have taken place since that date.*

\# *in attendance only.*

~ *W W Forrester was appointed to the Remuneration Committee on 1 July 2003 on becoming non-executive Chairman. This appointment ceased on 31 December 2003 in order that the Company could comply with the new Combined Code. He attended only one meeting of the Remuneration Committee as a member during this period.*

There were no changes to the membership of the Board during 2003. However, W W Forrester held the position of executive Chairman up until 1 July 2003 when he relinquished his executive responsibilities and from which date A E Friend became Chief Executive.

On 10 February 2004 The Baroness Noakes resigned from the Board and Sir Martin Laing has indicated his intention to resign from the Board on 30 April 2004.

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board as well as any special business. Matters reserved for the Board include the review of strategy and organisational change, the review of internal controls and risk management processes, the approval of significant investments and disposals, the approval of budgets and the regular review of current trading and the financial position of the Group. The Board receives regular reports prior to meetings on current trading, the financial position and forecasts of the Group. In addition, the Board receives relevant information on business, corporate and strategic issues. Formal procedures exist to ensure that the Board is made aware of any significant health and safety issues and non-compliance with statutory regulations. A E Friend is the Board member responsible for health and safety issues. Further details of the Company's approach to health and safety are set out in the report on Corporate Social Responsibility on pages 34 to 37.

All Directors may take independent professional advice at the Group's expense in the furtherance of their duties and have full access to the Company Secretary.

Upon appointment the independent non-executive Directors undertake an induction process to familiarise themselves with the Group's activities, policies and key issues.

The Chairman meets with the other non-executive Directors to discuss the performance of the Board and its sub-committees including reviewing their effectiveness. The senior independent non-executive Director has met all the Directors to discuss the performance of the Chairman. These meetings are held at least once a year shortly following the end of the calendar year being reviewed. The performance of executive Directors is measured against a predetermined set of objectives that are agreed with each executive Director at the start of the calendar year.

The Company's Articles of Association require one third of the Board to submit themselves for re-election, on a rotational basis, every year. No Director is exempt from seeking re-election. Non-executive Directors are appointed for an initial term of 3 years subject to 3 months' notice. The service contracts of executive Directors are terminable on 12 months' notice from the Group.

CORPORATE GOVERNANCE

Board sub-committees

Sub-committees of the Board have been constituted to consider and make recommendations to the Board regarding matters relating to external and internal audit, internal control and risk management processes, the selection of appropriate accounting policies, the appointment of Directors and Directors' remuneration and the presentation of the interim and full year accounts. The membership and duties of the sub-committees are set out on pages 56 and 57. The policies for setting Directors' remuneration are set out in the Directors' Remuneration Report on pages 43 to 50.

All of the sub-committees of the Board operate to clearly defined terms of reference which were reviewed and updated to reflect best practice and the Code in the course of the period under review. The terms of reference of the sub-committees are available on request from the Company Secretary and are included on the website at www.laing.com

The reports of the Board sub-committees are set out on pages 56 and 57.

RELATIONSHIP WITH SHAREHOLDERS

Throughout the year executive Directors and the Chairman have met with the Group's major institutional shareholders to whom presentations were made after the announcement of the Group's preliminary and interim results, and at other times where requested. Feedback from meetings with major institutional shareholders has been reported to the Board. The Group has provided analysts and fund managers with the opportunity to visit a typical operating activity at which the senior executive management provided detailed briefings on the scope and performance of a PFI project. The Board has adopted the practice of releasing a trading update approximately two months before the announcement of preliminary results. Care is taken to ensure that any price sensitive information released is available to all shareholders, institutional or private, at the same time in accordance with the Listing Authority requirements.

All Directors, including the Chairmen of the Audit Committee, the Nominations Committee and the Remuneration Committee, attended the Group's AGM on 14 May 2003 and were available to answer questions from those shareholders present. The Chairman, after the show of hands on each resolution, indicated the number of proxy votes for, against and abstaining on each resolution.

ACCOUNTABILITY AND AUDIT

The Chairman's statement on pages 2 to 5 sets out the Group's strategy and the corporate actions that have been taken in furtherance of the strategy. The Operating Review & Chief Executive's Report and the Financial Review on pages 6 to 33 provides an assessment of the Group's position and prospects relative to its objectives. The statement of Directors' responsibilities for preparing the accounts is set out below:

Statement of Directors' Responsibilities

United Kingdom 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 as at the end of the financial year and of the Group's profit or loss for that period. In preparing those financial statements, the Directors are required to:

- *Select the most appropriate accounting policies and then apply them consistently*
- *Make judgements and estimates that are reasonable and prudent*
- *State whether applicable accounting standards have been followed*

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group 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.

Going Concern

The Directors confirm that, having made appropriate enquiries, they have a reasonable expectation that the Group has adequate financial 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.

CORPORATE GOVERNANCE

Internal Control

The Board is responsible for the Group's whole system of internal control, including risk management, and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the system of internal control and monitors risk through a variety of measures which have been designed to identify all forms of risk including financial, reputational, social, ethical and environmental. As part of the year end procedures, the Board has reviewed the effectiveness of the system of internal control during the last year and up to the date of this report. In conducting this review, the Board considers that good progress has been made in implementing the recommendations arising from the review of risk management procedures and systems of internal control carried out in 2002, as set out in last year's annual report, and in 2003. Further progress is required to fully embed both risk management and internal controls into the day to day management of the Group.

The principal risk management procedures and systems of internal controls, that operated throughout 2003 and continue to this date, are as follows:

- *The risk management procedures, which form part of the overall systems of internal control, are designed to align identification and management of the risks with key business objectives.*
- *Risk reporting that is embedded in the regular management reporting of business units and reports to the Board. Thus the Board undertakes a continuous review of risks.*
- *An organisational structure which provides direct access to operations for senior executive management and clearly defined lines of accountability, delegated authority and reporting, this includes the approval of all investments and disposals as set out below.*
- *An independent internal audit function since September 2003, which reports to the Audit Committee in the first instance. The external auditors also report to the Audit Committee on control weaknesses which they find during their financial statement audit.*

These procedures and controls are underpinned by a control environment which is supported by a culture of openness of communication between operational management and the executive management on matters relating to risk and control, including procedures for bringing such matters to the attention of the Board.

While the Board seeks to ensure an appropriate system of Corporate Governance it has delegated certain executive responsibilities to executive management. A management structure has been developed to ensure that key investment proposals receive a high level of scrutiny throughout the bid process. The executive Directors and heads of business units constitute an Executive Committee that meets fortnightly to consider operational matters and approve transactions. In addition, an Investment Committee, comprising senior executives that are independent of the business units, reviews all investment proposals prior to submitting priced bids and again prior to commitment. All investments require the approval of the Executive Committee and all new commitments in excess of £5.0 million require Board approval. Proposed sales of investments undergo the same rigorous review and approval process.

Risk Management

Risk registers are maintained for all PFI/PPP projects and are regularly updated and reviewed. Risk registers are also maintained for business units and for the Group as a whole. Significant risks, both pre and post mitigation, are identified and reported to the Board for its consideration.

Investment Decisions and Performance Monitoring

All new investment proposals are measured against pre-determined criteria including minimum equity IRR, cash yield and payback requirements.

The performance of existing investments is reviewed on a quarterly basis by the executive management of the business unit holding the investment and once a year the performance is reviewed in detail by the Investment Committee. The Board receives quarterly reports on the financial performance of investments.

Delegated Authorities

Delegated authorities for the approval of commitments and expenditure are clearly documented and provide an adequate level of assurance that costs are properly incurred.

Assurance

Early in 2003 the Board reviewed whether or not it would be appropriate to appoint an internal auditor. The Board concluded that an independent internal audit function should be created. The Board decided to outsource the internal audit function and, after running a tender process, appointed Ernst & Young LLP as internal auditor. A detailed programme of internal audit review has been agreed and the work is now well under way. The internal auditor reports to the Audit Committee and makes recommendations for improvements to internal control and risk management processes. The internal auditor reviews and reports on progress with implementation of agreed management actions. Several recommendations have been made by the internal auditor which will improve internal control processes and embed controls further into the organisation. As part of the annual audit cycle, the external auditor also reviews and reports on internal control processes. Through the Audit Committee, the Board monitors progress with the implementation of agreed management actions.

The Board, through the Audit Committee, has reviewed the Group's processes for the prevention and reporting of potential or actual fraud. This review has resulted in the formal documentation of a fraud policy and a 'whistleblowers' charter', and will be followed with an education process for all staff including the running of workshops.

Management Reporting

The Board approves a phased annual budget in the November preceding the start of the financial year. Executive management reviews monthly management accounts and monitors the actual performance against budget. Significant variances are explained and further investigations initiated as appropriate. The Board reviews actual results and forecast updates on a quarterly basis.

Audit

The report of the Audit Committee is set out on pages 56 and 57.

As a consequence of the restructuring of the Group and the transformation to a focussed developer, owner and operator of infrastructure assets, the Board decided to review the approach to the audit and conducted a tender process for the position of Group Auditor. Following this review, Deloitte & Touche LLP was appointed as the Group Auditor.

All of the Group's subsidiaries are audited by Deloitte & Touche LLP. Four of the Group's joint ventures are also audited by Deloitte & Touche LLP, however some of the Group's joint ventures and associates are audited by other firms of accountants due to the arrangements agreed with our partners.

For certain joint ventures and associates where Deloitte & Touche LLP are not the auditor, the appointed auditor is required to complete an audit review questionnaire for Deloitte & Touche LLP. In a limited number of cases, joint ventures do not have coterminous year ends with the Group. In these circumstances the Group Auditor reviews the latest available audited accounts and the management accounts for the subsequent period up to 31 December.

The Group employs rigorous procedures to ensure the continued independence of the Group Auditor. These include the prior approval of the Audit Committee for the appointment of the Group Auditor for provision of non-audit services where the fee is to be above a pre-determined threshold. Wherever appropriate, competitive quotes will be obtained from other firms. The Audit Committee reviews the fees payable to the Group Auditor for non-audit services on a regular basis and seeks to ensure that the Group Auditor's independence is not compromised.

The Auditors' Report to the Members of John Laing plc on the financial statements and, where required, the Directors' Remuneration Report, is set out on page 58. In addition, the Group Auditor reports to the Directors any relevant findings on procedures and controls within the business units which have come to their notice during the course of their normal audit work.

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

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT

Membership and meetings

Throughout 2003 the Audit Committee (the 'Committee') membership was as follows:

T G Boatman	–	*Chairman of the Audit Committee*
	–	*Independent non-executive Director*
Sir Martin Laing	–	*Non-executive Director*
P M C Meredith	–	*Independent non-executive Director*
The Baroness Noakes	–	*Independent non-executive Director (resigned 10 February 2004)*

The Chairman of the Audit Committee, T G Boatman, has extensive relevant experience as a former senior partner of a major international firm of accountants.

The Baroness Noakes resigned her membership on 10 February 2004, this being the date on which she resigned from her directorship. A new independent non-executive Director will be appointed shortly.

Sir Martin Laing has served notice of his intention to resign on 30 April 2004, this being the date on which he will also resign his directorship.

The Committee met 3 times in 2003. One meeting was dedicated to the review of internal control procedures while the others included the review of the interim results and full year results.

The Finance Director is normally invited to attend the meetings, along with other members of management as appropriate. The external auditor and internal auditor are also invited to attend the meetings as appropriate. At the end of the annual audit cycle, the Committee ensured that at least part of the meeting was attended by the external auditor and part by the internal auditor without management being present.

Audit Committee meetings were minuted and copies of the minutes were provided to the Directors and the Group Auditor.

Responsibilities

The Audit Committee is a sub-committee of the Board and has been set up to consider and make recommendations to the Board regarding the following:

- *Appointment of the external auditor*
- *Appointment of the internal auditor*
- *Compliance with the Companies Acts, accounting standards and Financial Services Authority regulations*
- *Financial statements issued by the Company including circulars and announcements*
- *Internal control procedures including risk management processes*

The Committee reports to the Board, through the Chairman of the Committee, any relevant issue that should be brought to the attention of the Directors.

Review of 2003

During 2003 the Audit Committee reviewed the implementation of new risk management procedures. This project commenced in the second half of 2002 and was completed, with the revised processes being fully operational, by 30 June 2003.

Following the Board's decision to conduct a tender process for the appointment of the Group Auditor, the Committee considered the quality of the tender submissions. The Committee paid particular attention to the audit approach and the audit plan proposals with a view to ensuring that these fully reflected the nature and scale of the refocused activities of the Group. The Committee has reviewed the procedures adopted in order to ensure that the independence of the auditor is not compromised and also reviewed the quality assurance processes employed by the tendering firms. On completion of the tender process the Committee recommended the appointment of Deloitte & Touche LLP as Group Auditor.

The Committee gave specific approval of proposals for the provision of non-audit services by the Group Auditor where the fee was expected to be above a pre-determined threshold of £20,000. The Committee has reviewed total fees payable to the Group Auditor for non-audit services at each of its meetings. The Committee is satisfied that the non-audit work carried out by Deloitte & Touche LLP has not compromised their independence. The Group Auditor has also confirmed to the Audit Committee that it is satisfied that it has maintained independence since appointment.

AUDIT COMMITTEE REPORT (continued)

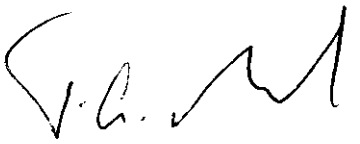
The Committee supported the Board's decision to appoint an independent outsourced internal audit function and considered the submissions following a competitive tender process. The Committee reviewed and satisfied itself with the proposed scope and programme of work, following which it supported management's recommendation for the appointment of Ernst & Young LLP as internal auditor.

The Committee has received reports from the internal and external auditor and has reviewed management's response to recommendations. The Committee has a process for reviewing the progress on implementing agreed management actions.

The Committee has reviewed the process for prevention and reporting of potential or actual fraud. This has resulted in a fraud policy which is now being implemented throughout the organisation and includes a 'whistleblowers' charter'.

The Committee receives and considers written reports from the Finance Director and the Group Auditor to coincide with the review of draft interim and draft full year results, prior to their approval by the Board. The Committee reviews the significant judgements exercised by management, the appropriateness of accounting policies adopted by the Group and unadjusted audit differences. Following these reviews, the Committee reports the significant issues to the Board prior to the Board's approval of the half year and full year accounts.

The terms of reference of the Audit Committee were reviewed during 2003 and updated to reflect the recommendations of the group lead by Sir Robert Smith on Audit Committees Combined Code Guidance. The terms of reference are available on request from the Company Secretary, who also acts as Secretary to the Committee, and are included on the Group web site at www.laing.com .



T G Boatman
Chairman, Audit Committee
22 March 2004

NOMINATIONS COMMITTEE REPORT

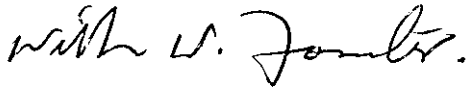
The Nominations Committee (the 'Committee') comprised five non-executive Directors as follows:

The Baroness Noakes	–	*Chairman to 10 February 2004, independent non-executive Director*
W W Forrester	–	*Chairman from 11 February 2004 (appointed to the Committee 1 July 2003)*
T G Boatman	–	*Independent non-executive Director*
Sir Martin Laing	–	*Non-executive Director (resigning 30 April 2004)*
P M C Meredith	–	*Independent non-executive Director*

The Committee was chaired by The Baroness Noakes prior to her resignation from the Board on 10 February 2004. As an interim measure, prior to the appointment of a new independent non-executive Director, W W Forrester has been appointed Chairman of the Committee.

