John laing

making infrastructure happen

2017 Annual Report & Accounts

JOHN LAING GROUP PLC

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OUR MARKETS

Infrastructure can be defined as the physical assets and systems that support a country or community. Infrastructure assets typically support services such as transportation, utilities and communications and also cater to social needs such as housing, health and education.

PPP projects
typically a consortium enters into a long-term concession contract with a public sector body to design, build, finance and operate/maintain an infrastructure asset in accordance with agreed service standards.

The infrastructure asset usually reverts back to the public sector body at the end of the concession.

Renewable energy projects
typically involve electricity generation assets which produce green energy and benefit from long-term governmental support mechanisms alongside income for the amount of power produced.

Opportunities in other infrastructure markets
in sectors closely linked to PPP and renewable energy. These include areas such as high speed broadband and water resource management.

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John Laing Group plc (John Laing or the Company or the Group) is an international originator, active investor and manager of greenfield infrastructure projects.

The Group aims to create value for shareholders through originating, investing in and managing infrastructure assets internationally.

We are focused on major transport, energy, social and environmental infrastructure projects in regions of the world where we have expertise and where there is a legal and commercial environment supportive of long-term investment. We hold a portfolio of investments in projects awarded under government backed Public-Private Partnership (PPP) programmes and renewable energy projects and have developed capabilities in other closely linked sectors which have similar operational and financial characteristics.

We typically invest in infrastructure projects at the greenfield, pre-construction stage. We apply our management, engineering and technical expertise and invest equity and subordinated debt into special purpose companies which have rights to the underlying infrastructure asset. These special purpose companies are typically also financed with ring-fenced medium to long-term senior debt.

We are a leading name in our core international markets and chosen sectors.

- Since making our first infrastructure investment in 1969, we have committed to invest in 133 projects.
- As at 31 December 2017, we held a portfolio of 41 investments in infrastructure projects in 9 countries with a book value of £1,184 million.
- Plus a shareholding in JLEN (a listed environmental asset investment fund) valued at £10 million, making an overall investment portfolio of £1,194 million.

KEY PERFORMANCE INDICATORS (KPIs) AND HIGHLIGHTS

WE AIM TO DELIVER PREDICTABLE RETURNS AND TO ACTIVELY MANAGE AND REDUCE RISK ACROSS OUR PRIMARY AND SECONDARY INVESTMENT PORTFOLIOS.

KPIs

£ million (unless otherwise stated)	2017	2016
Net asset value (NAV)	**1,123.9**	1,016.8
NAV per share[1]	**306p**	277p
Profit before tax	**126.0**	192.1
Earnings per share (EPS)	**34.7p**	51.9p
Total dividend per share[2]	**10.61p**	8.15p
Portfolio valuation	**1,193.8**	1,175.9
Cash yield from investments	**40.2**	34.8
New investment committed	**382.9**	181.9
External Assets under Management (AuM)[3]	**1,648.5**	1,472.3

HIGHLIGHTS

- 10.5% increase in Net Asset Value (NAV), from £1,016.8 million at 31 December 2016 to £1,123.9 million at 31 December 2017
- 13.5% increase in NAV including dividends paid in 2017
- NAV per share at 31 December 2017 of 306p (31 December 2016 – 277p)
- New investment commitments of £382.9 million[4] (2016 – £181.9 million), well ahead of guidance
- Realisations of £289.0 million from the sale of eight investments (2016 – £146.6 million), well ahead of guidance
- Profit before tax of £126.0 million compared to £192.1 million in 2016
- Earnings per share of 34.7p (2016 – 51.9p)
- 12% increase in external Assets under Management (AuM) from £1,472.3 million at 31 December 2016 to £1,648.5 million[3] at 31 December 2017
- Cash yield from investment portfolio of £40.2 million (2016 – £34.8 million)
- Strong investment pipeline, including nine shortlisted PPP positions
- Final dividend of 8.70p per share in line with policy (including a special dividend of 4.88p per share), giving a total 2017 dividend of 10.61p (2016 – total dividend of 8.15p), an increase of 30.2% from 2016[2]
- 1 for 3 rights issue announced on 8 March 2018

1 Calculated as NAV at 31 December 2017 of £1,123.9 million (31 December 2016 – £1,016.8 million) divided by the number of shares in issue at 31 December 2017 of 366.96 million (31 December 2016 – 366.92 million).

