

LAING MANAGEMENT (SCOTLAND) LIMITED

ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1996

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COMPANIES HOUSE 26/7/97

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DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 1996.

REVIEW OF THE YEAR

The profit for the year before taxation amounted to £429,811 and after group relief of £121,738 and taxation of £21,813 an amount of £286,260 was transferred to reserves.

The principal activity of the company is management contracting.

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors at any time during the year were:

P.W. Gregory	- resigned 31 March 1996
B.F. Ainsworth	
G.B. Cosh	
B.F. Jones	
S.H. Hay	- appointed 2 January 1996
A. Aikenhead	- appointed 31 March 1996

DIRECTORS' SHAREHOLDINGS

No directors had any interest in the shares of the company.

Other than as stated below, no director has any interests in the shares of John Laing plc, the company's ultimate parent company, including family and non-beneficial interests, as registered in accordance with the Companies Act 1985.

The interests of A. Aikenhead, being also a director of the company's immediate parent company, Laing Construction Plc, are recorded in the register maintained by that company.

The interests of B.F. Ainsworth, being also a director of Laing Management Limited, are recorded in the register maintained by that company.

The directors participated in the John Laing plc Savings Related Share Option Scheme ("SRSOS"). Rights to subscribe in John Laing plc Ordinary A (non-voting) shares granted during the year were:

	Balance at 1 January 1996	SRSOS Granted	Balance at 31 December 1996
G.B. Cosh	-	910	910

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

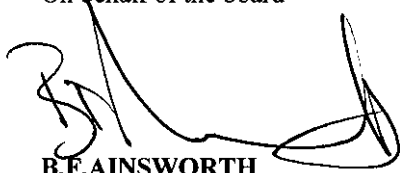
PAYMENT POLICY

The Company is a registered supporter of the CBI Prompt Payers Code of Good Practice. Payment terms are clearly stated in contracts between Company companies and their suppliers or subcontractors from the outset. The Company has a consistent policy to pay in accordance with the contracted terms provided the supplier is also complying with all the relevant terms of the contract. More information about the Code may be obtained from the CBI.

AUDITORS

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

On behalf of the board



B.F. AINSWORTH
DIRECTOR

20 June 1997

AUDITORS' REPORT

To the members of Laing Management (Scotland) Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
20 June 1997

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	1995 £
Turnover	1	30,111,829	17,248,334
Cost of sales		(29,703,120)	(17,034,318)
Profit on ordinary activities before interest	2	408,709	214,016
Interest received		21,102	-
Profit on ordinary activities before taxation		429,811	214,016
Group tax relief receivable/(payable): Current year		(121,738)	(74,011)
Taxation	3	(21,813)	-
Retained profit for the year		<u>286,260</u>	<u>140,005</u>

All gains and losses are recognised in the profit and loss account.

A statement of movements on reserves is given in Note 10.

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

BALANCE SHEET AT 31 DECEMBER 1996

	Notes	1996 £	1995 £
CURRENT ASSETS			
Debtors - due within one year	7	6,683,177	4,835,198
- due after more than one year	7	847,345	359,000
		7,530,522	5,194,198
Cash at bank and in hand		376,582	2,857,972
		7,907,104	8,052,170
CREDITORS: amounts falling			
due within one year	8	5,871,719	6,768,615
NET CURRENT ASSETS		2,035,385	1,283,555
CREDITORS: amounts falling			
due after more than one year	8	654,189	210,432
PROVISIONS FOR LIABILITIES AND CHARGES			
	9	21,813	-
		1,359,383	1,073,123
CAPITAL AND RESERVES			
Called up share capital			
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each		1,000	1,000
Profit and loss account	10	1,358,383	1,072,123
EQUITY SHAREHOLDERS' FUNDS	10	1,359,383	1,073,123

The accounts on pages 4 to 9 were approved by the Board of Directors on 20 June 1997 and were signed on its behalf by:


B.F. AINSWORTH
DIRECTOR

NOTES

(forming part of the financial statements)

1. ACCOUNTING POLICIES

(a) Basis of preparation of accounts

These accounts have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

The company is a wholly owned subsidiary undertaking of John Laing plc, the company's ultimate parent company and is exempt from the requirement to prepare its own cash flow statement. The administration expenses of the company are borne by its immediate parent company Laing Management Limited.

(b) Turnover

Turnover comprises value of work done on long term contracts and invoiced sales.

(c) Long term contracts

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

(d) Pension costs

These are provided systematically over the average remaining future service lives of employees (see note 6). Differences between the amounts charged in the profit and loss account and payments made are treated as assets or liabilities in the balance sheet. Deferred tax is accounted for on these assets and liabilities.

(e) Foreign Currencies

Translations into sterling are made at the average of rates ruling throughout the year for profit and loss 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.