The Committee considers, in a formal and transparent manner, all proposed Board appointments and makes recommendations for the approval of the Board. The Committee's terms of reference are available on request from the Company Secretary, who also acts as Secretary to the Committee, and are posted on the Company's website, www.laing.com.

During the year the Committee met twice to consider proposals for the transition of W W Forrester's role from executive Chairman to non-executive Chairman and the appointment of A E Friend as Chief Executive. The Committee did not use an external search consultancy, nor did it advertise for the selection of the Chief Executive, because the members considered that the internal candidate was suitably qualified for the position.



W W Forrester
Chairman, Nominations Committee
22 March 2004

INDEPENDENT AUDITORS' REPORT

to the members of John Laing plc

We have audited the financial statements of John Laing plc for the year ended 31 December 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheets, the cash flow statement, the statement of accounting policies and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 and the part of the directors' remuneration report described as having been audited. 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 circumstances of the company and the group, 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

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 2003 and of the profit of the group for the year then ended; and*
- *the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.*

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
22 March 2004

GROUP PROFIT AND LOSS ACCOUNT

	Notes	2003 Continuing £ million	2003 Discontinued+ £ million	2003 Total £ million	2002 Restated* £ million
FOR THE YEAR ENDED 31 DECEMBER 2003					
TURNOVER	2	**410.9**	**70.6**	**481.5**	744.9
DEDUCT:					
Share of joint venture turnover	15	**(170.5)**	–	**(170.5)**	(66.9)
Share of associate turnover	15	**(27.8)**	**(34.7)**	**(62.5)**	(122.6)
GROUP TURNOVER		**212.6**	**35.9**	**248.5**	555.4
Existing operations		**206.4**	–	**206.4**	179.6
Acquisitions		**6.2**	–	**6.2**	–
Discontinued		–	**35.9**	**35.9**	375.8
Cost of sales		**(181.0)**	**(30.7)**	**(211.7)**	(476.0)
GROSS PROFIT		**31.6**	**5.2**	**36.8**	79.4
Exceptional cost of restructuring	3	–	–	–	(2.7)
Other operating and administrative expenses		**(38.2)**	**(5.0)**	**(43.2)**	(72.3)
Total operating and administrative expenses		**(38.2)**	**(5.0)**	**(43.2)**	(75.0)
Other operating income	7	**0.4**	**0.5**	**0.9**	1.3
GROUP OPERATING (LOSS)/PROFIT	3	**(6.2)**	**0.7**	**(5.5)**	5.7
Share of operating profit of:					
Joint ventures		**14.3**	–	**14.3**	16.8
Associates		**2.3**	**1.4**	**3.7**	11.5
OPERATING PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES		**10.4**	**2.1**	**12.5**	34.0
Existing operations		**8.5**	–	**8.5**	8.8
Acquisitions		**1.9**	–	**1.9**	–
Discontinued		–	**2.1**	**2.1**	25.2
Profit on disposal of, and amounts written off investments and other fixed assets	4	**4.8**	**0.1**	**4.9**	2.5
Profit/(loss) on disposal of operations	4	**2.3**	**2.6**	**4.9**	(7.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	2	**17.5**	**4.8**	**22.3**	28.9
Interest receivable		**76.9**	**7.6**	**84.5**	54.8
Group		**24.1**	**7.6**	**31.7**	11.5
Joint ventures		**52.7**	–	**52.7**	43.1
Associates		**0.1**	–	**0.1**	0.2
Interest and other finance costs payable		**(77.7)**	**(7.9)**	**(85.6)**	(97.8)
Group – refinancing costs		**(2.0)**	–	**(2.0)**	(22.7)
– other		**(19.6)**	**(7.4)**	**(27.0)**	(17.8)
Joint ventures – refinancing costs		**(0.7)**	–	**(0.7)**	(9.1)
– other		**(53.0)**	–	**(53.0)**	(45.0)
Associates		**(2.4)**	**(0.5)**	**(2.9)**	(3.2)
Net interest	8	**(0.8)**	**(0.3)**	**(1.1)**	(43.0)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	**16.7**	**4.5**	**21.2**	(14.1)
Taxation	9			**(13.3)**	(11.3)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION				**7.9**	(25.4)
Minority interests – equity				–	0.1
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS				**7.9**	(25.3)
Dividends on equity and non-equity shares	10			**(7.8)**	(14.5)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	26			**0.1**	(39.8)
Earnings/(losses) per share – basic	11			**3.1p**	(15.8)p
– diluted	11			**3.0p**	(15.8)p
Dividends per share	10			**3.0p**	6.8p

+ the results of discontinued businesses include the trading results and profit/(loss) on disposal of the construction, house building and property development businesses.

** restated for changes in accounting policies, and for analysis of the effect on the 2002 operating result refer to note 1*

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2003 £ million	2002 Restated* £ million
FOR THE YEAR ENDED 31 DECEMBER 2003			
Profit/(loss) attributable to shareholders		**7.9**	(25.3)
Group		**0.8**	(29.4)
Joint ventures and associates	15	**7.1**	4.1
Currency translation differences on foreign currency net investments		**(0.9)**	(2.1)
Net experience gains/(losses) on post retirement obligations	6	**8.4**	(107.8)
TOTAL GAINS/(LOSSES) RECOGNISED IN THE YEAR		**15.4**	(135.2)
Prior year adjustments*		**(116.7)**	
TOTAL GAINS/(LOSSES) RECOGNISED SINCE THE LAST ANNUAL REPORT		**(101.3)**	

GROUP STATEMENT OF HISTORICAL COST PROFITS AND LOSSES

	2003 £ million	2002 Restated* £ million
FOR THE YEAR ENDED 31 DECEMBER 2003		
Profit/(loss) on ordinary activities before taxation	**21.2**	(14.1)
Realisation of property revaluation gains of previous years	**–**	3.6
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	**21.2**	(10.5)
HISTORICAL COST PROFIT/(LOSS) FOR THE YEAR RETAINED AFTER TAXATION, MINORITY INTERESTS AND DIVIDENDS	**0.1**	(36.2)

* *restated for changes in accounting policies, refer to note 1.*

GROUP BALANCE SHEET

	Notes	2003 £ million	2002 Restated* £ million
AT 31 DECEMBER 2003			
FIXED ASSETS			
Intangible assets	12	**12.2**	13.3
Tangible assets	13	**31.2**	17.9
Investments	15	**0.5**	14.7
Investments in joint ventures:		**101.1**	87.1
Share of gross assets	15	**1,126.3**	935.1
Share of gross liabilities	15	**(1,025.2)**	(848.0)
Investments in associates	15	**15.8**	41.8
		160.8	174.8
CURRENT ASSETS			
Land and developments	16	**–**	29.9
Stocks and work in progress	16	**2.8**	0.8
Debtors		**380.2**	474.6
– due within one year	17	**59.3**	249.9
– due after more than one year	17	**320.9**	224.7
Short-term investments	18	**2.2**	2.2
Cash at bank and in hand	19	**121.1**	94.1
		506.3	601.6
CREDITORS: amounts falling due within one year			
Bank and other loans	23a,d	**4.0**	201.9
Other creditors	20	**68.4**	92.7
		72.4	294.6
NET CURRENT ASSETS		**433.9**	307.0
TOTAL ASSETS LESS CURRENT LIABILITIES		**594.7**	481.8
CREDITORS: amounts falling due after more than one year			
Bank and other loans	23a,d	**325.3**	206.3
Other creditors	20	**3.8**	3.2
		329.1	209.5
PROVISIONS FOR LIABILITIES AND CHARGES			
Investments in joint venture:	21	**8.8**	–
Share of gross assets	15	**55.1**	–
Share of gross liabilities	15	**(63.9)**	–
Other provisions	21	**49.1**	62.4
		57.9	62.4
NET ASSETS EXCLUDING POST RETIREMENT BENEFITS		**207.7**	209.9
Pensions and other post retirement liabilities (net)	6	**93.7**	103.8
NET ASSETS INCLUDING POST RETIREMENT BENEFITS		**114.0**	106.1
CAPITAL AND RESERVES			
Called up share capital	25	**83.6**	83.6
Share premium account	26	**82.8**	82.8
Other reserves	26	**2.3**	2.2
Profit and loss account	26	**(54.7)**	(62.5)
Deficit relating to post retirement obligations (net)	6	**(93.7)**	(103.8)
Other		**39.0**	41.3
SHAREHOLDERS' FUNDS		**114.0**	106.1
Equity		**75.9**	68.0
Non-equity	26	**38.1**	38.1
		114.0	106.1

* *restated for changes in accounting policies, refer to note 1*

COMPANY BALANCE SHEET

	Notes	2003 £ million	2002 Restated* £ million
AT 31 DECEMBER 2003			
FIXED ASSETS			
Interests in subsidiary undertakings	14	**72.0**	158.4
Investment in joint venture	15	**6.4**	–
		78.4	158.4
CURRENT ASSETS			
Debtors – due within one year	17	**127.6**	222.8
– due after more than one year	17	**1.2**	1.6
Cash at bank and in hand		**62.4**	43.2
		191.2	267.6
CREDITORS: amounts falling due within one year			
Bank and other loans	23d	**–**	182.1
Other creditors	20	**155.6**	137.8
		155.6	319.9
NET CURRENT ASSETS/(LIABILITIES)		**35.6**	(52.3)
		114.0	106.1
CAPITAL AND RESERVES			
Called up share capital	25	**83.6**	83.6
Share premium account	26	**82.8**	82.8
Revaluation of shares in subsidiary undertakings	26	**(90.2)**	(87.0)
Profit and loss account	26	**37.8**	26.7
SHAREHOLDERS' FUNDS		**114.0**	106.1
Equity		**75.9**	68.0
Non-equity	26	**38.1**	38.1
		114.0	106.1

** restated for changes in accounting policies, refer to note 1.*

The accounts on pages 59 to 99 were approved by the Board of Directors on 22 March 2004 and were signed on its behalf by

A E Friend
Chief Executive

A J H Ewer
Finance Director

GROUP CASH FLOW

	Notes	2003 £ million	2002 Restated* £ million
FOR THE YEAR ENDED 31 DECEMBER 2003			
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27	**(102.1)**	(120.8)
DIVIDENDS RECEIVED FROM JOINT VENTURES AND ASSOCIATES		**7.7**	10.4
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**9.1**	6.2
Interest and other financing costs paid		**(29.4)**	(49.7)
Dividends received		**0.5**	0.3
Dividends paid to non-equity shareholders	10	**(2.5)**	(2.5)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(22.3)**	(45.7)
TAXATION		**(2.3)**	(5.1)
UK corporation tax paid		**(0.1)**	(5.2)
Overseas tax (paid)/received		**(2.2)**	0.1
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed assets		**(2.0)**	(1.1)
Construction of infrastructure assets		**(13.9)**	(9.8)
Sale of fixed assets		**0.3**	9.3
Sale of investments		**12.8**	32.8
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		**(2.8)**	31.2
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings	29	**(32.8)**	(7.3)
Net overdraft acquired with subsidiaries	29	**(20.7)**	–
Purchase of interests in and loans to joint ventures and associated undertakings		**(5.4)**	(1.1)
Sale of subsidiary undertakings	30	**220.0**	92.4
Net overdraft/(cash) balance disposed with subsidiaries	30	**27.8**	(12.9)
Sale of interests in and repayment of loans by joint ventures and associated undertakings		**49.3**	18.3
Sale of operation		**–**	1.9
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS		**238.2**	91.3
EQUITY DIVIDENDS PAID		**(10.2)**	(11.1)
NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		**106.2**	(49.8)
MANAGEMENT OF LIQUID RESOURCES			
Net cash transfer from bank deposits	28	**–**	(50.5)
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES		**–**	(50.5)
FINANCING			
Issue of ordinary share capital		**–**	3.3
(Decrease)/increase in bank borrowings falling due within one year	28	**(192.3)**	196.2
Increase/(decrease) in bank borrowings falling due after more than one year	28	**118.9**	(86.3)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		**(73.4)**	113.2
INCREASE IN CASH IN THE YEAR	28	**32.8**	12.9

* *restated for changes in accounting policies, refer to note 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 the applicable United Kingdom accounting standards.

In accordance with Section 230 of the Companies Act 1985, no separate profit and loss account has been presented for the Company. However, the profit for the year has been disclosed in note 26.

Except as disclosed in note 1, the following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial accounts.

(B) BASIS OF CONSOLIDATION

The Group profit and loss account and balance sheet include the financial accounts of John Laing plc and its subsidiary undertakings made up to 31 December each year. Where subsidiaries are acquired or sold during the year, or where joint arrangements are entered into or terminated during the year, the Group profit and loss account includes the results for the part of the year for which they were subsidiaries or joint arrangements. The financial accounts of joint arrangements are used for the Group consolidation except where the year end is not coterminous when management accounting information is consolidated.

Joint ventures and associates are accounted for using the equity basis where the Group has joint control and significant influence. Interests in such companies are shown in the consolidated balance sheet at cost, including advances, plus the appropriate share of post acquisition retained profits and reserves. Where the share of post acquisition retained losses exceeds the cost of the investment, after deduction of provisions, the excess retained losses are included in the consolidated balance sheet.

Where the accounting policies of joint ventures and associates 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 following accounting policies apply to the Group in general. For policies applied specifically to the Group's PFI/PPP Project Companies, refer to accounting policy (O).

(C) TURNOVER

Turnover in the continuing operations comprises the Group's share of:

Turnover in PFI/PPP Project Companies

- *The value of construction work in progress on PFI projects where the principal asset is to be accounted for as a finance debtor.*
- *Availability fees and usage fees on PFI projects where the principal asset is to be accounted for as a fixed asset.*
- *Third party revenues on PFI projects.*
- *Revenues for the provision of facilities management services to PFI Project Companies.*
- *Income generated in respect of ticket sales, Strategic Rail Authority subsidy, advertising and retail revenues in the rail activities.*
- *The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the life of the relevant season ticket.*

Turnover in non-PFI/PPP Project Companies

- *The value of work executed by John Laing Partnership Limited, a constructor of social housing, prior to its sale on 23 September 2003.*
- *Private housing sales, which are recognised at the date of legal completion, prior to the sale of Beechcroft Developments Limited on 1 May 2003 and the Group's share of private housing sales of its associate, WL Investors LLC, prior to disposal on 1 July 2003.*

Turnover excludes the value of intra-group transactions, VAT and includes the Group's share of turnover of joint ventures and associates.

(D) DEPRECIATION

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

Depreciation is provided on the basis that the estimated useful lives of assets are:

Leasehold offices	*Lesser of period of lease or 50 years*
Rail infrastructure	*Remaining length of franchise*
Fixtures & fittings	*3 to 5 years*
Vehicles, plant and machinery	*3 to 10 years*
IT equipment	*3 years*

ACCOUNTING POLICIES

(E) LEASES

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

(F) INTANGIBLE ASSETS

Goodwill on acquisition has been capitalised and is being written off over 20 years which, in the opinion of the Directors, represents its useful economic life.