2 Before adjustment for the rights issue announced on 8 March 2018.

3 External AuM at 31 December 2017 is based on published portfolio values of JLIF as at 30 September 2017 and JLEN as at 31 December 2017.

4 Based on new investment commitments secured in the year ended 31 December 2017; for further details see the Primary Investment section of the Strategic Report.

SUMMARY FINANCIAL INFORMATION

£ million (unless otherwise stated)	Year ended or as at 31 December 2017	Year ended or as at 31 December 2016
Net asset value	**1,123.9**	1,016.8
NAV per share[1]	**306p**	277p
Retirement benefit obligations	**(40.3)**	(69.3)
Profit before tax	**126.0**	192.1
Earnings per share (EPS)[2]	**34.7p**	51.9p
Dividends per share[3]	**10.61p**	8.15p
Primary Investment portfolio	**580.3**	696.3
Secondary Investment portfolio	**613.5**	479.6
Total investment portfolio	**1,193.8**	1,175.9
Future investment commitments backed by letters of credit and cash collateral	**335.4**	186.3
Gross investment portfolio	**1,529.2**	1,362.2
New investment committed during the period[4]	**382.9**	181.9
Proceeds from investment realisations[5]	**289.0**	146.6
Cash yield from investments	**40.2**	34.8
PPP investment pipeline[4]	**1,585**	1,408
Renewable energy pipeline[4]	**565**	451
Asset Management		
Internal Assets under Management[6]	**1,518.9**	1,352.2
External Assets under Management[7]	**1,648.5**	1,472.3
Total Assets under Management	**3,167.4**	2,824.5

1 Calculated as NAV at 31 December 2017 of £1,123.9 million (31 December 2016 – £1,016.8 million) divided by the number of shares in issue at 31 December 2017 of 366.96 million (31 December 2016 – 366.92 million).

2 Basic EPS; see note 5 to the Group financial statements.

3 Before adjustment for the rights issue announced on 8 March 2018.

4 For further details, see the Primary Investment section of the Strategic Review.

5 Represents cash proceeds received on realisations for the year ended 31 December 2017, including £1.9 million consideration deferred to 2018.

6 Gross investment portfolio, less shareholding in JLEN valued at £10.3 million (31 December 2016 – £10.0 million).

7 External AUM at 31 December 2017 is based on published portfolio values of JLIF as at 30 September 2017 and JLEN as at 31 December 2017.

OUR BUSINESS MODEL

OUR BUSINESS IS ORGANISED ACROSS THREE KEY AREAS OF ACTIVITY:

- **Primary Investment:** we source, originate, bid for and win greenfield infrastructure projects, typically as part of a consortium in the case of PPP projects. Our Primary Investment portfolio comprises interests in infrastructure projects which are in the construction phase.

- **Secondary Investment:** we own a substantial portfolio of investments in operational infrastructure projects, almost all of which were previously part of our Primary Investment portfolio.

- **Asset Management:** we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services to two external funds, John Laing Infrastructure Fund (JLIF) and John Laing Environmental Assets Group (JLEN), through John Laing Capital Management Limited (JLCM), which is regulated by the Financial Conduct Authority (FCA).

We create value by originating and investing in new greenfield infrastructure investments

Post-construction, these investments are designed to produce long-term predictable cash flows that meet our rate of return targets.

Once operational, investments move from our Primary Investment portfolio to our Secondary Investment portfolio.

Operational investments can be sold to secondary market investors who target a lower rate of return consistent with the reduction in risk for assets that have completed construction.