2. ITEMS IN PROFIT AND LOSS ACCOUNT

Profit on ordinary activities before taxation is stated after charging:

Auditors' remuneration for audit services
Hire of plant and machinery

1996	1995
£	£
3,000	4,500
162,176	107,578

NOTES (Continued)

3. TAXATION

	1996	1995
	£	£
The taxation charge comprises :		
Deferred taxation		
Current year	23,529	-
Prior years	(1,716)	-
	<u>21,813</u>	<u>-</u>

4 EMOLUMENTS OF DIRECTORS

	1996	1995
Directors' emoluments, including contributions to pension schemes, amounted to	£61,319	-
The remuneration of the chairman was	-	-
The remuneration of the highest paid director was	£47,796	-
The number of all the directors who received remuneration (excluding pension contributions) within the following ranges was :		
£0 - £5,000	4	-
£10,000 - £15,000	1	-
£45,000 - £50,000	1	-

5. STAFF NUMBERS AND COSTS

	1996	1995
The average number of persons employed by the company (including directors) was	<u>42</u>	<u>34</u>
The aggregate payroll costs of these persons were as follows:		
	£	£
Employee costs		
Wages and salaries	1,147,472	851,454
Social security costs	82,626	61,264
Other pension costs	(64,277)	15,707
	<u>1,165,821</u>	<u>928,425</u>

The majority of employees of John Laing plc and its subsidiaries have contracts of employment with John Laing Services Limited, a subsidiary of John Laing plc. The staff costs and average staff numbers disclosed above relate to direct employees of the company and the employees of John Laing Services Limited who are engaged in the operations of the company and whose costs have been recharged to the company.

NOTES (Continued)

6. PENSION COSTS

The company is a member of the John Laing Group which operates a number of pension schemes, all of which are of the defined benefit type. The assets of these schemes are held in separate trustee administered funds. Contributions to the schemes are assessed in accordance with the advice of a qualified actuary using the attained age method. The pension costs disclosed in these accounts are derived from the formal triennial valuation of the schemes as at 31 March 1996. The principal assumptions underlying this valuation for accounting purposes were that the return on the schemes' investments would average 9.0% a year in future, salaries would increase at the rate of 7.0% a year plus a promotional salary scale. The valuation used to determine the funding policy is identical.

The pension contributions for the company were £5,723. The pension credit for accounting purposes was £64,277 and as a result a prepayment in respect of the amortisation of surpluses that are being recognised over the remaining service lives of employees has been set up.

At the date of the last actuarial valuation, the market value of the assets of the schemes was £442.6 million and the actuarial value of those assets represented 122% of the benefits that had accrued to the members.

7 DEBTORS

	31 December 1996 £	31 December 1995 £
Due within one year :		
Amounts recoverable on contracts	2,509,193	2,667,894
Trade debtors	11,506	6,744
Pensions prepayment	21,000	-
Amounts owed by group undertakings	4,141,478	2,160,560
	<u>6,683,177</u>	<u>4,835,198</u>
Due after more than one year :		
Amounts recoverable on contracts	798,345	359,000
Pensions prepayment	49,000	-
	<u>847,345</u>	<u>359,000</u>

8. CREDITORS

	31 December 1996 £	31 December 1995 £
Amounts falling due within one year :		
Trade creditors and subcontractor accruals	5,138,469	6,049,889
Payments on account	7,998	-
VAT payable	295,993	508,919
Amounts owed to group undertakings	252,547	176,100
Accruals and deferred income	176,712	33,707
	<u>5,871,719</u>	<u>6,768,615</u>
Amounts falling due after more than one year :		
Subcontractors' retentions	<u>654,189</u>	<u>210,432</u>

NOTES (Continued)

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £	
At 1 January 1996	-	
Profit and loss account	21,813	
At 31 December 1996	21,813	
	1996	1995
	£	£
Excess of capital allowances over depreciation	(1,287)	-
Short term timing differences	23,100	-
	21,813	-

There are no unprovided deferred taxation liabilities in either year.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996			1995
	Share capital	Profit and loss account	Total shareholders' funds	Total
	£	£	£	£
At beginning of year	1,000	1,072,123	1,073,123	933,118
Retained profit for the year	-	286,260	286,260	140,005
At end of year	1,000	1,358,383	1,359,383	1,073,123

11. GUARANTEES AND CONTINGENT LIABILITIES

As is normal there are claims against the company and by the company arising in the normal course of trading, which are in the process of settlement and which in some cases may involve litigation. Full provision has been made in these accounts for all amounts which the directors consider may become payable by the company or non recoverable from clients on account of such claims. The company, in conjunction with other group companies within the John Laing group of companies, has guaranteed certain borrowings of John Laing plc.

12. TRANSACTIONS WITH RELATED PARTIES

As a greater than 90% subsidiary of John Laing plc the company has taken advantage of the exemption under Financial Reporting Standard 8, not to provide information on related party transactions with other undertakings within the John Laing group. Note 13 gives details of how to obtain a copy of the published financial statements of John Laing plc.

13. ULTIMATE PARENT COMPANY

The company is a member of the John Laing group of companies, its ultimate parent company being John Laing plc, a company registered in England and Wales. Copies of the consolidated accounts of John Laing plc and the parent undertaking of the smallest group of undertakings in which the accounts of the company are consolidated, Laing Construction plc, which is also registered in England and Wales, are available from their registered offices at Page Street, London NW7 2ER.