Capitalised bidding costs incurred in securing the Chiltern rail franchise are being amortised on a straight-line over the life of the franchise.

(G) TAXATION

Current Tax

The charge for current taxation for the year is based on the result for the year. The charge for taxation in respect of PFI Project Companies is calculated by applying the estimated whole life effective tax rate for individual Project Companies to the profit before tax included in the Group profit and loss account. The effective tax rate is adjusted to reflect disallowable items.

Where there is a difference between the tax charge in the consolidated accounts and the tax charge arising from the Group's share of the charge in the underlying PFI Project Company, the difference is accounted for as deferred tax.

Deferred Tax

- *The charge for deferred tax incorporates the requirements of FRS 19 'Deferred Tax' as provision has been made for deferred tax in respect of timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future.*
- *Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.*
- *Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted at the balance sheet date.*

(H) PENSION COSTS AND OTHER POST RETIREMENT BENEFITS

For the Group's defined benefit schemes, in accordance with FRS 17 'Retirement Benefits', the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected returns on assets (based on the market value of the scheme assets at the start of the period), are included in the profit and loss account under 'interest'.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of recognised deferred tax (to refer (G) above). Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences arising from experience or assumption changes.

Further information on pension arrangements is set out in note 6 to the accounts.

(I) TANGIBLE FIXED ASSETS

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

(J) INVESTMENTS

Fixed asset investments, excluding investment in subsidiaries, are stated at cost less provision for impairment. Current asset investments are stated at 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.

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

ACCOUNTING POLICIES

(K) STOCKS AND WORK IN PROGRESS

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

(L) DERIVATIVE INSTRUMENTS

The Group uses interest rate swaps to hedge interest rate and RPI risk. Amounts payable or receivable in respect of interest rate swaps are recognised on an accruals basis and are shown as interest expense.

The Group uses forward foreign currency contracts to hedge its exposure to fluctuations to foreign exchange movements. Gains and losses are offset against the foreign exchange gains or losses on the related assets or liabilities.

The Group does not enter into speculative derivative contracts.

(M) 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.

Monetary assets and liabilities expressed in foreign currency are reported at the rate of exchange prevailing at the balance sheet date, or if appropriate, at the forward contract rate. Any difference arising on the retranslation of these amounts is taken to the profit and loss account.

(N) CASH AND LIQUID RESOURCES

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year, other than cash and investments in money market managed funds.

(O) PFI/PPP PROJECT COMPANIES

The Group has adopted the provisions of FRS 5 'Reporting the substance of transactions' (Application Note F) in determining the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Where it can be demonstrated that the balance of risks and rewards derived from the underlying asset are not borne by the Group, the asset created and/or provided under the contract is accounted for as a finance lease receivable under SSAP 21 or as a financial asset under FRS 5; otherwise, it is classified as a fixed asset.

The Group restates, where applicable, the results of PFI/PPP Project Companies to reflect consistent accounting policies across the Group. Results of all PFI/PPP Project Companies therefore conform to the following policies:

- **Finance debtors and amounts recoverable on contracts**

  Where risks and rewards derived from the underlying asset do not reside with the Group, these assets are accordingly disclosed in the balance sheet as amounts recoverable on contracts while in construction and reclassified to finance debtors when operational. In this case income is allocated to interest receivable and turnover using a constant margin on costs and the remainder allocated to the finance debtor.

- **PFI Fixed Asset**

  Where the benefits and risks associated with the asset reside with the PFI Project Company these assets are accordingly disclosed in the balance sheet as fixed assets at cost less depreciation. Straight-line depreciation is charged over the life of the concession which is currently 25 years, or specific asset life if shorter.

ACCOUNTING POLICIES

(O) PFI/PPP PROJECT COMPANIES (continued)

- ***Major Maintenance***

  For finance debtor accounted projects, the capital element of major maintenance is treated as part of the cost of project financing and for fixed asset accounted projects, the capital element of major maintenance is capitalised and depreciated over the shorter of the remaining concession or asset's useful life.

- ***PFI Bid Costs***

  PFI bid costs are accounted for under UITF 34. PFI bid costs are charged to the profit and loss account until such time as the Group is virtually certain that it will enter into contracts for the relevant PFI project. Virtual certainty is generally achieved at the time the Group is selected as preferred bidder. From the point of virtual certainty, bid costs are capitalised and held in the Group balance sheet as a debtor prior to achieving financial close. On financial close of PFI project and financing agreements, the Group recovers capitalised bid costs from the relevant Project Company. If the recovery of bid costs exceeds the amount capitalised by the Group to financial close, the over-recovery is credited to the balance sheet as deferred income.

  Deferred income is released to the profit and loss account on one of two bases:

  (i) In respect of projects using finance debtor accounting, over the period of construction during which the finance debtor is established;

  or

  (ii) In respect of projects using fixed asset accounting, over the period of the concession/project agreement.

- ***Long-term contracts***

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

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

- ***Finance costs***

  Project specific finance costs are capitalised until the asset to which the finance relates becomes operational. Finance costs incurred on borrowings to fund the construction of PFI assets are included as part of the cost of those assets commencing at the start of construction and ceasing when the asset is complete and ready for use.

- ***Debt***

  Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

- ***Non-recourse debt***

  Non-recourse loans are those which are secured solely on a specific asset and its future income (usually contained in a single entity). The terms of the finance agreements provide that the lender will not seek in any way to enforce repayment of either principal or interest from the rest of the Group and the Group is not obliged, nor does it intend, to support any losses.

- ***Refinancing***

  On refinancing of PFI Project Company debt, the Group recognises its share of debt issue costs written off. Where the terms of existing debt are amended, the issue costs associated with re-negotiating those terms are written off. Where new debt is arranged, the capitalised debt issue costs on retiring debt are written off and the debt issue costs of the new debt are capitalised and amortised over the term of the new debt.

NOTES TO THE ACCOUNTS

1. RESTATEMENT OF COMPARATIVES TO REFLECT ACCOUNTING POLICY CHANGES

The Group has adopted FRS 17 'Retirement Benefits' and restated prior years accordingly. The table below summarises the effect of the adoption of this accounting standard on the reported results for 2002 whilst an analysis of the fair value of the Group's pension scheme assets and reconciliation of the movement in the schemes' deficits is provided in note 6, to the accounts.

The Group has reviewed the accounting policies adopted for the road and utility projects following the acquisition of the Amey portfolio in order to ensure consistency across all of the Group's investment activities. As a result, the basis of presentation of PFI property has changed from 'fixed asset' to 'finance debtor' in the case of 4 Project Companies and Severn River Crossing Plc and Citylink Telecommunications Limited have been accounted for as joint ventures instead of long-term investments.

	Year ended 31 December 2002			
		Restatement		
	As reported £ million	FRS 17 Retirement benefits £ million	Accounting for PFI/PPP projects £ million	As restated £ million
BALANCE SHEET				
FIXED ASSETS				
Intangible assets	13.3	–	–	13.3
Tangible assets	103.8	–	(85.9)	17.9
Investments	21.9	–	(7.2)	14.7
Investments in joint ventures	88.0	–	(0.9)	87.1
Investments in associates	41.8	–	–	41.8
	268.8	–	(94.0)	174.8
CURRENT ASSETS				
Land and developments	29.9	–	–	29.9
Stocks and work in progress	0.8	–	–	0.8
Debtors	407.2	(19.4)	86.8	474.6
Short-term investments	2.2	–	–	2.2
Cash at bank and in hand	94.1	–	–	94.1
	534.2	(19.4)	86.8	601.6
CREDITORS: amounts falling due in less than one year				
Bank and other loans	201.9	–	–	201.9
Other creditors	97.8	(5.0)	(0.1)	92.7
	299.7	(5.0)	(0.1)	294.6
CREDITORS: amounts falling due after more than one year				
Bank and other loans	206.3	–	–	206.3
Other creditors	3.5	–	(0.3)	3.2
	209.8	–	(0.3)	209.5
PROVISIONS FOR LIABILITIES AND CHARGES	70.7	(8.3)	–	62.4
Pensions and other post retirement liabilities (net)	–	103.8	–	103.8
NET ASSETS INCLUDING POST RETIREMENT BENEFITS	**222.8**	**(109.9)**	**(6.8)**	**106.1**

1. RESTATEMENT OF COMPARATIVES TO REFLECT ACCOUNTING POLICY CHANGES *(continued)*

	Year ended 31 December 2002			
		Restatement		
	As reported £ million	FRS 17 Retirement benefits £ million	Accounting for PFI/PPP projects £ million	As restated £ million
CAPITAL AND RESERVES				
Called up share capital	83.6	–	–	83.6
Share premium account	82.8	–	–	82.8
Other reserves	2.2	–	–	2.2
Profit and loss account	54.2	(109.9)	(6.8)	(62.5)
Deficit relating to post retirement obligations (net)	–	(103.8)	–	(103.8)
Other	54.2	(6.1)	(6.8)	41.3
	222.8	**(109.9)**	**(6.8)**	**106.1**
PROFIT AND LOSS ACCOUNT				
Turnover	755.0	–	(10.1)	744.9
Operating profit	12.6	1.0	(7.9)	5.7
Share of operating profit of joint ventures	21.8	–	(5.0)	16.8
Share of operating profit of associates	11.5	–	–	11.5
Profit on disposal of, and amounts written off investments and other fixed assets	4.3	–	(1.8)	2.5
Loss on disposal of operations	(13.8)	5.0	1.2	(7.6)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	**36.4**	**6.0**	**(13.5)**	**28.9**
Net interest payable	(55.0)	5.5	6.5	(43.0)
LOSS BEFORE TAXATION	**(18.6)**	**11.5**	**(7.0)**	**(14.1)**
Taxation	(5.8)	(1.5)	(4.0)	(11.3)
LOSS AFTER TAXATION	**(24.4)**	**10.0**	**(11.0)**	**(25.4)**
Minority interests – equity	0.2	–	(0.1)	0.1
LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(24.2)**	**10.0**	**(11.1)**	**(25.3)**
Dividends on equity and non-equity shares	(14.6)	–	0.1	(14.5)
RETAINED LOSS FOR THE FINANCIAL YEAR	**(38.8)**	**10.0**	**(11.0)**	**(39.8)**

Included in the 2002 full year restatement is the reversal of £5.0 million of the loss on sale of Laing Homes Limited which represented an accrual of the cost of supplementing the pension transfer value to George Wimpey Plc. Adoption of FRS 17 results in the deficit relating to the transfer of the Homes employees being fully included within the post retirement liabilities.

Also included in the 2002 restatement is a refinancing cost of £9.1 million resulting from the redemption of preference shares at a premium by Severn River Crossing Plc as part of that company's refinancing in December 2002. The refinancing cost of £9.1 million represents the Group's 35% equity interest in reserves applied to the redemption, less its 2.5% share of the redemption proceeds.

Adoption of consistent accounting policies in respect of PFI projects has resulted in an increase to the current year profit before tax of £5.8 million.

The decision to implement early adoption of FRS 17 follows the restructuring of the Group from a major employer as a contractor/house builder to a focussed developer of infrastructure assets with a relatively small number of staff. Had the Group continued to adopt SSAP 24 in respect of post retirement benefits, the balance sheet would not have reflected the deficit related to post retirement obligations and the profit and loss account would have carried a disproportionate charge as compared to current employment. Under SSAP 24, the reported profit before tax would have been £14.5 million lower.

1. RESTATEMENT OF COMPARATIVES TO REFLECT ACCOUNTING POLICY CHANGES *(continued)*

Analysis of 2002 operating result

Operations which were continuing in 2002 have been analysed between those which are still continuing and those which were disposed of in 2003.

	Continuing 2002			
	Continuing 2003 £ million	Discontinued 2003 £ million	Discontinued 2002 £ million	Total 2002 Restated* £ million
Group turnover	179.6	66.1	309.7	555.4
Cost of sales	(156.7)	(55.5)	(263.8)	(476.0)
Net operating expenses				
Exceptional cost of restructuring	–	–	(2.7)	(2.7)
Other operating and administrative expenses	(34.9)	(7.9)	(29.5)	(72.3)
Other operating income	0.2	1.1	–	1.3
Group operating (loss)/profit	(11.8)	3.8	13.7	5.7
Share of operating profit of:				
Joint ventures	16.5	–	0.3	16.8
Associates	4.1	7.4	–	11.5
Operating profit including joint ventures and associates	8.8	11.2	14.0	34.0
Loss on disposal of and amounts written off investments, fixed assets and operations	(2.2)	–	(2.9)	(5.1)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	6.6	11.2	11.1	28.9
Net interest	(5.4)	(0.6)	(37.0)	(43.0)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1.2	10.6	(25.9)	(14.1)

* *restated for changes in accounting policies.*

NOTES TO THE ACCOUNTS

2. SECTOR ANALYSIS

Following the refocussing of the Group's continuing operations on the PFI/PPP sector, the presentation of the sector analysis has been changed to show the sub-sectors of the markets in which the Group now operates. Comparatives have been restated on a consistent basis.