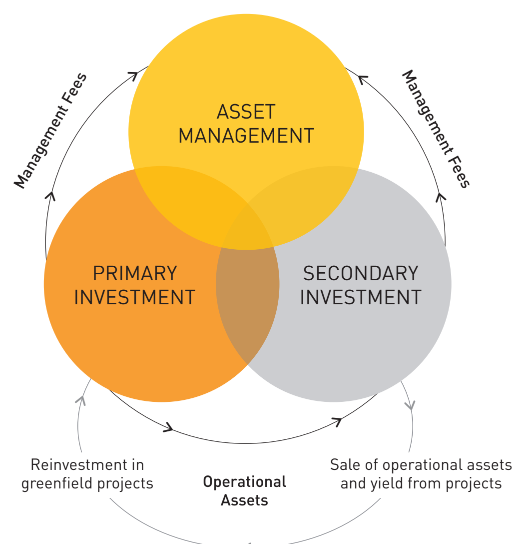
These realisations release capital to recycle into primary investment opportunities.

Alternatively, investments can be retained in the portfolio after construction to generate a cash yield and also offer potential for further value enhancement from changes that improve project cash flow.

Our asset management activities focus on management and reduction of project risks, especially during the construction phase, and enhancement of project cash flows.

The John Laing business model is based on strong investment and asset management capabilities and is supported by the current strong demand in secondary markets for operational infrastructure assets.

OUR BUSINESS MODEL



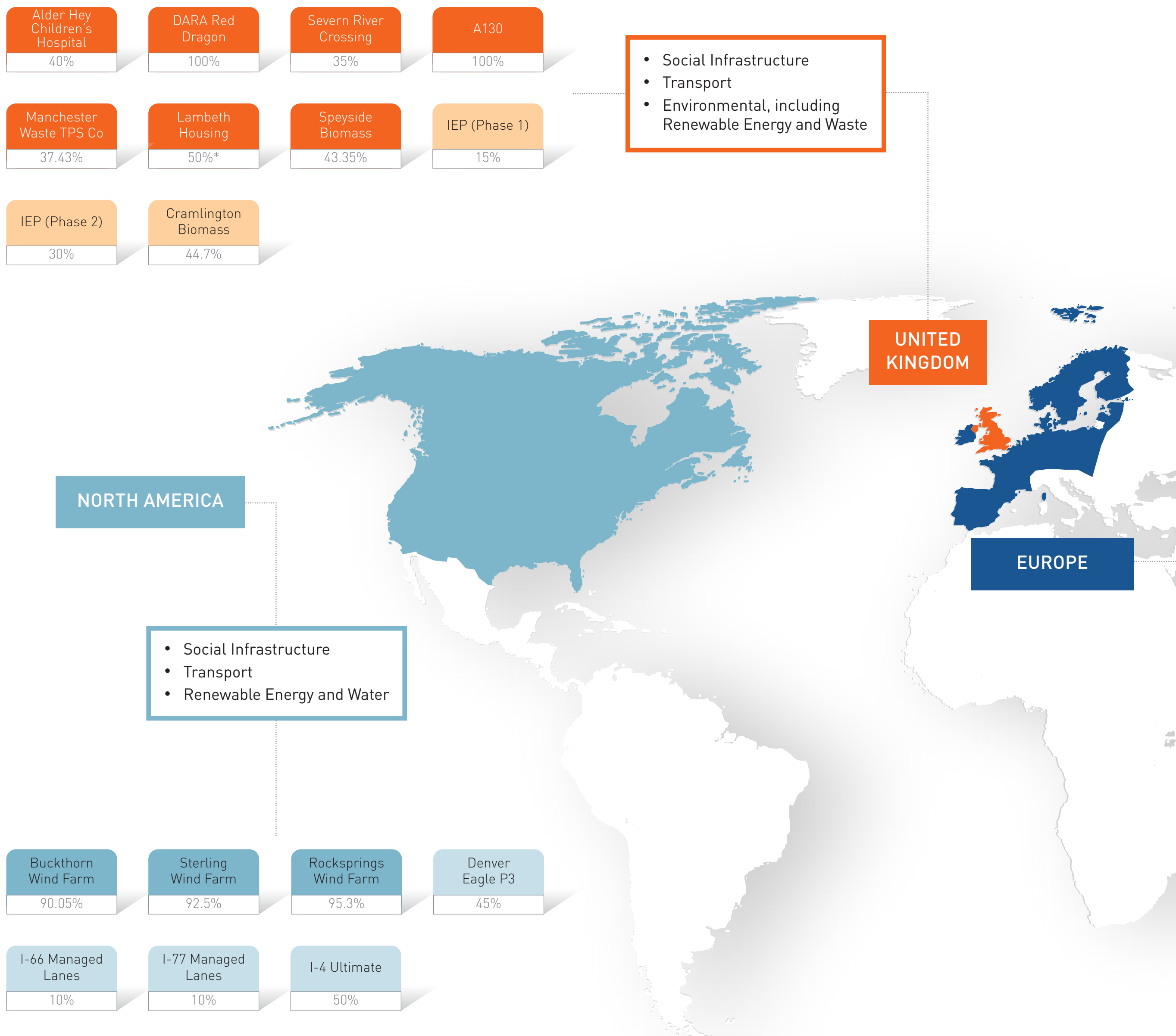
Project:
Buckthorn Wind Farm

- **Location:**
  Texas, US
- **Partners:**
  NRG Energy Inc
- **Description:**
  Located in Texas, this project has a total capacity of 100 MW. Partial operations commenced in November 2017 with full operations commencing in January 2018. The wind farm benefits from a 13 year power purchase agreement.

OUR INTERNATIONAL REACH

JOHN LAING HAS A WELL-ESTABLISHED PRESENCE IN EACH OF ITS CHOSEN OVERSEAS MARKETS: ASIA PACIFIC, NORTH AMERICA AND EUROPE, INCLUDING THE UK.

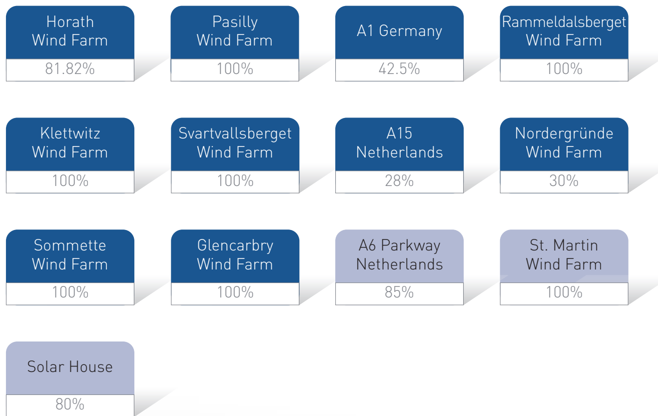
When selecting target regions, we look for an identifiable pipeline of projects coming to market, a trusted legal system, returns that meet our risk-adjusted hurdle rates, strong political will to utilise private investment and the existence of a market for operational investments or a strong expectation that one will develop. It is also a precondition that we are able to develop partnerships with strong contractors and ones that have an established local presence.

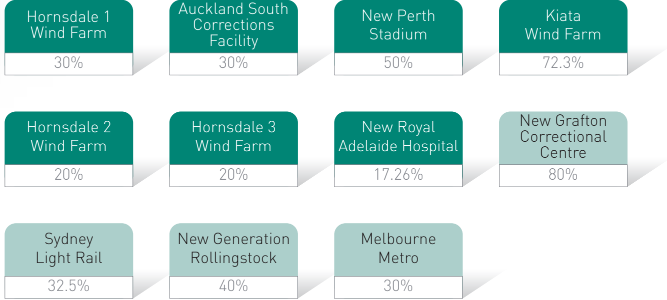


Primary Secondary

* Conditional sale agreed as of 31 December 2017.

"The business has a strong pipeline of future investment opportunities spread across multiple sectors and geographies..."





OUR SECTORS

Our activities are focused on the following infrastructure sectors:

Transport

Rail (including rolling stock), roads, street lighting and highways maintenance

Environmental

Renewable energy (including wind power, solar power, energy storage and biomass), water treatment and waste management

Social

Healthcare, education, justice, stadiums, public sector accommodation and social housing

"...we maintain a disciplined approach to new investments using detailed financial analysis and investment appraisal processes to assess specific risk profiles."

CHAIRMAN'S STATEMENT

THIS IS MY LAST REPORT TO SHAREHOLDERS AS CHAIRMAN AND I AM PLEASED TO BE LEAVING THE BUSINESS WELL POSITIONED FOR FUTURE GROWTH.

→ **NAV**
£1,123.9 million

→ **Profit before tax**
£126.0 million

→ **Portfolio valuation**
£1,193.8 million

→ **New investment committed**
£382.9 million

Since I became Chairman in January 2010, John Laing has evolved significantly in a number of ways: it's a simpler business, with non-core activities divested; it's a much more international business, with three well-established geographical regions and the potential for expansion into further jurisdictions; and it's a stronger business, with the ability to access new capital, having undertaken a successful IPO three years ago. In addition, we have launched two successful independent secondary funds, JLIF and JLEN, which are the purchasers of a number of our investments once the underlying projects reach the operational stage.

As well as announcing our results, we are today launching a 1 for 3 rights issue to raise £210 million, net of costs. The rights issue will enable the Group to take advantage of a higher proportion of the attractive opportunities currently available to it and is consistent with the Board's intention to increase the scale of the business over the medium term. We plan to use the proceeds to invest in public private partnership (PPP) projects, renewable energy assets, and in other appropriate greenfield infrastructure assets which fit our business model and meet our investment criteria. The Board considers the rights issue to be in the best interests of John Laing and its shareholders as a whole.

During 2017, as in earlier years, we kept our strategy focused but also flexible. Our business model has stood the test of time and allows the management team to concentrate on the core tasks of origination of greenfield projects; active management of construction and operational risk; and timely realisations in order to monetise investments.

We committed capital to each of our three core regions – Asia Pacific, Europe and North America – in the year. The US market in particular is now showing the potential we have been anticipating for some time. As well as two further renewable energy projects, we invested in the I-66 Managed Lanes project in Virginia. We continue to see strong demand for new greenfield infrastructure in each of our regions.

"Our business is in good shape and, based on our investment pipeline, we anticipate a strong level of deal flow over the coming years in each of our core markets."

Phil Nolan
CHAIRMAN

The business delivered another strong performance in 2017:

- Net Asset Value (NAV) grew by 10.5% to £1,123.9 million or 306p per share at 31 December 2017, from £1,016.8 million or 277p per share at 31 December 2016;
- Investment commitments reached £382.9 million, our highest ever and significantly ahead of our guidance of approximately £200 million;
- Realisations of investments were £289.0 million, again well ahead of our guidance for 2017 of approximately £200 million;
- Our total external Assets under Management grew to £1,648.5 million, an increase of 12.0%; and
- We are proposing a final dividend for 2017, before adjustment for the rights issue, of 8.70p per share made up of a base dividend of 3.82p per share and a special dividend of 4.88p per share.

In December 2017, Will Samuel joined the Board as Chairman Designate and will take over from me when I stand down at the Annual General Meeting (AGM) in May 2018. In the few months since he joined us, Will has met all the key members of management and has already got his feet well under the table. He brings with him a wealth of experience both as a chairman of listed and private companies as well as from his successful executive career. I am confident I will leave the Board and the Company in capable hands.

During the year under review, the Board complied with all applicable provisions of the UK Corporate Governance Code (the Code). We have an experienced Board which has been strengthened by the addition of Will Samuel. As well as regular Board meetings, we held reviews in June and in October 2017 to address the future strategy and direction of the business. These recognised the robustness and flexibility of our existing business model and reconfirmed our commitment to creating further shareholder value from growth in NAV.

I will be sorry to say goodbye to the many members of staff I have met and worked with during my time at John Laing and, on behalf of the Board, I would like to thank all of them for their contribution during my chairmanship and to these results in particular. I would also like to extend the Board's thanks to all the Group's stakeholders for their continued support.

Our dividend policy has two parts:

- a base dividend of £20 million (starting from 2015) growing at least in line with inflation; the Board is recommending a final base dividend for 2017 of 3.82p per share, before adjustment for the rights issue; and
- a special dividend of approximately 5% – 10% of gross proceeds from the sale of investments on an annual basis, subject to specific investment requirements in any one year. The Board is recommending a special dividend for 2017 of 4.88p per share, before adjustment for the rights issue. This reflects 6.2% of 2017 realisations of £289.0 million.

The total final dividend therefore amounts to 8.70p per share, which, together with the interim dividend of 1.91p per share paid in October 2017, makes a total dividend for 2017 of 10.61p per share, an increase of 30.2% over 2016, reflecting the significant level of realisations achieved in 2017. The final dividend will be put to shareholders for their approval at the Company's AGM which will be held on 10 May 2018. At the Company's last AGM on 11 May 2017, all resolutions were approved by shareholders.

Our business is in good shape and, based on our investment pipeline, we anticipate a strong level of deal flow over the coming years in each of our core markets.

Phil Nolan
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

I AM PLEASED TO REPORT THAT IN 2017 WE SIGNIFICANTLY INCREASED OUR INVESTMENT COMMITMENTS, WHILE MAINTAINING OUR TRACK RECORD OF STRONG RESULTS. THIS WAS ACHIEVED DESPITE THE IMPACT OF LOWER POWER PRICE FORECASTS WHICH AFFECTED A NUMBER OF OUR RENEWABLE ENERGY INVESTMENTS AND WITHOUT THE BENEFIT OF THE SIGNIFICANT FOREIGN EXCHANGE GAIN IN 2016.

The highlights included:

- 10.5% increase in NAV, from £1,016.8 million at 31 December 2016 to £1,123.9 million at 31 December 2017;
- 13.5% increase in NAV including dividends paid in 2017;
- NAV per share at 31 December 2017 of 306p (31 December 2016 – 277p);
- New investment commitments of £382.9 million (2016 – £181.9 million);
- Realisations of £289.0 million from the sale of eight investments;
- Profit before tax of £126.0 million compared to £192.1 million in 2016;
- 12% increase in external Assets under Management (AuM) to £1,648.5 million;
- Cash yield from investment portfolio of £40.2 million (2016 – £34.8 million); and
- Final dividend of 8.70p per share, giving a total 2017 dividend of 10.61p per share (2016 – total dividend of 8.15p per share), an increase of 30.2% from 2016, before adjustment for the rights issue.

Outlook for our markets

The overall market for greenfield infrastructure is driven by a number of factors, but especially population growth, urbanisation and climate change. In the case of urbanisation, some commentators forecast that within 20 years, two out of every three people will live in a city. Other factors which influence infrastructure spending include governmental policy towards regulation and investment, the demand for energy and the availability of capital, both private and public sector.

Most of these factors apply to each of the sectors in which we operate: transport and transport-related infrastructure, such as roads, tunnels, bridges and rail assets; environmental infrastructure, such as renewable energy, water treatment and waste management; and social infrastructure, such as schools and hospitals. We are proud of the fact that many of the assets we invest in provide a public benefit.

We operate in a wider infrastructure market in which there has been historical under-investment. This provides a strong incentive for governments to use public private partnerships (PPPs) to procure greenfield infrastructure. As well as access to private capital, PPP arrangements enable governmental and other public sector bodies to benefit from fixed price arrangements which transfer very significant risks to the private sector, especially design, construction and operational delivery risks. The growing international adoption of PPPs as a procurement model for infrastructure is acknowledged by the World Bank which publishes a PPP Reference Guide.

Our Primary Investment teams benefit from a robust and diverse pipeline of future opportunities in each of the three regions where we currently operate: North America (Canada and the US); Asia Pacific (Australia and New Zealand); and Europe (including the UK). We have focused strongly on developing our relationships with international partners, including construction companies, rolling stock manufacturers and renewable energy developers and this is resulting in more investment opportunities. We entered 2018 with strong positions in nine shortlisted PPP consortiums and with four exclusive renewable energy opportunities.

- North America: six of the nine shortlisted PPP positions are for potential investments in North America. In Canada, we continue to see a strong commitment to PPPs from federal authorities, as evidenced by the recent establishment of the Canadian Infrastructure Board. The most active province is Ontario, especially in the transport sector.

"We have a proven business model and we believe we are in a good position to take advantage of opportunities for investment in greenfield infrastructure in a growing market."

Olivier Brousse
CHIEF EXECUTIVE OFFICER

In the US, 2017 has been a breakthrough year for John Laing. We have taken advantage of increased activity in PPPs, and made further investments in renewable energy. The US is a market where procurement for greenfield assets takes place predominantly at state or city, rather than federal, level, and where the need for greenfield infrastructure has been highlighted by states or cities introducing specific local tax increases to raise funds for new assets required.

- Asia Pacific: we remain very active in the PPP markets in both Australia and New Zealand. In Australia, following a very successful year in 2017, we see fewer PPP projects reaching financial close in 2018, but a very active pipeline thereafter. In renewable energy, we have benefited from the impetus given to the market by the Federal Renewable Energy Target in Australia.
- Europe: three of the nine shortlisted PPP positions are for potential investments in Europe. While the PPP market in some European countries remains subdued, we are concentrating on those jurisdictions which have, or will be, initiating active PPP road programmes, such as the Netherlands, Spain, Germany and Norway. While the political climate in the UK is currently not favourable towards PPP, it only accounts for 5% of our total pipeline.

Outside the current pipeline and beyond the PPP and renewable energy markets, we continue to research other infrastructure asset classes that could potentially fit our business model in order to feed future growth. The due diligence we carry out before investing in new markets follows a rigorous process that eventually rules out many opportunities. Over the last three years, we have made our first investments in managed lanes and in offshore wind, and expect these sectors to offer a number of investment opportunities in the future. We also continue to research new geographies where we see potential opportunities to invest alongside established partners at appropriate returns. These include selected countries in Latin America and South East Asia.

Business model

Our business model has three key areas of activity:

- *Primary Investment:* we source, originate, bid for and win greenfield infrastructure projects, typically as part of a consortium in the case of PPP projects. Our Primary Investment portfolio comprises interests in infrastructure projects which are in the construction phase.
- *Secondary Investment:* we own a substantial portfolio of investments in operational infrastructure projects, almost all of which were previously part of our Primary Investment portfolio.
- *Asset Management:* we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services to two external funds, John Laing Infrastructure Fund (JLIF) and John Laing Environmental Assets Group (JLEN), through John Laing Capital Management Limited (JLCM), which is regulated by the Financial Conduct Authority (FCA).

Our business model is based on our specialist infrastructure investment and asset management capabilities and the continuing demand for operational infrastructure assets as an attractive investment class.

We aim to invest in new greenfield infrastructure projects which, post-construction, produce long-term predictable cash flows that meet our rate of return targets. The projects we invest in are held within special purpose vehicles (SPVs) which we (often in conjunction with other investors) fund with equity, and which are structured so that providers of third party debt finance have no contractual recourse to equity investors beyond their equity commitment.

The principal value creation mechanism inherent in our business model is the difference between the hold-to-maturity IRR at the financial close of a greenfield investment and the discount rate applied to that investment once the underlying project has reached the operational phase. Although we have in recent years experienced pressure on hold-to-maturity IRRs as our Primary Investment teams bid for new greenfield projects, this has typically been accompanied by a reduction in secondary discount rates. This has allowed the Group to maintain attractive "yield shifts" which drive one of the principal measures applied to the Group's investments, namely annualised rate of return.

When investments become part of our Primary Investment portfolio, their value should grow progressively with a reasonable degree of predictability as the underlying assets move through the construction phase and their risk correspondingly reduces. Once the projects reach the operational stage, investments move from our Primary to our Secondary Investment portfolio where they can be held to maturity or sold to secondary market investors, who are targeting a lower rate of return consistent with the reduction in risk.

Our asset management activities focus on management and reduction of project risks, especially during the construction phase, and enhancement of project cash flows. The latter involves identifying and implementing value enhancement initiatives that can increase future cash flows to project investors compared to those originally forecast at the start of the project. We look at a wide range of such value enhancements. Opportunities may arise at any time during a project's life and may vary significantly from one investment to another.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Objectives and outcomes

Our overall strategy is to create value for shareholders through originating, investing in and managing infrastructure assets internationally. In that respect, we see NAV growth and dividends as key measures of our success:

- In 2017, our NAV grew by 10.5% from £1,016.8 million at 31 December 2016 to £1,123.9 million at 31 December 2017. This was 13.5% if we add back the dividends paid in 2017.
- We are proposing total dividends of 10.61p per share for 2017 compared to dividends of 8.15p per share for 2016. This represents growth of 30.2% over 2016, reflecting the significant increase in realisations during 2017.

To deliver our strategy, we have set ourselves the core objectives below, while maintaining the discipline and analysis required to mitigate against the delivery, revenue and operational risks associated with investments in infrastructure projects:

- growth in primary investment volumes (new investment capital committed to greenfield infrastructure projects) over the medium term;
- growth in the value of external AuM and related fee income; and
- management and enhancement of our investment portfolio, with a clear focus on active management during construction, accompanied by realisations of investments which, combined with our corporate banking facilities and operational cash flows, enable us to finance new investment commitments.

Growth in primary investment volumes over the medium term

We operate in a broad market for new infrastructure with a strong pipeline of future opportunities.

Throughout the year, we maintained a disciplined approach to making new investments. Using detailed financial analysis and investment appraisal processes, we assess the specific risk profiles for each prospective investment with the aim of optimising risk-adjusted returns and securing only those new investments which are likely to meet the investment appetites of secondary market investors when the underlying assets become operational.

Our resources are concentrated on countries or geographical regions carefully selected against five key criteria:

- a stable political, legal, regulatory and taxation framework;
- a commitment to the development of privately-financed infrastructure;
- the ability to form relationships with strong supply chain partners, preferably companies we have worked with before;
- the likelihood of target financial returns, on a risk-adjusted basis, being realised; and
- the existence of a market for operational investments or a strong expectation that such a market will develop.

Our total commitment to new investments in 2017 was £382.9 million, made up of £142.5 million in renewable energy and £240.4 million in PPP assets. This was a record level for John Laing and significantly ahead of investment commitments of £181.9 million in 2016 and our guidance. Our international growth continued with all our investment commitments being made outside the UK, including the following:

- I-66 Managed Lanes (US) – £118.0 million
- Rocksprings Wind Farm (US) – £62.9 million
- New Grafton Correctional Centre (Australia) – £79.3 million
- Melbourne Metro (Australia) – £43.1 million.

Growth in the value of external AuM and related fee income

Our strategy to grow the value of our external AuM is linked to our activities as an investment adviser to JLIF and JLEN. JLCM not only advises and provides management services to the portfolios of JLIF and JLEN, but also sources new investments on their behalf. During the year, both JLIF and JLEN successfully undertook secondary equity issues and made acquisitions both from John Laing and from third parties. