Registered Company No: 3600959

Laing Investments Management Services Limited

[Formerly Equion Management Services Limited]

Report & Accounts for the Year Ended 31 December 2002

Registered Office
29 Bressenden Place
London
SW1E 5EQ

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Directors' report and financial statements for the year ended 31 December 2002

Contents

Directors & advisors

Directors

The directors of the Company are shown in the Directors' Report on page 4.

Company Secretaries & Registered Office

	Appointed	Resigned
P Shell	12-April-02	
R Miller		12-Apr-02
Asset Management Solutions		31-Oct-02

29 Bressenden Place
London
SW1E 5EQ

Auditor
KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Report of the directors
for the year ended 31 December 2002

The directors submit their report together with the financial statements for the year ended 31 December 2002.

Principal trading activities and business review

The loss for the year before taxation, including dividends receivable, amounted to £5,764,000 (2001 Restated: loss £2,013,000). After taxation charge and group relief of £Nil (period to 31 December 2001: charge £1,294,000), loss for the year after tax was £5,764,000 (2001: loss £3,307,000).

The principal activity of the Company is to provide management services to the Laing Investments Group including conducting the Group's bidding activity.

On 05 August 2002 Equion Management Services changed its name to Laing Investments Management Services.

The directors do not recommend the payment of a dividend (2001: £Nil).

Directors

The following directors held office during the year:

R Weston	
G Lucas	
F Barras	Resigned 28 June 2002
A Friend	
A C Roper	Appointed 12 July 2002
I Wells	Appointed 17 July 2002
D Potts	Appointed 17 July 2002

Since the year end J M Storer was appointed a director of the Company with effect from 27 January 2003.

Directors' interests

None of the directors has or has held at any time during the year any interest in the share capital of the company.

The interests of A C Roper, I Wells, D Potts and R Weston in the shares of John Laing plc, the ultimate parent company are disclosed in the financial statements of Laing Investments Limited.

The interests of G Lucas in the shares of John Laing plc are disclosed in the financial statements of Equion plc.

The interests of A E Friend, also being a director of John Laing plc, the ultimate parent company are disclosed in the financial statements of that company.

Report of the directors
for the year ended 31 December 2002

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 the 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.

Auditor

Pursuant to a shareholders' resolution and in accordance with S386 of the Companies Act 1985, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board

R Weston
Director

Independent auditor's report to the members of Laing Investments Management Services Limited

We have audited the financial statements on pages 7 to 18.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 5 the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

Basis of audit 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 2002 and of its loss 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

19 **March 2003**

Profit & loss account
for the year ended 31 December 2002

	Note	2002 £'000	Restated (see note 1) 2001 £'000
Turnover		**5,518**	3,885
Administrative expenses		**(11,281)**	(6,171)
Other operating income	**6**	**-**	251
Operating loss before interest and taxation		**(5,763)**	(2,035)
Interest receivable		**(1)**	22
Loss on ordinary activities before taxation	**2**	**(5,764)**	(2,013)
Tax on loss on ordinary activities	**3**	**-**	(1,294)
Retained loss for the year	**11**	**(5,764)**	(3,307)

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

A reconciliation of movements in shareholders funds is given in note 11.

Balance sheet
As at 31 December 2002

	Notes	2002 £'000	Restated (see note 1) 2001 £'000
Fixed assets			
Tangible assets	8	98	138
Current assets			
Debtors			
- amounts falling due within one year	9	4,194	3,667
- amounts due after more than one year	9	6,278	5,303
		10,472	8,970
Cash at bank and in hand		58	48
Current liabilities			
Creditors: amounts falling due within one year	10	(15,003)	(7,309)
Net current (liabilities) / assets		(4,473)	1,709
Total assets less current liabilities		(4,375)	1,847
Creditors: Amounts falling due after more than one year	10	(2,141)	(2,599)
Net liabilities		(6,516)	(752)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	11	(6,516)	(752)
Deficit on equity shareholders' funds	11	(6,516)	(752)

The financial statements were approved by the Board of Directors on 17 March 2003 and were signed on its behalf by:

R Weston
Director

Statement of total recognised gains and losses
For the year ended 31 December 2002

	Notes	2002 £	As restated 2001 £
Loss for the financial year		(5,764)	(3,307)
Total recognised gains and losses for the year	11	(5,764)	(3,307)
Prior year adjustment (as explained in note 1)		(3,765)	
Total recognised gains and losses since last annual report		(9,529)	

Notes to the financial statements for the year ended 31 December 2002

1 **Principal accounting policies**

Basis of preparation of accounts

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards together with the reporting requirements of Companies Act 1985. A summary of the principal accounting policies, which have been consistently applied, is shown below.