		Profit/(loss) on ordinary activities *before interest*		Profit/(loss) on ordinary activities *before taxation*	
		2003	2002 Restated*	**2003**	2002 Restated*
		£ million	£ million	**£ million**	£ million
ACTIVITY					
Accommodation		**6.6**	14.1	**10.5**	7.8
Roads		**5.5**	5.0	**6.6**	3.9
Rail		**10.1**	6.6	**10.1**	0.8
Utilities & Airports		**6.6**	2.3	**6.2**	1.3
Bidding activity and Group costs		**(13.4)**	(25.5)	**(17.0)**	(53.4)
Non-core businesses sold or held for resale					
Homes		**3.8**	18.2	**0.3**	16.9
Construction		**1.8**	0.1	**2.7**	1.0
Property		**1.3**	8.1	**1.8**	7.6
		22.3	28.9	**21.2**	(14.1)
ACTIVITY					
Accommodation	– Group	**2.4**	3.3	**6.5**	4.2
	– Joint ventures	**4.2**	10.8	**4.0**	3.6
		6.6	14.1	**10.5**	7.8
Roads	– Group	**0.9**	4.3	**2.2**	9.0
	– Joint ventures	**4.6**	0.7	**4.4**	(5.1)
		5.5	5.0	**6.6**	3.9
Rail	– Group	**5.1**	7.6	**5.4**	3.3
	– Joint ventures	**5.0**	(1.0)	**4.7**	(2.5)
		10.1	6.6	**10.1**	0.8
Utilities & Airports	– Group	**5.3**	0.2	**5.2**	–
	– Joint ventures	**1.1**	1.0	**0.8**	0.6
	– Associate	**0.2**	1.1	**0.2**	0.7
		6.6	2.3	**6.2**	1.3
Bidding activity and Group costs	– Group	**(13.4)**	(25.5)	**(17.0)**	(53.4)
Non-core businesses sold or held for resale	– Group	**3.2**	15.0	**4.0**	17.9
	– Joint ventures	**–**	0.3	**–**	–
	– Associates	**3.7**	11.1	**0.8**	7.6
		6.9	26.4	**4.8**	25.5
TOTAL	**– GROUP**	**3.5**	4.9	**6.3**	(19.0)
	– JOINT VENTURES	**14.9**	11.8	**13.9**	(3.4)
	– ASSOCIATES	**3.9**	12.2	**1.0**	8.3
		22.3	28.9	**21.2**	(14.1)

* *restated for changes in accounting policies, refer to note 1.*

2. SECTOR ANALYSIS *(continued)*

		Turnover including joint ventures and associates		Net assets/ (liabilities)+	
		2003	2002 Restated*	**2003**	2002 Restated*
		£ million	£ million	**£ million**	£ million
ACTIVITY					
Accommodation		**237.6**	131.4	**261.4**	161.0
Roads		**37.3**	16.4	**126.3**	107.3
Rail		**96.6**	87.6	**44.3**	32.2
Utilities & Airports		**4.7**	5.7	**12.8**	21.4
Bidding activity and Group costs		**5.6**	4.4	**(2.5)**	(4.0)
Non-core businesses sold or held for resale					
Homes		**98.4**	456.3	**15.6**	260.6
Construction		**0.3**	–	**(40.9)**	(55.7)
Property		**1.0**	43.1	**(1.1)**	1.2
		481.5	744.9	**415.9**	524.0
ACTIVITY					
Accommodation	– Group	**113.0**	94.9	**225.3**	122.5
	– Joint ventures	**124.6**	36.5	**36.1**	38.5
		237.6	131.4	**261.4**	161.0
Roads	– Group	**1.8**	0.9	**92.3**	82.5
	– Joint ventures	**35.5**	15.5	**34.0**	24.8
		37.3	16.4	**126.3**	107.3
Rail	– Group	**90.9**	78.3	**30.0**	15.8
	– Joint ventures	**5.7**	9.3	**14.3**	16.4
		96.6	87.6	**44.3**	32.2
Utilities & Airports	– Group	**–**	–	**5.6**	14.7
	– Joint ventures	**4.7**	4.4	**7.2**	6.7
	– Associate	**–**	1.3	**–**	–
		4.7	5.7	**12.8**	21.4
Bidding activity and Group costs	– Group	**5.6**	4.4	**(3.2)**	(4.7)
	– Joint ventures	**–**	–	**0.7**	0.7
		5.6	4.4	**(2.5)**	(4.0)
Non-core businesses sold or held for resale	– Group	**37.2**	376.9	**(42.2)**	164.3
	– Joint ventures	**–**	1.2	**–**	–
	– Associates	**62.5**	121.3	**15.8**	41.8
		99.7	499.4	**(26.4)**	206.1
TOTAL	**– GROUP**	**248.5**	555.4	**307.8**	395.1
	– JOINT VENTURES	**170.5**	66.9	**92.3**	87.1
	– ASSOCIATES	**62.5**	122.6	**15.8**	41.8
		481.5	744.9	**415.9**	524.0

+ *net assets/(liabilities) exclude cash of £121.1 million (2002 – £94.1 million), total borrowings (see note 23a,d) of £329.3 million (2002 – £408.2 million) and pensions and other post retirement liabilities of £93.7 million (2002 – £103.8 million).*

* *restated for changes in accounting policies, refer to note 1.*

NOTES TO THE ACCOUNTS

2. SECTOR ANALYSIS *(continued)*

	Profit/(loss) on ordinary activities before interest		Profit/(loss) on ordinary activities before taxation	
	2003 £ million	2002 Restated* £ million	**2003** £ million	2002 Restated* £ million
GEOGRAPHIC AREA (BY ORIGIN AND DESTINATION)				
United Kingdom	**13.5**	20.5	**11.2**	(25.7)
Rest of Europe	**0.7**	0.5	**2.0**	1.9
America	**2.7**	7.2	**2.6**	9.1
Australasia	**5.4**	0.7	**5.4**	0.6
	22.3	28.9	**21.2**	(14.1)

	Turnover including joint ventures and associates		Net assets/ (liabilities)+	
	2003 £ million	2002 Restated* £ million	**2003** £ million	2002 Restated* £ million
GEOGRAPHIC AREA (BY ORIGIN AND DESTINATION)				
United Kingdom	**426.6**	648.4	**404.6**	471.9
Rest of Europe	**20.0**	1.1	**5.4**	8.1
America	**34.6**	94.1	**(0.4)**	27.7
Australasia	**0.3**	1.3	**6.3**	16.3
	481.5	744.9	**415.9**	524.0

	Profit/(loss) on ordinary activities before taxation			
	Existing operations £ million	**Acquisitions £ million**	**Discontinued £ million**	**Total £ million**
ACTIVITY				
Accommodation	**8.2**	**2.3**	**–**	**10.5**
Roads	**5.9**	**0.7**	**–**	**6.6**
Rail	**10.1**	**–**	**–**	**10.1**
Utilities & Airports	**6.2**	**–**	**–**	**6.2**
Bidding activity and Group costs	**(17.0)**	**–**	**–**	**(17.0)**
Non-core businesses sold or held for resale				
Homes	**0.3**	**–**	**–**	**0.3**
Construction	**–**	**–**	**2.7**	**2.7**
Property	**–**	**–**	**1.8**	**1.8**
	13.7	**3.0**	**4.5**	**21.2**

+ *net assets/(liabilities) exclude cash of £121.1 million (2002 – £94.1 million), total borrowings (see note 23a,d) of £329.3 million (2002 – £408.2 million) and pensions and other post retirement liabilities of £93.7 million (2002 – £103.8 million).*

* *restated for changes in accounting policies, refer to note 1.*

NOTES TO THE ACCOUNTS

2. SECTOR ANALYSIS *(continued)*

	2003				2002
	Turnover including joint ventures and associates £ million	**Profit/(loss) on ordinary activities before interest £ million**	**Interest £ million**	**Profit/(loss) on ordinary activities before taxation £ million**	Restated* Profit/(loss) on ordinary activities before taxation £ million
Continuing operations					
Accommodation	**237.6**	**6.6**	**3.9**	**10.5**	7.8
Roads	**37.3**	**5.5**	**1.1**	**6.6**	3.9
Rail	**96.6**	**10.1**	**–**	**10.1**	0.8
Utilities & Airports	**4.7**	**6.6**	**(0.4)**	**6.2**	1.3
Bidding activity and Group costs	**5.6**	**(13.4)**	**(3.6)**	**(17.0)**	(15.4)
Retained businesses#	**29.1**	**2.1**	**(1.8)**	**0.3**	2.8
	410.9	**17.5**	**(0.8)**	**16.7**	1.2
Discontinued operations					
Homes	**70.6**	**1.5**	**(1.5)**	**–**	14.8
Construction	**–**	**1.8**	**0.9**	**2.7**	1.1
Property	**–**	**1.5**	**0.3**	**1.8**	6.8
Exceptional refinancing costs and Group interest	**–**	**–**	**–**	**–**	(38.0)
	70.6	**4.8**	**(0.3)**	**4.5**	(15.3)
Total	**481.5**	**22.3**	**(1.1)**	**21.2**	(14.1)

includes Octagon Developments Limited and Laing Property Holdings Limited.

3. OPERATING (LOSS)/PROFIT

	2003 £ million	2002 Restated* £ million
Operating (loss)/profit is stated after charging/(crediting):		
Group Auditors' remuneration in respect of statutory audit services	**0.4**	0.3
Non-audit fees paid to Group Auditor – further assurance services	**0.1**	–
Non-audit fees paid to previous Group Auditor	**0.2**	0.8
Depreciation	**1.6**	3.5
Goodwill and amortisation of Chiltern franchise costs	**0.8**	1.0
Foreign exchange losses	**0.2**	1.1
Profit on sale of fixed assets	**–**	(0.1)
Track access charges	**24.5**	17.9
Payments under operating leases:		
Rentals of land and buildings	**0.9**	2.7
Rentals of plant and machinery	**13.0**	12.9

Included in the auditors' remuneration is an amount in respect of the Company of £0.1 million (2002 – £0.1 million).

Profit/(loss) on ordinary activities before interest includes the following exceptional charges in respect of:

	2003 £ million	2002 £ million
BIDDING ACTIVITY AND GROUP COSTS		
Head office reorganisation	**–**	(1.7)
Debt restructuring costs	**–**	(1.0)
	–	(2.7)

restated for changes in accounting policies, refer to note 1.

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

	2003			2002
	Investments and other fixed assets £ million	Operations disposed £ million	Total £ million	Restated* £ million
CONTINUING OPERATIONS				
INVESTMENTS				
Profit on sale of operations	–	2.1	2.1	–
Profit on sale of investments	4.9	–	4.9	(0.3)
Profit on sale of associate	–	0.2	0.2	1.2
(Impairment in value of investments)/provision release	(0.1)	–	(0.1)	1.9
	4.8	2.3	7.1	2.8
DISCONTINUED OPERATIONS				
HOMES				
Profit on sale of operations	–	1.2	1.2	–
Loss on sale of Private Housing Division	–	–	–	(7.0)
Impairment in value of investments	–	–	–	(5.0)
PROPERTY				
Profit on sale of properties	0.1	–	0.1	0.9
Profit on sale of operations	–	1.4	1.4	3.9
CONSTRUCTION				
Loss on sale of the Access Plant Hire Business	–	–	–	(0.7)
	0.1	2.6	2.7	(7.9)

5. DIRECTORS AND EMPLOYEES

		2003 £ million	2002 Restated* £ million
Employee costs, including Directors' emoluments, comprise:			
Wages and salaries		32.9	65.4
Social security costs		3.7	4.9
Pension charge	– defined benefit schemes (see note 6)	3.3	8.3
	– defined contribution schemes	0.1	–
Provision for future pension costs		–	1.3
		40.0	79.9

Average employee numbers:

	2003			2002
	Continuing No.	Discontinued No.	Total No.	No.
Staff – monthly paid	968	89	1,057	1,573
Operatives – weekly paid	–	44	44	151
	968	133	1,101	1,724
UK	964	133	1,097	1,720
Overseas	4	–	4	4
	968	133	1,101	1,724

A detailed analysis of Directors' remuneration is set out within the Directors' Remuneration Report on pages 43 to 50.

* *restated for changes in accounting policies, refer to note 1.*

NOTES TO THE ACCOUNTS

6. POST RETIREMENT OBLIGATIONS

a. Pension plans

In 2003 the Group has adopted FRS 17 for the first time.

THE LAING SCHEMES

John Laing plc operates two primary defined benefit schemes in the UK (the 'Laing Schemes') – The John Laing Pension Fund (the 'Fund') and the John Laing Pension Plan ('the Plan').

Full actuarial valuations of the Laing Schemes were carried out as at 31 March 2002 and were updated to 31 December 2003 by a qualified independent actuary, Towers Perrin. The assets of these schemes are held in separate trustee administered funds.

Following the sale of Laing Homes Limited on 1 November 2002 and up until 31 October 2003, John Laing plc made contributions to the Fund at a rate of 8.9% of pensionable salaries in respect of the employees of Laing Homes Limited. During this period, George Wimpey Plc paid at the rate of 11% of pensionable salaries. From 1 January 2003, John Laing plc made contributions to the Fund, for other active members, at the rate of 18% of pensionable salaries. John Laing plc has reached agreement with the Fund Trustees to increase the contributions to address the deficit over time. Active members of the Fund will re-commence employee contributions from 1 January 2004, at a rate of 2% of their pensionable salary, escalating to 6% in 2006. A contribution schedule of an annual cash payment of £4.0 million, over and above normal contributions, for the period 2004 to 2007 has also been agreed, following which the funding rate will be reviewed. No contributions were made to the Plan in 2003.

Both schemes are now closed to new members. Therefore, under the Projected Unit method of valuation, the current service cost will increase as a percentage of pensionable payroll as the members approach retirement. Staff employed since 1 January 2002, who are entitled to retirement benefits, can choose to be members of a defined contribution Stakeholder scheme sponsored by the Group in conjunction with Legal and General Assurance Society Limited.

An analysis of members at 31 December 2003 is shown below:

	Actives	Deferred	Pensioners	Total
The John Laing Pension Fund	110	6,521	3,071	9,702
The John Laing Pension Plan	–	545	273	818

THE CHILTERN SCHEMES

The Chiltern Railway Company Limited Section and the Chiltern Railway Company Limited (Maintenance) Section (the 'Chiltern Schemes') form part of the Railways Pension Scheme (the 'Scheme') but their assets and liabilities are identified separately from the remainder of the Scheme. The Scheme is a defined benefit shared cost scheme.

The last full actuarial valuation of the Chiltern Schemes was carried out as at 31 December 2001 and these were updated to 31 December 2003 by a qualified independent actuary, Watson Wyatt.

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 attained age funding method.

The Chiltern Schemes remain open to new members.

Employer contributions to the Chiltern Railway Company Limited Section were 11.25% of Section Pay until 30 September 2003 (or 12.13% in respect of certain members). From 1 October 2003 to 30 September 2009 the employer will contribute 15.54% of Section Pay, reducing to 13.56% thereafter. In addition, from 1 July 2003, the employer makes contributions to this section of an amount equal to any additional voluntary contributions being paid by members, subject to a maximum of 5% of each member's pensionable pay.

Employer contributions to the Chiltern Railway Company Limited (Maintenance) Section were 7.5% of Section Pay until 16 August 2003. From 17 August 2003 to 30 June 2004 the employer will contribute 11.25% of Section Pay, increasing to 13.5% of Section Pay from 1 July 2004 and to 13.86% of Section Pay from 1 April 2005.

An analysis of members at 31 December 2003 is shown below:

	Actives	Deferred	Pensioners	Total
Chiltern Railway Company Limited Section	607	194	77	878
Chiltern Railway Company Limited (Maintenance) Section	106	33	14	153

6. POST RETIREMENT OBLIGATIONS *(continued)*

a. *Pension plans*

PENSION VALUATIONS

The valuation of the Group's defined benefit schemes used for the FRS 17 disclosures are based upon the most recent actuarial valuations. These have been updated by the respective schemes' qualified independent actuaries to take into account the requirements of FRS 17 and to assess the liabilities of the schemes at 31 December 2003. Scheme assets are stated at their fair value at 31 December 2003.

The weighted average financial assumptions used in the actuarial valuations were:

	2003 %	2002 %	2001 %
Discount rate	**5.5**	5.5	6.0
Rate of increase in salaries	**4.1**	3.6	3.8
Rate of increase in non-GMP pensions in payment	**2.3**	2.0	2.3
Rate of increase in non-GMP pensions in deferment	**2.3**	2.0	2.3
Inflation	**2.3**	2.0	2.3

The aggregate fair values of the assets in the Group's defined benefit schemes, the aggregate net pension liabilities and their expected weighted average long-term rates of return at each balance sheet date were:

	2003		2002		2001	
	£ million	**%**	£ million	%	£ million	%
Bonds	**167.0**	**4.8**	174.3	4.5	162.5	5.0
Equities	**321.3**	**8.0**	291.5	7.6	399.7	7.5
Property	**74.5**	**8.0**	61.7	7.5	54.9	7.5
Cash	**9.3**	**4.7**	11.8	4.5	16.0	5.0
TOTAL FAIR VALUE OF ASSETS	**572.1**		539.3		633.1	
Present value of schemes liabilities	**(692.7)**		(678.2)		(615.3)	
(DEFICIT)/SURPLUS IN THE SCHEMES	**(120.6)**		(138.9)		17.8	
Unrecoverable surplus in Plan	**(4.7)**		(3.9)		(4.9)	
NET PENSION (DEFICIT)/SURPLUS	**(125.3)**		(142.8)		12.9	
Associated deferred tax asset/(liability)	**34.5**		41.8		(3.9)	
NET PENSION (LIABILITY)/ASSET	**(90.8)**		(101.0)		9.0	

ANALYSIS OF AMOUNTS (CHARGED)/CREDITED TO OPERATING PROFIT

	2003 £ million	2002 £ million
Current service cost	**(4.5)**	(8.7)
Credit arising from curtailment of membership	**1.2**	1.9
Decrease in recoverable surplus arising from decrease in active membership	**–**	(1.5)
	(3.3)	(8.3)

ANALYSIS OF AMOUNTS (CHARGED)/CREDITED TO OTHER FINANCE INCOME

	2003 £ million	2002 £ million
Expected return on scheme assets	**33.5**	41.1
Interest on scheme liabilities	**(36.2)**	(35.6)
Net (charge)/credit to other finance income	**(2.7)**	5.5

6. POST RETIREMENT OBLIGATIONS *(continued)*

a. *Pension plans*

ANALYSIS OF THE AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ('STRGL')

	2003 £ million	2002 £ million
Actual return less expected return on pension scheme assets	**41.0**	(105.2)
Experience gains/(losses) arising on the scheme liabilities	**3.8**	(26.1)
Changes in assumptions underlying the present value of the scheme liabilities	**(28.3)**	(24.7)
(Increase)/decrease in unrecoverable surplus	**(0.8)**	2.5
ACTUARIAL GAIN/(LOSS) RECOGNISED IN STRGL	**15.7**	(153.5)
Movement in associated deferred tax	**(7.3)**	45.7
	8.4	(107.8)

HISTORY OF THE WEIGHTED AVERAGE EXPERIENCE GAINS AND LOSSES

	2003	2002
DIFFERENCE BETWEEN ACTUAL AND EXPECTED RETURNS ON ASSETS		
Amount (£ million)	**41.0**	(105.2)
% of scheme assets	**7%**	(20%)
EXPERIENCE GAINS/(LOSSES) ON SCHEME LIABILITIES		
Amount (£ million)	**2.3**	(26.1)
% of present value of scheme liabilities	**0%**	(4%)
TOTAL AMOUNT RECOGNISED IN STRGL (EXCLUDING DEFERRED TAX)		
Amount (£ million)	**15.7**	(153.5)
% of present value of scheme liabilities	**2%**	(23%)

ANALYSIS OF MOVEMENT IN (DEFICIT)/SURPLUS DURING THE YEAR

	2003 £ million	2002 £ million
(Deficit)/surplus at 1 January	**(138.9)**	17.8
Contributions	**9.3**	1.0
Current service cost	**(4.5)**	(8.7)
Decrease in recoverable surplus arising from decrease in active membership	**–**	(1.5)
Credit arising from curtailment of membership	**1.2**	1.9
Other finance (expense)/income	**(2.7)**	5.5
Actuarial gain/(loss)	**15.0**	(154.9)
DEFICIT IN SCHEME AT 31 DECEMBER	**(120.6)**	(138.9)
Unrecoverable surplus in Plan	**(4.7)**	(3.9)
NET PENSION DEFICIT AT 31 DECEMBER	**(125.3)**	(142.8)

b. *Post retirement medical insurance*

The Group provides post retirement medical insurance to a group of 71 past and present employees. This arrangement was closed to new members in 1991 and only 3 of the members concerned remain in the employment of the Group. This arrangement is unfunded.

The present value of the future liabilities under this arrangement have been assessed by Mercer Human Resource Consultancy Limited and the amount has been included on the balance sheet, net of deferred tax under pensions and other post retirement liabilities as follows:

	2003 £ million	2002 £ million
Post retirement medical liabilities	**(4.2)**	(4.0)
Associated deferred tax asset	**1.3**	1.2
Net post retirement medical liability	**(2.9)**	(2.8)

NOTES TO THE ACCOUNTS

7. OTHER OPERATING INCOME

	2003			2002
	Continuing £ million	**Discontinued £ million**	**Total £ million**	Restated* £ million
Dividends from unlisted investments	**0.4**	**0.5**	**0.9**	1.3

8. NET INTEREST

	2003 £ million	2002 Restated* £ million
Group interest payable includes the following:		
Group funds	**8.7**	(11.3)
Breakage costs on prepayment of US loan notes	**–**	(22.7)
Pension finance (cost)/income	**(3.0)**	5.5
Non-recourse debt	**(2.2)**	(5.2)
Non-recourse interest capitalised	**4.3**	5.3
Amortisation non-recourse debt	**(2.1)**	–
Amortisation and non-utilisation fees on group debt	**(3.0)**	(0.6)
	2.7	(29.0)
Joint ventures		
Refinancing	**(0.7)**	(9.1)
Other	**(0.3)**	(1.9)
Associates	**(2.8)**	(3.0)
Net interest	**(1.1)**	(43.0)

9. TAXATION

Analysis of tax charge on ordinary activities

		2003			2002
		Continuing £ million	**Discontinued £ million**	**Total £ million**	Restated* £ million
The taxation charge comprises:					
Group UK corporation tax at 30% (2002 – 30%)					
	– current	**–**	**–**	**–**	(1.6)
	– prior year	**–**	**(0.5)**	**(0.5)**	(0.5)
Overseas tax	– current	**(1.4)**	**–**	**(1.4)**	(1.0)
	– prior year	**0.6**	**–**	**0.6**	(0.1)
Group deferred tax		**(2.2)**	**(1.9)**	**(4.1)**	1.1
Joint ventures and associates	– current	**(6.5)**	**–**	**(6.5)**	(9.1)
	– prior year	**(0.3)**	**(1.1)**	**(1.4)**	(0.1)
		(9.8)	**(3.5)**	**(13.3)**	(11.3)

The Group UK corporation tax current year charge for continuing businesses includes £1.1 million (2002 – £nil) in respect of double tax relief. Total deferred tax of £10.5 million (2002 – £4.2 million) includes tax for joint ventures and associates of £6.4 million (2002 – £5.3 million) and Group tax for subsidiaries of £4.1 million (2002 – credit of £1.1 million).

* *restated for changes in accounting policies, refer to note 1.*

9. TAXATION *(continued)*

Factors affecting tax charge for the year

The current tax assessed for the year is lower than that resulting from applying the 30% standard rate of corporation tax in the UK, even though the total tax charge is higher. The differences are explained as follows:

	2003 £ million	2002 Restated* £ million
Profit/(loss) on ordinary activities before taxation	**21.2**	(14.1)
Tax at 30% (2002 – 30%) thereon	**(6.4)**	4.2
Effects of:		
Permanent differences	**0.6**	(2.1)
Add back tax charge in PFI/PPP Companies	**5.0**	(4.1)
Tax losses not recognised	**(5.1)**	(9.2)
Chargeable gains	**2.8**	(0.4)
Prior year adjustments	**0.9**	(0.5)
Other differences	**(0.6)**	5.0
CURRENT TAX CHARGE FOR THE YEAR	**(2.8)**	(7.1)
Deferred tax of PFI Companies	**(7.0)**	(3.9)
Accelerated capital allowances of PPP/non-PFI Companies	**(0.6)**	(0.3)
Prior year deferred tax adjustments	**(2.9)**	–
TOTAL TAX CHARGE FOR THE YEAR	**(13.3)**	(11.3)

10. DIVIDENDS

			2003 £ million	2002 Restated* £ million
The following have been paid or are proposed:				
EQUITY				
On Ordinary Shares:				
Interim	– paid	1.0 pence per share (2002 – 2.0 pence)	**1.8**	3.6
Final	– proposed	2.0 pence per share (2002 – 4.8 pence)	**3.5**	8.4
			5.3	12.0
NON-EQUITY				
On 6.4% Convertible Cumulative Preference Shares			**2.5**	2.5
			7.8	14.5

Included within the non-equity dividend is an accrual of £0.4 million (2002 – £0.4 million).

* *restated for changes in accounting policies, refer to note 1.*

11. CALCULATION OF EARNINGS/(LOSSES) PER SHARE

	2003		2002 Restated*	
	Basic	**Diluted**	Basic	Diluted
Earnings/(losses) per share (pence)	**3.1**	**3.0**	(15.8)	(15.8)
Basis of calculation:				
Profit/(loss) attributable to shareholders (£ million)	**7.9**	**7.9**	(25.3)	(25.3)
Preference dividends	**(2.5)**	**–**	(2.5)	–
Profit/(loss) after tax and preference dividends	**5.4**	**7.9**	(27.8)	(25.3)
Weighted average number of shares (millions)	**176.7**	**176.7**	175.2	175.2
Weighted average number of warrants adjusted for issue of shares at fair value	**–**	**2.2**	–	2.3
Weighted average number of options adjusted for issue of shares at fair value	**–**	**0.6**	–	0.2
Weighted average number of unexercised preference share conversions	**–**	**13.3**	–	13.3
Weighted average number of shares used for EPS	**176.7**	**192.8**	175.2	191.0

Earnings per share have been calculated by reference to 176.7 million basic shares (2002 – 175.2 million) and 179.5 million diluted shares (2002 – 175.2 million), being the average number of shares in issue during the year. Convertible Cumulative Preference Shares totalling 13.3 million shares have been excluded from the calculation as they are anti-dilutive.

12. INTANGIBLE ASSETS

	2003			2002
	Cost of franchise £ million	**Goodwill on acquisition £ million**	**Total £ million**	£ million
ORIGINAL COST				
At 1 January	**4.5**	**18.1**	**22.6**	14.5
Additions	**–**	**0.4**	**0.4**	8.1
Disposals	**–**	**(6.8)**	**(6.8)**	–
At 31 December	**4.5**	**11.7**	**16.2**	22.6
ACCUMULATED AMORTISATION				
At 1 January	**0.3**	**9.0**	**9.3**	3.4
Charge for the year	**0.2**	**0.6**	**0.8**	1.0
Impairment in value of investments	**–**	**–**	**–**	5.0
Disposals	**–**	**(6.1)**	**(6.1)**	(0.1)
At 31 December	**0.5**	**3.5**	**4.0**	9.3
Net book value at 31 December	**4.0**	**8.2**	**12.2**	13.3

Additions relate to the acquisition of Services Support (Cleveland) Holdings Limited.

Disposals relate to the disposal of Beechcroft Developments Limited.

* *restated for changes in accounting policies, refer to note 1.*

13. TANGIBLE ASSETS

	Land and buildings				
	Freehold land £ million	Leasehold less than 50 years £ million	Rail infrastructure £ million	Vehicles, plant and machinery# £ million	Total £ million
ORIGINAL COST/VALUATION					
At 1 January 2003 (Restated*)	1.3	0.3	14.2	6.5	22.3
Additions	1.4	–	6.6	7.9	15.9
Disposals – sale of assets	–	–	–	(2.7)	(2.7)
– businesses	(0.4)	–	–	(0.5)	(0.9)
At 31 December 2003	2.3	0.3	20.8	11.2	34.6
ACCUMULATED DEPRECIATION					
At 1 January 2003 (Restated*)	–	0.3	0.8	3.3	4.4
Charge for the year	–	–	0.5	1.1	1.6
Disposals – sale of assets	–	–	–	(2.4)	(2.4)
– businesses	–	–	–	(0.2)	(0.2)
At 31 December 2003	–	0.3	1.3	1.8	3.4
NET BOOK VALUE AT 31 DECEMBER 2003	2.3	–	19.5	9.4	31.2
Net book value at 31 December 2002 (Restated*)	1.3	–	13.4	3.2	17.9

Land and buildings utilised by the Group as business premises are included at an existing use valuation carried out at 31 December 2001 by Officers of the Group and are revalued every 3 years. There is no material difference between the existing use value and the open market value. In the opinion of the Directors there would be no tax payable if all properties were realised at these values.

Included in rail infrastructure assets are capitalised finance costs of £0.9 million (2002 – £nil).

 # includes IT equipment and fixtures and fittings.

14. INTERESTS IN SUBSIDIARY UNDERTAKINGS

	2003			2002
	Investments £ million	Loans £ million	Total £ million	Restated* £ million
Included as fixed assets:				
At 1 January	10.7	147.7	158.4	291.7
Revaluations	(12.4)	–	(12.4)	(138.8)
Additions less disposals at valuation	–	6.8	6.8	13.8
Movements in loans to subsidiary undertakings	–	(80.8)	(80.8)	(8.3)
At 31 December	(1.7)	73.7	72.0	158.4

	2003 £ million	2002 £ million
Included as current assets:		
At 1 January	–	23.0
Disposal of Laing Property Developments Limited	–	(23.0)
At 31 December	–	–

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

The Group's principal subsidiaries, joint ventures and associated undertakings at 31 December 2003 are listed on pages 98 and 99. To avoid particulars of excessive length, the names a number of companies which did not significantly affect the profitability or assets of the Group are omitted.

** restated for changes in accounting policies, refer to note 1.*

15. INVESTMENTS

	2003						2002
	Joint ventures and associated undertakings						
	Equity £ million	Loans £ million	Reserves £ million	Total £ million	Other investments £ million	Total £ million	Total £ million
GROUP							
AT 1 JANUARY							
Listed	–	4.6	–	4.6	0.6	5.2	6.0
Unlisted (Restated*)	63.9	44.2	16.2	124.3	14.1	138.4	167.1
Shares and loans at net book value	63.9	48.8	16.2	128.9	14.7	143.6	173.1
MOVEMENTS IN THE YEAR							
Acquisitions/additions	13.8	14.3	2.4	30.5	–	30.5	1.3
Disposals/repayments	(9.9)	(12.8)	(11.1)	(33.8)	(14.1)	(47.9)	(30.8)
Impairment in value	–	–	–	–	(0.1)	(0.1)	(1.9)
Refinancing	(16.0)	–	–	(16.0)	–	(16.0)	–
Variations in retained profits	–	–	(1.4)	(1.4)	–	(1.4)	3.7
Exchange differences	–	–	(0.1)	(0.1)	–	(0.1)	(1.8)
	(12.1)	1.5	(10.2)	(20.8)	(14.2)	(35.0)	(29.5)
AT 31 DECEMBER							
Listed	–	4.7	–	4.7	0.5	5.2	5.2
Unlisted	51.8	45.6	6.0	103.4	–	103.4	138.4
Shares and loans at net book value	51.8	50.3	6.0	108.1	0.5	108.6	143.6

Other listed investments

The market value of listed investments at 31 December 2003 was £6.2 million (2002 – £6.2 million) of which £5.7 million (2002 – £5.6 million) is listed on the London Stock Exchange. If these investments had been sold at market value on 31 December 2003, this would have given rise to a tax charge of £0.3 million.

Unlisted investments

In the opinion of the Directors the total value of unlisted investments is not less than their net book value of £103.4 million.

Investments in joint ventures and associates

	2003						2002
	Modus Services plc joint venture £ million	Severn River Crossing Plc joint venture £ million	Other joint ventures £ million	Total joint ventures £ million	Total associates £ million	Total £ million	Total £ million
Turnover	81.8	5.6	83.1	170.5	62.5	233.0	189.5
Profit before tax	4.1	2.5	6.7	13.3	0.9	14.2	14.3
Taxation	(2.2)	(1.5)	(3.4)	(7.1)	–	(7.1)	(10.2)
Profit after tax	1.9	1.0	3.3	6.2	0.9	7.1	4.1
Fixed assets	–	–	0.1	0.1	1.4	1.5	21.5
Intangible assets	–	–	0.1	0.1	5.7	5.8	6.0
Current assets	253.3	190.0	737.9	1,181.2	25.7	1,206.9	1,013.8
Total liabilities – less than one year	(8.2)	(3.6)	(112.4)	(124.2)	(11.1)	(135.3)	(115.0)
– greater than one year	(216.5)	(158.9)	(539.1)	(914.5)	(5.9)	(920.4)	(758.8)
Provisions	(7.2)	(25.9)	(17.3)	(50.4)	–	(50.4)	(38.6)
	21.4	1.6	69.3	92.3	15.8	108.1	128.9

Investments in joint ventures are analysed on the Group balance sheet fixed assets of £101.1 million (2002 – £87.1 million) and provisions for liabilities and charges £8.8 million (2002 – £nil), a net £92.3 million (2002 – £87.1 million).

* *restated for changes in accounting policies, refer to note 1.*

15. INVESTMENTS *(continued)*

During the year within continuing operations the Group disposed of its holdings in:

Company	Date of disposal	Cash proceeds £ million	Profit on disposal £ million
Altram (Manchester) Limited	**31 March**	**1.1**	**1.0**
Laser (Teddington Holding) Limited	**2 April**	**0.8**	**0.4**
Autolink Holdings (A19) Limited	**16 June**	**2.2**	**–**
UK Highways Services Limited	**31 July**	**0.9**	**0.7**
			2.1

In addition, the Group disposed of its interest in WL Investors LLC on 1 July 2003 for cash consideration of £25.9 million resulting in a profit on disposal of £0.8 million disclosed within discontinued operations.

	2003 Joint venture loans £ million	2002 Joint venture loans £ million
COMPANY – UNLISTED INVESTMENTS		
AT 1 JANUARY	**–**	–
MOVEMENTS IN THE YEAR		
Acquisitions	**6.4**	–
Shares and loans at net book value at 31 December	**6.4**	–

16. STOCKS AND WORK IN PROGRESS

	31 December 2003 £ million	31 December 2002 £ million
Work in progress	**1.8**	–
Raw materials and consumables	**1.0**	0.8
	2.8	0.8

The land and developments disclosed separately in the balance sheet in the prior year represented land and related construction costs in respect of residential and commercial properties held for, or in the course of development, in the disposed Homes businesses.

17. DEBTORS

	31 December 2003		31 December 2002 Restated*	
	Group £ million	**Company £ million**	Group £ million	Company £ million
Amounts falling due within one year:				
Finance debtors	**5.9**	**–**	–	–
Amounts recoverable on contracts	**15.8**	**–**	6.7	–
Trade debtors	**10.0**	**–**	14.6	0.1
Amounts owed by subsidiary undertakings	**–**	**126.8**	–	221.8
Amounts owed by joint ventures and associated undertakings	**4.5**	**0.3**	0.9	–
Prepayments and accrued income	**7.7**	**0.5**	6.4	0.7
Corporation tax recoverable	**2.4**	**–**	3.0	0.2
Other taxation	**3.3**	**–**	7.9	–
Other debtors	**9.7**	**–**	210.4	–
	59.3	**127.6**	249.9	222.8
Amounts falling due after more than one year:				
Finance debtors	**257.2**	**–**	14.8	–
Amounts recoverable on contracts	**55.0**	**–**	205.5	–
Trade debtors	**3.6**	**–**	2.8	–
Prepayments and accrued income	**5.1**	**1.2**	1.6	1.6
	320.9	**1.2**	224.7	1.6

Included within the above amounts were 6 outstanding season ticket loans to officers and managers of the Company to a total value of £8,164 (2002 – £5,135).

18. SHORT-TERM INVESTMENTS

	31 December 2003 £ million	31 December 2002 £ million
At cost or net realisable value:		
Listed – London Stock Exchange	**2.2**	2.2

The market value of listed investments at 31 December 2003 was £2.2 million (2002 – £2.3 million).

19. CASH AT BANK AND IN HAND

Cash balances at 31 December 2003 were £121.1 million (2002 – £94.1 million). This included £34.3 million (2002 – £22.2 million) held by non-recourse Project Companies, of which £4.5 million (2002 – £2.5 million) was held as collateral against a bond issued for a rail liquidity maintenance fund. Group cash of £86.8 million (2002 – £71.9 million) included £19.2 million (2002 – £14.5 million) which was held in the Group's captive insurance company. £2.2 million held against future rental payments and £0.3 million held against performance bonds are not immediately available.

* *restated for changes in accounting policies, refer to note 1.*

20. OTHER CREDITORS

	31 December 2003		31 December 2002 Restated*	
	Group £ million	**Company £ million**	Group £ million	Company £ million
Amounts falling due within one year:				
Trade creditors and subcontractor accruals	**19.9**	**–**	33.8	–
Amounts owed to subsidiary undertakings	**–**	**151.4**	–	126.3
Amounts owed to joint ventures and associated undertakings	**3.5**	**–**	4.4	–
Corporation tax payable	**4.8**	**–**	7.9	0.2
Other taxation	**6.0**	**–**	7.4	–
Dividends proposed	**3.9**	**3.9**	8.9	8.9
Accruals and deferred income	**30.3**	**0.3**	30.3	2.4
	68.4	**155.6**	92.7	137.8
Amounts falling due after more than one year:				
Trade creditors and subcontractor accruals	**0.5**	**–**	3.1	–
Accruals and deferred income	**3.3**	**–**	0.1	–
	3.8	**–**	3.2	–

21. PROVISIONS FOR LIABILITIES AND CHARGES

Investments in joint venture

Following the refinancing of the Norfolk & Norwich PFI Project Company, the Group has received cash distributions that exceed the Group's initial investment and share of reserves in the joint venture. This resulting net liability of £8.8 million is included in provisions (2002 – net asset of £8.9 million included in fixed assets). The net liability will reduce as the Project Company generates retained profits over the life of the project agreement.

Other provisions

	At 1 January 2003 Restated* £ million	Reductions due to disposals £ million	Charged/ (released) to profit and loss account £ million	Transfer to creditors £ million	Utilised £ million	At 31 December 2003 £ million
GROUP						
Retained liabilities	**59.6**	**(0.3)**	**(2.6)**	**–**	**(12.3)**	**44.4**
Reorganisation costs	**0.4**	**–**	**0.3**	**–**	**(0.2)**	**0.5**
Customer service	**0.4**	**(0.2)**	**–**	**(0.2)**	**–**	**–**
Onerous lease	**0.3**	**–**	**–**	**–**	**–**	**0.3**
Other	**–**	**–**	**0.1**	**–**	**–**	**0.1**
TOTAL OTHER PROVISIONS	**60.7**	**(0.5)**	**(2.2)**	**(0.2)**	**(12.5)**	**45.3**
Deferred tax	**1.7**	**(2.0)**	**4.1**	**–**	**–**	**3.8**
TOTAL PROVISIONS	**62.4**	**(2.5)**	**1.9**	**(0.2)**	**(12.5)**	**49.1**

RETAINED LIABILITIES provisions include amounts for retained liabilities in respect of the disposed businesses. £23.3 million (2002 – £38.2 million) for Construction, £1.1 million (2002 – £nil) for Homes and £1.0 million (2002 – £1.0 million) for Property. These are assessed regularly on a contract by contract basis and are expected to be utilised over the next few years. In addition there are provisions of £19.0 million (2002 – £19.2 million), in respect of self insurance which are calculated using historical data and are based on the advice of loss adjustors and an independent actuary. Whilst it is expected to take some years to fully assess the liability the Directors are satisfied that the level of provision is adequate.

REORGANISATION COSTS provisions are expected to be utilised during 2004.

ONEROUS LEASE costs will be utilised over the 8 year remaining life of the lease.

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

* *restated for changes in accounting policies, refer to note 1.*

21. PROVISIONS FOR LIABILITIES AND CHARGES *(continued)*

	Provided at 31 December		Not provided at 31 December	
	2003 £ million	2002 Restated* £ million	**2003** £ million	2002 Restated* £ million
Opening balance	**1.7**	2.1	**(9.2)**	–
Charge/(credit) to profit and loss account	**4.1**	(1.1)	–	–
Amounts arising on acquisition/disposal of business	**(2.0)**	0.8	–	–
Other movements	**–**	(0.1)	**(2.7)**	(9.2)
Closing balance	**3.8**	1.7	**(11.9)**	(9.2)

	Provided at 31 December		Not provided at 31 December	
	2003 £ million	2002 Restated* £ million	**2003** £ million	2002 Restated* £ million
Excess of capital allowances over depreciation	**1.9**	(0.3)	**–**	–
Short-term timing differences	**1.9**	2.0	**(11.9)#**	(9.2)
	3.8	1.7	**(11.9)**	(9.2)

 # the unprovided deferred tax asset of £11.9 million (2002 – £9.2 million) is in respect of losses available to offset against profits from the same trade in future years.

22. TRANSACTIONS WITH RELATED PARTIES

The Group supplies managerial, commercial and accounting services to Project Companies for which it receives fees. In addition, interest bearing equity loans are invested in Project Companies.

	2003			2002
	Joint ventures and associates £ million	**Subsidiary companies £ million**	**Total £ million**	Total £ million
SALES OF GOODS, SERVICES AND INTEREST RECEIVABLE IN SUBSIDIARY COMPANIES TO RELATED PARTIES:				
Staff secondment	**0.7**	**–**	**0.7**	0.3
Management buy-out	**–**	**50.4†**	**50.4**	7.2
Management services	**1.4**	**–**	**1.4**	1.5
Success fees	**0.9**	**–**	**0.9**	–
Interest	**6.4**	**–**	**6.4**	2.7
Preferred bidder costs	**4.3**	**–**	**4.3**	–
Other	**0.9**	**–**	**0.9**	0.2
Balances due from/(to) related parties:				
Debtors	**4.2**	**–**	**4.2**	0.2
Creditors	**(3.5)**	**–**	**(3.5)**	(4.4)

Details of loans to and equity investments in joint ventures and associated undertakings are set out in note 15.

† On 1 May 2003 a management buy-out team, including Directors of subsidiary companies, purchased Beechcroft Developments Limited for £34.0 million and on 23 September 2003 a management buy-out team, including Directors of subsidiary companies, purchased John Laing Partnership Limited for £16.4 million.

** restated for changes in accounting policies, refer to note 1.*

23. FINANCIAL INSTRUMENTS

The Group's policies on interest rate risk management and foreign currency risk management are explained in the Financial Review.

(a) Interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2003 are £333.1 million (2002 – £411.4 million), of which £332.5 million (2002 – £409.0 million) are non-recourse liabilities. These principally comprise borrowings of Project Companies which are required to be consolidated as they are either wholly owned or majority owned. In these Project Companies the lenders have recourse solely to that Project Company itself and hence there is no recourse to the Group. The recourse liability of £0.6 million represents deferred income (2002 – overdrafts of £2.4 million).

The financial liabilities shown comprise borrowings of under one year of £4.0 million (2002 – £201.9 million), borrowings of over one year of £325.3 million (2002 – £206.3 million) and creditors maturing over one year of £3.8 million (2002 – £3.2 million). All items are sterling denominated.

	Financial liabilities – 31 December 2003				Financial liabilities – 31 December 2002 – (Restated*)			
	Floating rate £ million	**Fixed rate £ million**	**Non-interest bearing £ million**	**Total £ million**	Floating rate £ million	Fixed rate £ million	Non-interest bearing £ million	Total £ million
Overdrafts	**–**	**–**	**–**	**–**	2.4	–	–	2.4
Creditors > 1 year – deferred income	**–**	**–**	**0.6**	**0.6**	–	–	–	–
TOTAL RECOURSE	**–**	**–**	**0.6**	**0.6**	2.4	–	–	2.4
Deferred consideration bridge finance	**–**	**–**	**–**	**–**	–	181.5	–	181.5
Project Companies – borrowings	**11.0**	**318.3**	**–**	**329.3**	18.0	206.3	–	224.3
Project Companies – creditors > 1 year	**–**	**–**	**3.2**	**3.2**	–	–	3.2	3.2
TOTAL NON-RECOURSE	**11.0**	**318.3**	**3.2**	**332.5**	18.0	387.8	3.2	409.0
TOTAL	**11.0**	**318.3**	**3.8**	**333.1**	20.4	387.8	3.2	411.4

There are no recourse borrowings outstanding at 31 December 2003. The Company paid arrangement fees for the syndicated committed revolving credit facility and committed bilateral facilities in 2002. These are written off over the period of the relevant facility, and the amount remaining to be amortised at 31 December 2003 is £1.5 million which is included as a prepayment within debtors, of which £1.1 million is over 1 year, as these facilities are undrawn.

During the year the non-recourse bridge financing was repaid out of the proceeds of the deferred consideration for the sale of Laing Homes Limited.

The non-recourse sterling fixed rate liabilities relate to 11 Project Companies, 9 of which are 100% owned and 2 of which are 80% owned (2002 – 6 Project Companies all 100% owned). In each case the interest rates for the project are fixed using interest rate swaps with maturities ranging from 2006 to 2028 and all-inclusive interest rates varying from 6.2% to 8.5%. The weighted average all-inclusive interest rate for these non-recourse fixed rate financial liabilities is 6.8% (2002 – 7.0%) and the weighted average period for which interest rates are fixed is 21.4 years (2002 – 22.5 years).

The non-recourse floating rate liabilities relate to short-term or junior facilities within certain Project Companies with rates related to LIBOR.

The non-interest bearing financial liabilities relate to creditors over 1 year and have a weighted average period until maturity of 2.6 years (2002 – 3.3 years).

* *restated for changes in accounting policies, refer to note 1.*

23. FINANCIAL INSTRUMENTS *(continued)*

(b) Interest rate profile of financial assets

Financial assets of £449.4 million (2002 – £340.3 million) comprise £121.1 million (2002 – £94.1 million) of cash, £2.2 million (2002 – £2.2 million) of short-term investments, £0.5 million (2002 – £14.7 million) of fixed asset investments, £320.9 million (2002 – £224.7 million) of debtors due after more than one year and £4.7 million (2002 – £4.6 million) of listed debenture stock included within investments in joint ventures.

	Financial assets – 31 December 2003				Financial assets – 31 December 2002 – (Restated*)			
	Floating rate £ million	**Fixed rate £ million**	**Non-interest bearing £ million**	**Total £ million**	Floating rate £ million	Fixed rate £ million	Non-interest bearing £ million	Total £ million
CURRENCY								
Sterling	**83.7**	**6.9**	**11.0**	**101.6**	71.9	6.8	5.7	84.4
US dollar	**–**	**–**	**0.1**	**0.1**	–	–	–	–
Australian dollar	**0.5**	**–**	**0.5**	**1.0**	–	–	14.7	14.7
Others	**–**	**–**	**0.2**	**0.2**	–	–	–	–
Non-recourse (sterling)	**34.3**	**257.2**	**55.0**	**346.5**	22.2	14.8	204.2	241.2
	118.5	**264.1**	**66.8**	**449.4**	94.1	21.6	224.6	340.3

The fixed rate financial assets represent finance debtors, short-term investments and listed debenture stock. The weighted average interest rate of these fixed rate financial assets is 7.7% (2002 – 7.0%) and the weighted average period for which the interest rates are fixed is 24.9 years (2002 – 17.8 years).

The floating rate financial assets are cash and deposits placed principally with banks or highly rated money market funds at rates related to LIBID.

The non-interest bearing assets comprise amounts recoverable on PFI contracts, prepayments and accrued income, trade debtors and cash in current accounts. The weighted average period for which no interest is paid on the sterling non-interest bearing assets is 2.0 years (2002 – 0.6 years). The Australian dollar non-interest bearing asset is a liquid listed investment (2002 – weighted average maturity of 44.1 years). The Euro and US dollar non-interest bearing assets represent liquid cash in current accounts (2002 – nil).

(c) Currency exposures

The Group's foreign currency net assets are set out below:

NET FOREIGN CURRENCY (LIABILITIES)/ASSETS – £ MILLION

	US dollar	**Australian dollar**	**Others**	**Total**
Sterling – 31 December 2003	**(0.3)**	**7.0**	**5.6**	**12.3**
– 31 December 2002 (Restated*)	30.5	14.6	3.9	49.0

On 1 July 2003 the Group sold its 22.5% interest in WL Homes LLC, the US housebuilder. The Australian assets have reduced following the sale of the investment in Adelaide airport. Of the remaining assets at 31 December 2003, £6.3 million represents the contracted receivable proceeds on the sale of Northern Territories Airports which were received on 31 January 2004. The majority of this receivable was hedged at a rate of A$2.39=£1. The other assets principally represent the Finnish road investment which is denominated in Euros, and the Norwegian road investment denominated in Norwegian kroner.

* *restated for changes in accounting policies, refer to note 1.*

23. FINANCIAL INSTRUMENTS *(continued)*

(d) Maturity of financial liabilities

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

	31 December 2003				31 December 2002	
	Recourse £ million	Non-recourse £ million	Group £ million	Company £ million	Restated* Group £ million	Company £ million
In one year or less, or on demand	–	4.0	4.0	–	201.9	182.1
In more than 1 year but less than 2 years	0.6	12.4	13.0	–	4.5	–
In more than 2 years but less than 5 years	–	23.7	23.7	–	7.6	–
In more than 5 years	–	292.4	292.4	–	197.4	–
TOTAL	0.6	332.5	333.1	–	411.4	182.1

(e) Borrowing and letter of credit facilities – Group recourse

The Group has requirements for both borrowings and letters of credit and these are met by a combination of a £90 million syndicated committed facility, two bilateral committed facilities and a committed overdraft facility. There has been no change in the facilities since 31 December 2002. The facilities are summarised below:

	31 December 2003			
	Total facility £ million	Borrowings drawn £ million	Letters of credit drawn £ million	Total undrawn £ million
Syndicated committed revolving credit facility (with letter of credit option)	90.0	–	57.3	32.7
Committed overdraft	5.0	–	–	5.0
Total committed funding	95.0	–	57.3	37.7
Bilateral letter of credit facilities	25.0	–	15.8	9.2
Total committed Group facilities (recourse)	120.0	–	73.1	46.9

The syndicated committed facility can be used for either drawing down borrowings or for issuing letters of credit. It expires on 15 October 2007. The overdraft and bilateral facilities expire on 15 April 2004.

Of the letters of credit drawn, £56.5 million (2002 – £48.0 million) back future equity commitments and £16.6 million (2002 – £18.8 million) counter indemnify performance bonds issued by other banks.

The non-recourse borrowings of £329.3 million (2002 – £405.8 million) relates to Project Companies that are required to be consolidated and are drawn under facilities specific to each project to which the funding relates. In 2002, non-recourse borrowings also included £184.0 million of deferred consideration bridge finance. These items are shown in financial liabilities net of arrangement fees of £4.9 million (2002 – £8.3 million). Also included in financial liabilities are creditors maturing over one year of £3.8 million (2002 – £3.2 million).

* *restated for changes in accounting policies, refer to note 1.*

23. FINANCIAL INSTRUMENTS *(continued)*

(f) Fair values of financial assets and liabilities

	31 December 2003		31 December 2002	
	Book value £ million	**Fair value £ million**	Book value Restated* £ million	Fair value £ million
Fixed asset investments	**0.5**	**0.5**	14.7	14.7
Listed debenture stock	**4.7**	**5.7**	4.6	5.6
Long-term borrowings	**(325.3)**	**(351.2)**	(206.3)	(225.2)
Non-equity share capital	**(38.1)**	**(43.2)**	(38.1)	(37.5)

The fair values of short-term borrowings, cash deposits, current asset investments and other financial liabilities are not materially different from their book values.

Contingent liabilities such as guarantees given by the Company (see note 24) have no book value, and as contingent items it is not practicable to estimate their fair value.

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

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

(ii) long-term borrowings and non-equity share capital are valued at market prices where available, or the net present value of future cash flows discounted at an appropriate rate, taking into account any related interest rate swaps. The discount rate used is the swap rate for the relevant maturity adjusted by an assumed credit spread of 1.0%; and

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

	Notional			Gross	
	Book value £ million	**Fair value £ million**	**Gain/(loss) £ million**	**Gain £ million**	**(Loss) £ million**
FORWARD FOREIGN CURRENCY CONTRACTS					
31 December 2003	**5.9**	**5.9**	**–**	**–**	**–**
31 December 2002	–	–	–	–	–

The Group operates a policy of hedging against significant balance sheet exposures to foreign currency fluctuations where a cost effective and efficient hedging instrument is available. The Group's investment in overseas assets has reduced considerably during the year to levels that are unlikely to result in significant adverse currency fluctuations and therefore the Group's remaining overseas assets are not hedged.

As at 31 December 2003, one foreign exchange forward contract was outstanding being the hedge of the Australian dollar proceeds from the sale of Northern Territories Airports. No other derivative transactions were outstanding except for the interest rate swaps taken out by the Project Companies in connection with the non-recourse borrowings. In these cases the non-recourse Project Company enters into an interest rate swap to protect itself from fluctuations in movements in interest rates, usually for the full term of the debt, as shown in note 23 (a) above.

(g) Non-equity share capital

The Group has £39.4 million of £1 Convertible Cumulative Preference Shares in issue. These are undated and have a fixed coupon of 6.4%. Their market value at 31 December 2003 was £43.2 million (2002 – £37.5 million).

(h) Warrants

In 2001, warrants were issued by the Company to its lenders at the time over 8,716,482 new Ordinary Shares which are exercisable at £1 each, at any time until 31 August 2004, of which 6,418,872 were outstanding as at 31 December 2003. Their market value at 31 December 2003 was £5.1 million (2002 – £0.2 million).

(i) Short-term debtors and creditors

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

* *restated for changes in accounting policies, refer to note 1.*

24. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Certain of the Group's principal subsidiary undertakings and the Company are guarantors under the Group's banking facilities.

The Group's bankers have issued letters of credit on behalf of the Company or its subsidiaries of which £73.1 million were outstanding at 31 December 2003 (see note 23 (e)). The Group has given guarantees of a normal trading nature including performance bonds, some of which may be payable on demand.

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 2003 there were capital commitments of £58.0 million (2002 – £50.9 million) for the uncalled capital of unlisted investments, none of which relate to the Company. These mature as follows:

	2003 £ million	2002 £ million
Less than one year	**41.8**	9.2
Greater than 1 year but less than 2 years	**16.0**	9.4
Greater than 2 years but less than 5 years	**0.2**	27.6
More than 5 years	**–**	4.7
	58.0	50.9

At 31 December 2003 the Directors had not authorised any capital expenditure other than provided for in the above figures (2002 – £nil).

The Chiltern Railway Company Limited has signed contracts with Network Rail Infrastructure Limited and London Underground for access to the railway infrastructure (track, stations and depots). These contracts are for a remaining period of 8 and 1 years respectively. The contract with London Underground is due to be renewed shortly and will last until 2011. The contracts may be terminated by joint agreement between the companies.

The Chiltern Railway Company Limited is committed to pay a fixed charge of £27.0 million in the next financial year, including £3.6 million in respect of station and depot leases. Thereafter Network Rail contracts will rise by RPI+5% and London Underground contracts by RPI. In addition, a variable charge is levied on the basis of train miles actual run.

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

	Land and buildings		**Plant and machinery**	
	31 December 2003 £ million	31 December 2002 £ million	**31 December 2003 £ million**	31 December 2002 £ million
In less than one year	**–**	–	**0.4**	–
In more than 2 years but less than 5 years	**1.9**	0.8	**–**	2.2
After more than 5 years	**0.6**	0.6	**12.9**	10.1

25. SHARE CAPITAL

	Authorised			**Allotted, called up and fully paid**	
		Nominal value		**At 31 December**	At 31 December
	Number of shares	**2003 £ million**	2002 £ million	**2003 £ million**	2002 £ million
Equity					
Ordinary Shares of 25 pence each	**176,671,039**	**44.2**	44.2	**44.2**	44.2
Unissued shares of 25 pence each	**48,196,679**	**12.1**	12.1	**–**	–
Non – equity					
6.4% Convertible Cumulative Preference Shares of £1 each	**40,151,313**	**40.1**	40.1	**39.4#**	39.4
		96.4	96.4	**83.6**	83.6

 # Convertible Cumulative Preference Shares in issue 39,417,341 (2002 – 39,417,787).

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

25. SHARE CAPITAL *(continued)*

The following options over the Company's Ordinary Shares are outstanding:

	At 31 December 2003	At 31 December 2002	Earliest date of exercise	Expiry date	Exercise price (pence)
Senior Executive Share Option Scheme	**44,864**	111,092	22/03/2004	22/04/2006	296.8-323.9
Executive Share Option Scheme – W W Forrester	**379,746**	379,746	18/01/2005	17/01/2012	158.0
The John Laing plc Executive Share Option Plan 2002	**678,375**	142,621	01/07/2005	15/04/2013	125.0-168.0
John Laing Long-Term Incentive Plan 2001	**1,414,609**	636,622	10/03/2004		
	2,517,594	1,270,081			

Further details of the Directors share options and awards under the John Laing Long-Term Incentive Plan 2001 that are contained in the above numbers, together with details of any related performance criteria, can be found in the Directors' Remuneration Report on pages 43 to 50.

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

In addition to the above, on 23 October 2001 warrants over 8,716,482 Ordinary Shares in the Company were issued. During 2003 no warrants were exercised. The total number of warrants outstanding at the year end was 6,418,872. On 26 January 2004 warrant holders exercised their right to convert their warrants to 444,268 Ordinary Shares at an option price of £1.

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 2003, holders of 446 Convertible Cumulative Preference Shares exercised their options to convert to 150 Ordinary Shares. These shares are convertible to Ordinary Shares based on 33.7322 Ordinary Shares for every 100 Preference Shares.

26. RECONCILIATIONS OF THE MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003					2002
	Share capital £ million	Share premium account £ million	Profit and loss account £ million	Other reserves £ million	Total £ million	Restated* £ million
GROUP						
Profit/(loss) attributable to shareholders	–	–	**7.9**	–	**7.9**	(25.3)
Dividends	–	–	**(7.8)**	–	**(7.8)**	(14.5)
Retained profit/(loss) for the financial year	–	–	**0.1**	–	**0.1**	(39.8)
Transfer of realised profit	–	–	**(0.1)**	**0.1**	–	–
Other recognised gains and losses						
– foreign exchange	–	–	**(0.9)**	–	**(0.9)**	(2.1)
Long-term share incentive scheme	–	–	**0.3**	–	**0.3**	1.2
Warrants exercised	–	–	–	–	–	2.1
Net experience gains/(losses) on post retirement obligations	–	–	**8.4**	–	**8.4**	(107.8)
NET INCREASE/(DECREASE) TO SHAREHOLDERS' FUNDS	–	–	**7.8**	**0.1**	**7.9**	(146.4)
Opening shareholders' funds as previously reported	**83.6**	**82.8**	**54.2**	**2.2**	**222.8**	260.6
Restatement*	–	–	**(116.7)**	–	**(116.7)**	(8.1)
Opening shareholders' funds as restated	**83.6**	**82.8**	**(62.5)**	**2.2**	**106.1**	252.5
CLOSING SHAREHOLDERS' FUNDS	**83.6**	**82.8**	**(54.7)**	**2.3**	**114.0**	106.1

The cumulative retained loss of £54.7 million (2002 – £62.5 million) is after the inclusion of positive post acquisition retained profits of joint ventures and associated undertakings amounting to £6.0 million (2002 – £19.9 million).

* *restated for changes in accounting policy, refer to note 1.*

26. RECONCILIATIONS OF THE MOVEMENTS IN SHAREHOLDERS' FUNDS *(continued)*

	2003					2002
	Share capital £ million	Share premium account £ million	Revaluation of shares in subsidiary undertakings, joint ventures and associates £ million	Profit and loss account £ million	Total £ million	Restated* £ million
COMPANY						
Profit after tax for the financial year including intercompany dividends	–	–	–	**19.0**	**19.0**	25.4
Dividends	–	–	–	**(7.8)**	**(7.8)**	(14.5)
Retained profit for the financial year	–	–	–	**11.2**	**11.2**	10.9
Other recognised gains and losses relating to the year (net)	–	–	**(3.2)+**	**(0.1)**	**(3.3)**	(167.5)
New share capital subscribed	–	–	–	–	–	2.1
NET INCREASE/(DECREASE) TO SHAREHOLDERS' FUNDS	–	–	**(3.2)**	**11.1**	**7.9**	(154.5)
Opening shareholders' funds as previously reported	**83.6**	**82.8**	**29.7**	**26.7**	**222.8**	260.6
Restatement*	–	–	**(116.7)**	–	**(116.7)**	–
Opening shareholders' funds as restated	**83.6**	**82.8**	**(87.0)**	**26.7**	**106.1**	260.6
CLOSING SHAREHOLDERS' FUNDS	**83.6**	**82.8**	**(90.2)**	**37.8**	**114.0**	106.1

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

	2003 £ million	2002 £ million
Preference shares	**39.4**	39.4
Less: expenses of issue	**(1.3)**	(1.3)
Non-equity shareholders' funds	**38.1**	38.1

+ the other recognised loss during the year arises as a result of the application of accounting policy note (j)

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

	2003 £ million	2002 Restated* £ million
Group operating (loss)/profit	**(5.5)**	5.7
Depreciation and amortisation charges	**2.5**	5.8
Profit on sale of vehicles, plant and machinery	**(0.1)**	(0.1)
Dividends received	**(0.9)**	(1.3)
Increase in stocks, land and developments	**(7.1)**	(18.8)
Increase in debtors	**(69.6)**	(107.1)
Exchange loss in trading profit	**0.2**	4.2
(Decrease)/increase in creditors	**(7.0)**	9.8
Decrease in provisions	**(14.6)**	(19.0)
Net cash outflow from operating activities	**(102.1)**	(120.8)

Net cash outflow from operating activities included restructuring costs of £nil (2002 – £4.8 million).

** restated for changes in accounting policies, refer to note 1.*

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

	2003 £ million	2002 Restated* £ million
Increase in cash in the year	**32.8**	12.9
Net cash flow to management of liquid resources	–	50.5
Decrease/(increase) in bank borrowings due within one year	**192.3**	(196.2)
(Increase)/decrease in bank borrowings due in more than one year	**(118.9)**	86.3
Exchange movement	**(0.3)**	4.9
Movement in net debt in the year	**105.9**	(41.6)
Net debt at 1 January	**(314.1)**	(272.5)
Net debt at 31 December	**(208.2)**	(314.1)

29. ACQUISITIONS

On 14 March 2003 the Group acquired a portfolio of 8 PFI projects (7 in Argon Ventures Limited and Autolink Holdings (M6) Limited from Amey plc for £29.1 million cash and £13.8 million of future equity commitments. Subsequent to that purchase, a subsidiary of Sir Robert McAlpine Limited exercised its call option over the interest in the A19 road project at a net price of £2.3 million, which was equivalent to the fair value. Coterminous with the acquisition of the Amey portfolio and to maintain a 50% shareholding, a 9.9% interest in Modus Services plc, the Project Company for the MoD Main Building in Whitehall was disposed of. On 22 August 2003 the Group acquired the Cleveland Firearms Training Facility for the Cleveland police force for the purchase price of £1.8 million.

	Amey				
	Subsidiaries £ million	Joint ventures £ million	Total £ million	Cleveland £ million	Total £ million
BOOK VALUE					
Fixed assets	**18.3**	–	**18.3**	–	**18.3**
Investments in joint ventures:					
Share of gross assets	–	**195.0**	**195.0**	–	**195.0**
Share of gross liabilities	–	**(221.6)**	**(221.6)**	–	**(221.6)**
Debtors	**4.5**	–	**4.5**	**6.8**	**11.3**
Cash – non-recourse funds	**2.2**	–	**2.2**	**0.8**	**3.0**
Borrowings – Group funds	**(12.2)**	–	**(12.2)**	–	**(12.2)**
External borrowings – non-recourse	**(5.6)**	–	**(5.6)**	**(5.9)**	**(11.5)**
Net debt acquired	**(15.6)**	–	**(15.6)**	**(5.1)**	**(20.7)**
Creditors	**(5.1)**	–	**(5.1)**	**(0.3)**	**(5.4)**
Net assets acquired	**2.1**	**(26.6)**	**(24.5)**	**1.4**	**(23.1)**
FAIR VALUE ADJUSTMENTS					
Accounting policy alignments	**2.6**	**37.5**	**40.1***	–	**40.1**
Revaluations	**(0.1)**	**13.6**	**13.5**	–	**13.5**
	2.5	**51.1**	**53.6**	–	**53.6**
Goodwill on facility management contract	–	–	–	**0.4**	**0.4**
Total fair value	**4.6**	**24.5**	**29.1**	**1.8**	**30.9**
Acquisition cost			**(29.1)**	**(1.8)**	**(30.9)**

In addition £1.9 million was paid in respect of acquisition costs.

It has not been practicable to determine the results of the acquired businesses from the start of the financial year to the date of acquisition.

* *the value of assets at acquisition increased as a result of changing the accounting basis. As a result of applying finance debtor accounting, refurbishment costs previously written off have been capitalised, depreciation of tangible fixed assets has been replaced by amortisation of finance debtors and income recognition has changed.*

* *restated for changes in accounting policies, refer to note 1.*

29. ACQUISITIONS *(continued)*

Post acquisition results

	2003		
	Acquisitions £ million	Existing operations £ million	Total continuing £ million
FOR THE YEAR ENDED 31 DECEMBER 2003			
TURNOVER	14.4	396.5	410.9
DEDUCT:			
Share of joint venture turnover	(8.2)	(162.3)	(170.5)
Share of associate turnover	–	(27.8)	(27.8)
GROUP TURNOVER	6.2	206.4	212.6
Cost of sales	(5.0)	(176.0)	(181.0)
GROSS PROFIT	1.2	30.4	31.6
Other operating and administrative expenses	(0.3)	(37.9)	(38.2)
Other operating income	–	0.4	0.4
GROUP OPERATING PROFIT/(LOSS)	0.9	(7.1)	(6.2)
Share of operating profit of:			
Joint ventures	1.0	13.3	14.3
Associate	–	2.3	2.3
OPERATING PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES	1.9	8.5	10.4
Profit on disposal of and amounts written off investments and other fixed assets	–	4.8	4.8
Profit on disposal of operations	–	2.3	2.3
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	1.9	15.6	17.5

30. DISPOSALS

In line with the Group's intention to dispose of the non-core housing businesses, on 1 May 2003 Beechcroft Developments Limited and on 24 September 2003 John Laing Partnership Limited were disposed.

	Beechcroft Developments Limited £ million	John Laing Partnership Limited £ million	Total £ million
Fixed assets	0.5	0.2	0.7
Stock and work in progress	34.9	0.1	35.0
Debtors	0.4	9.4	9.8
Cash disposed	0.5	19.7	20.2
Current liabilities	(32.2)	(14.2)	(46.4)
Provisions	(0.1)	–	(0.1)
Net assets disposed of	4.0	15.2	19.2
Goodwill on acquisition written off	0.7	–	0.7
Consideration	5.0	16.4	21.4
Cost of disposal	(0.2)	(0.9)	(1.1)
Net sale proceeds	4.8	15.5	20.3
Profit on disposal	0.1	0.3	0.4
Cash proceeds	5.0	16.4	21.4
Settlement of intercompany accounts	29.0	(19.0)	10.0
Cash cost of disposal	(0.2)	(0.2)	(0.4)
	33.8	(2.8)	31.0

During the year deferred consideration of £214.8 million was received from the sale of Laing Homes Limited and £3.2 million from the disposal of Laing Property Developments Limited.

The businesses sold during the year contributed £9.7 million to the Group's net operating cash outflow, paid £0.1 million in respect of servicing finance and net returns on investments, paid £0.3 million in respect of taxation and utilised £0.2 million for capital expenditure.

31. ANALYSIS OF NET DEBT

	At 1 January 2003 £ million	Cash flow £ million	Acquisition (excluding cash and overdrafts) £ million	Non-cash movements £ million	At 31 December 2003 £ million
Cash in hand and at bank	22.0	(1.4)	–	(0.2)	20.4
Bank deposits maturing in one day	2.3	28.6	–	–	30.9
Overdrafts repayable on demand	(5.6)	5.6	–	–	–
Increase in cash in the year		32.8			
Bank deposits maturing in:					
More than one day	69.8	(0.5)	0.5	–	69.8
Bank loans repayable in:					
Less than one year	(196.3)	192.3	–	–	(4.0)
More than one year	(206.3)	(94.2)	(24.7)	(0.1)	(325.3)
NET GROUP DEBT	(314.1)	130.4	(24.2)	(0.3)	(208.2)
Current asset investments	2.2	–	–	–	2.2
TOTAL	(311.9)	130.4	(24.2)	(0.3)	(206.0)

NOTES TO THE ACCOUNTS

32. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED UNDERTAKINGS

INVESTMENTS

United Kingdom

Laing Investments Limited*
Holding company for the investments business

3ED Glasgow Limited
Ordinary shares of £1 (25.5%)
PFI accommodation operator
Financial year end 30 September

Amey Highways Lighting (Walsall) Limited
Ordinary shares of £1 (50%)
Street lighting concession operator

Argon Ventures Limited
Holding company

Autolink Concessionaires (M6) plc
Ordinary shares of £1 (19.5%)
PFI accommodation operator

The Chiltern Railway Company Limited
Rail franchise operator

City Greenwich Lewisham Rail plc
Ordinary shares of £1 (40%)
Light rail concession operator

Citylink Telecommunications Limited
Road concession operator
Ordinary shares of £1 (19.5%)
Financial year end 31 March

Coastal Clearwater Limited
Ordinary shares of £1 (50%)
PFI wastewater treatment plant operator in Northern Ireland
Financial year end 31 March

CountyRoute (A130) Plc
Road concession operator

Defence Management (Watchfield) Limited
Ordinary shares of £1 (50%)
PFI accommodation operator

Defence Support (St Athan) Limited
Ordinary shares of £1 (50%)
PFI accommodation operator

The Edinburgh School Partnership Limited
Ordinary shares of £1 (50%)
PFI accommodation operator

Education Support (Enfield) Limited
PFI accommodation operator

Education Support (Enfield2) Limited
Ordinary shares of £1 (80%)
PFI accommodation operator

** shares owned by the Company*

Education Support (Newham) Limited
Ordinary shares of £1 (80%)
PFI accommodation operator

Education Support (Southend) Limited
PFI accommodation operator

Equion Facilities Management Limited
Provision of facilities management services

Equion plc
Holding company for the accommodation investments

ExcellCare Limited
Ordinary shares of £1 (50%)
Holding company for PFI accommodation operator

Healthcare Support (Erdington) Limited
PFI accommodation operator

Healthcare Support (Newham) Limited
Ordinary shares of £1 (80%)
PFI road concession operator

Hyder Investments Limited
Holding company for the investments business

Laing Infrastructure Holdings Limited
Holding company for the infrastructure business

Laing Investment Company Limited
Property development

Laing Rail Limited
Holding company rail operator

Laing Rail Project Evergreen Limited
Rail infrastructure development

Laing Rail Projects Limited
Rail infrastructure development

Laing Roads Limited
Holding company for roads projects

Meridian Hospital Company plc
Ordinary shares of £1 (50%)
PFI accommodation operator
Financial year end 31 March

Modus Services plc
Ordinary shares of £1 (50%)
PFI accommodation operator
Financial year end 31 March

Octagon Healthcare Limited
Ordinary shares of 1p (20%)
PFI accommodation operator

Services Support (BTP) Limited
PFI accommodation operator

Services Support (Cleveland) Limited
PFI accommodation operator

Services Support (SEL) Limited
PFI accommodation operator

Services Support (Gravesend) Limited
PFI accommodation operator

Services Support (Manchester) Limited
PFI accommodation operator

Severn River Crossing Plc
Ordinary shares of £1 (35%)
Toll bridge operator

Transcend Property Limited
Ordinary shares of £1 (50%)
Property development

UK Highways A55 Limited
Ordinary shares of £1 (50%)
Road concession operator
Financial year end 31 March

UK Highways M40 Limited
Ordinary shares of £1 (50%)
Road concession operator

UK Highways Limited
Ordinary shares of £1
(25 pence paid up) (50%)
Manage road concession operators
Financial year end 31 March

Overseas

Orkdalsvegen AS
Toll road operator
– operating in Norway (50%)

Tieyhtio Nelostie Oy
Ordinary A shares Euro 6.055 (50%)
Ordinary B shares Euro 2.355 (25%)
Toll road operator
– operating in Finland (41%)

32. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED UNDERTAKINGS *(continued)*

HOMES

John Laing Homes plc*
Holding company for the housing businesses

Octagon Group Limited
Preference 'B' shares of £1
Ordinary shares of 25p (30%)
Private housing

GROUP SERVICE COMPANIES

John Laing Services Limited*
Management of retained liabilities

Laing Investments Management Services Limited
Management, staff and administrative services

Woodcroft Insurance Company Limited (GUERNSEY)
Insurance company

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

* *shares owned by the Company*

FIVE-YEAR REVIEW

		2003	2002*	2001	2000	1999
Turnover (including joint ventures and associates)	£ million	**481.5**	744.9	1,389.0	1,574.4	1,791.7
Profit/(loss) before taxation	£ million	**21.2**	(14.1)	(30.3)	5.7	52.7
Profit/(loss) attributable to shareholders	£ million	**7.9**	(25.3)	(42.6)	2.9	43.4
Shareholders' funds	£ million	**114.0**	106.1	260.6	240.7	251.3
Net cash/(borrowings) – recourse	£ million	**86.8**	69.5	(167.4)	(30.0)	37.9
– non recourse	£ million	**(295.0)**	(383.6)	(105.1)	–	–
Profit/(loss) before taxation as a % of						
– turnover	%	**4.4**	(1.9)	(2.2)	0.4	2.9
– shareholders' funds	%	**18.6**	(13.3)	(11.6)	2.4	21.0
Earnings/(losses) per share	pence	**3.1**	(15.8)	(38.3)	0.4#	41.0#
Dividends per share	pence	**3.0**	6.8	7.6	13.0	12.3
Dividend cover	times	**1.0**	–	–	–	3.6
Employees (average)	number	**1,101**	1,724	5,656	7,729	9,443

** restated for changes in accounting policies, refer to note 1. It is not practicable to restate 2001 and prior years.*
 # restated for the Rights Issue of shares on 26 November 2001.

ADVISORS

PRINCIPAL BANKERS

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Bank of Scotland
155 Bishopsgate
London EC2M 3YB

AUDITOR

Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

REGISTRAR

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0870 162 3100

SHAREHOLDER SERVICES
ACCOUNT ENQUIRIES AND ELECTRONIC COMMUNICATION

By visiting the Capita Registrar's website www.capitaregistrars.com and selecting "Shareholder Account Services" you can benefit from the following services:-

- *View your account on-line*
- *View your share transactions*
- *View the details of dividends you have received.*
- *Set up or amend a dividend payment mandate.*
- *Change your registered postal address.*

Shareholders can also now elect to receive shareholder documents, such as annual and interim reports electronically from the Company's website rather than in hard copy through the mail. This has the advantage of improving the speed of communications and reducing administrative costs of printing and postage. If you would like to receive future communications from the Company by e-mail or to vote electronically if you are an institutional shareholder and your shares are held in CREST, you can register directly at the above website or by using the link to that address via the Company's website, www.laing.com.

To access these facilities you will need to input a unique User ID (for which you can apply on your first visit to the site) or, for certain of the facilities, your Investor Code which can be found on your dividend stationery and share certificates.

The use of electronic communications is, however, entirely voluntary and if you wish to continue to receive communications from us by post then you need take no further action.

All enquiries concerning your account or if you are experiencing difficulties with the electronic services mentioned above should be made initially with the Company's Registrar whose contact details are set out on page 100.

SHARE DEALING SERVICE

The Directors have arranged for a share dealing service to be available for use by shareholders and employees. The arrangement enables shareholders and employees to buy and sell the Company's shares, if they so wish, at a competitive dealing cost. Transactions can be arranged either by telephone or on Capita Registrars. Website. For further information please contact Capita Registrars whose details are set out on page 100.

SHARE GIFT

For shareholders who only have a small number of shares whose value makes it uneconomical to sell them, the Directors have made available the opportunity to donate such shares to charity through Sharegift, an independent charity share donation scheme. Donations can be made by completion of a simple share transfer form which is available from the Company's Registrar whose contact details are set on page 100.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING	*19 May 2004*
ANNOUNCEMENT OF RESULTS	
Half year results – 2004	*31 August 2004*
Results for the year – 2004	*March 2005*
ISSUE OF REPORT AND ACCOUNTS	*April 2005*
DIVIDENDS	
Final – 2003	*June 2004*
Interim – 2004	*October 2004*
Final – 2004	*June 2005*

Designed and produced by MAGEE
Printed by First Impression

JOHN LAING plc

Registered Office:
Allington House,
150 Victoria Street,
London SW1E 5LB
England

Registered No. 1345670

Tel: +44 (0)20 7901 3200
Fax: +44 (0)20 7901 3520

email: marketing@laing.com
www.laing.com

Further copies of this statement are available from the above address or by visiting the Company's website at www.laing.com.