The Company has complied with UITF 34 'Pre-contract costs' and has changed the accounting policies adopted for bid costs associated with PFI / PPP projects. The results of prior years have been restated resulting in a reduction in 2001 profit of £6,320,000 and a reduction of shareholders funds as at 31 December 2001 of £3,765,000.

Turnover

Turnover represents income receivable in the ordinary course of business for services provided and excludes value addded tax.

Other Income

Other income comprises fees charged to shareholders to cover ongoing tender costs. This practice ceased in January 2002 following the change in ownership at that time (see note 6).

Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

The company has applied the provisions of FRS19 'Deferred Tax' for the first time in the year, they did not give rise to a prior year restatement.

Notes to the financial statements for the year ended 31 December 2002

1 **Principal accounting policies (continued)**

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Laing Investments Limited, the company's ultimate holding undertaking. Laing Investments Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue past the 12 month period although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Tangible Fixed Assets and Depreciation

Fixed assets are included at cost less accumulated depreciation. Fixed assets are depreciated over their estimated useful economic lives to their residual value, which are principally:

Fixtures and Fittings	- 3 years
Other Equipment	- 3 years
Computer Equipment	- Equipment with a net book value less than £2,000 deemed to have no useful economic life
	- Equipment with a net book value more than £2,000 - 3 years

Cash flow statement

A cash flow statement is not presented since John Laing plc, the ultimate parent company, has prepared a consolidated cash flow statement, including the cash flows of this company for the year ended 31 December 2002, in accordance with Financial Reporting Standard No 1 (Revised 1996).

Notes to the financial statements for the year ended 31 December 2002

1 **Principal accounting policies (continued)**

PFI Bid costs

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

2 **Loss on ordinary activities before taxation**

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
Audit services	**15**	27
Depreciation	**158**	71

The above audit fee includes amounts borne by the company on behalf of other group undertakings.

Notes to the financial statements for the year ended 31 December 2002 (continued)

3 Tax on loss on ordinary activities

Analysis of charge for the year

	2002	2001
	£'000	£'000
Current tax		
UK Corporation tax on loss for the year	**-**	(1,294)
Tax on loss on ordinary activities	**-**	(1,294)

The tax assessed differs from the application of the standard rate of corporation tax in the UK (30 %) to the company's accounting profit before taxation for the following reasons:

	2002	2001
	£'000	£'000
Loss on ordinary activities before tax	**(5,764)**	(2,013)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	**(1,729)**	(604)
Effects of:		
Losses carried forward to future periods for which no deferred tax asset provided	**1,724**	-
Expenses not deductible for tax purposes	**5**	-
Prior year restatement	**-**	(690)
Total current tax	**-**	(1,294)

Factors that may affect future tax charges:

A potential tax asset of £24,000 in respect of accelerated capital allowances has not been recognised in the accounts as it is not expected to be recoverable.

Notes to the financial statements
for the year ended 31 December 2002 (continued)

4 Staff numbers & costs

	2002 £'000	2001 £'000
The company had 57 employees. (2001 : 16)		
Salaries	**4,779**	1,779
Pension contributions	**340**	19
Social security	**446**	39
Total	**5,565**	1,837

The above pension contributions represent payments made by the Company, up until May 2001, to the Hyder Group pension schemes, which included a defined contribution scheme and a defined benefit scheme. From August 2001 payments were made to the Equion stakeholder contributory scheme.

5 Emoluments of Directors

	2002 £	2001 £
All Directors	**107,891**	74,573
Highest Paid Director	**30,525**	39,153

The highest paid director is a member of a defined benefit scheme, under which the accrued pension to which they would be entitled from a normal retirement date if they were to retire at the year end is £77,837.

Retirement benefits are accruing to 6 (2001: 4) directors under defined benefit schemes. None of the directors exercised share options in the ultimate parent undertaking, John Laing plc during the year (2001: Nil).

The emoluments of directors shown above are in respect of qualifying services to the company and were borne by fellow subsidiary undertakings on behalf of the company.

6 Other operating income

	2002 £'000	2001 £'000
Other income comprises fees charged to shareholders to cover ongoing tender costs.	**-**	251

Notes to the financial statements for the year ended 31 December 2002 (continued)

7 Pensions

Laing Investments Management Services is a member of the John Laing plc Group which operates two pension schemes ("the Laing Schemes"), 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 funding method.

The Laing Schemes were closed to new members since 31 December 2001. Staff employed since that date and entitled to retirement benefits, can choose to be members of a defined contribution scheme sponsored by the John Laing plc in conjunction with Legal and General Assurance Society Limited.

Laing Investments Management Services is unable to identify its share of the scheme assets and liabilities. On full adoption of FRS17 'Retirement benefits' contributions will be accounted for as if it were a defined contribution scheme.

The element of pension costs relating to John Laing plc schemes are derived from the formal triennial valuations of the schemes as at 31 March 2002. The principal assumptions underlying this valuation for accounting purposes were that the return on the schemes' investments would average 6.0% a year in future, salaries would increase at the rate of 3.75% a year and that RPI would average 2.25% a year. The method and assumptions employed in the valuations used to determine the funding policy differ from those used under SSAP 24. In particular, for the 2002 funding valuations, the asset value adopted was an actuarial value, the salary increase assumption was assumed to be 4% a year.

At the date of the last formal actuarial valuation, the market value of the assets of the schemes was £613.4 million and the actuarial value of those assets represented 95.4% of the benefits that had accrued to members. In particular, The John Laing Pension Fund had a deficit of £35.7 million on the basis used under the funding policy. As a response to the financial position of the Fund, it has been agreed that contributions will recommence from 1 January 2003 at a minimum rate of 18% of pensionable salaries.

The 31 March 2002 actuarial review included a valuation of the scheme assets for FRS 17 purposes. The transitional disclosures required under FRS 17 are set out in the accounts of the ultimate holding company, John Laing plc. These disclosures show a pension deficit of £100.0 million, net of £48.2 million associated deferred tax amount. (2001 - £9.0 million surplus)

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Fixed Assets

	£'000
Cost or Valuation	
At 1 January 2002	252
Additions	118
Disposals	-
At 31 December 2002	370
Accumulated Depreciation	
At 1 January 2002	114
Charge for the year	158
Depreciation on Disposals	-
At 31 December 2002	272
Net Book Value	
At 31 December 2002	98
At 31 December 2001	138

The company has revised the method it uses to depreciate computer equipment leading to the write off of all amounts brought forward. Under the previous method, the depreciation charge for the year would have been £101,667.

9 Debtors :

	2002 £'000	Restated 2001 £'000
Amounts due within one year :		
Amounts due from shareholders of parent company	-	730
Amounts due from group undertakings	1,797	627
Amounts due from joint ventures interest of the parent undertaking	131	93
Preferred bidder asset capitalised	1,981	1484
Prepayments and accrued income	192	81
Other debtors	93	652
	4,194	3,667
Amounts due after one year :		
Amounts due from group undertakings - loans	5,328	5,303
Preferred bidder asset capitalised	950	-
	6,278	5,303

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Creditors

Amounts falling due within one year:

	2002 £'000	Restated 2001 £'000
Amounts due to shareholders of parent company	-	-
Amounts due to group undertakings	**5,314**	1,178
Trade creditors	**479**	223
Accruals	**3,123**	1,933
Deferred Income	**4,531**	2,650
Other	**1,123**	31
Taxation	**433**	1,294
	15,003	7,309

	2002 £'000	Restated 2001 £'000
Amounts falling due after more than one year:		
Deferred income	**2,141**	2,599

11 Reconciliation of movements in shareholders' funds

	2002 Total shareholders' funds £'000	Restated 2001 Total shareholders' funds £'000
(Loss) for the financial year	**(5,764)**	(3,307)
Net reductions to shareholders' funds	**(5,764)**	(3,307)
Shareholders' funds as at 1 January (originally £Nil for 2001 before including prior year adjustment of £2,555,000 as outlined in note 1)	**(752)**	2,555
Shareholders' funds as at 31 December	**(6,516)**	(752)

Notes to the financial statements
for the year ended 31 December 2002 (continued)

12 Share capital

	2002	2001
	£	£
Authorised		
1,000 ordinary shares of £1	**1,000**	1,000

	2002	2001
Laing Investments Management Services Limited	£	£
Allotted Issued Nil Paid		
1 ordinary share of £1	1	1
	1	1

13 Related party transactions

As a greater than 90% subsidiary of John Laing plc, the company has taken advantage of the exemption under FRS 8, not to provide information on related party transactions with other undertakings within the John Laing group. Note 14 gives details of how to obtain a copy of the published financial statements of John Laing plc.

14 Parent undertaking and ultimate holding company

The company is a member of the John Laing group of companies. Its ultimate and controlling parent company, and the largest and smallest group in which the results of the company are consolidated is John Laing plc, a company registered in England and Wales.

Copies of these consolidated financial statements are available from the registered office at Nations House, 103 Wigmore Street, London, W1U 1RR.

The company is a wholly owned subsidiary of Laing Investments Limited, a company registered in England and Wales.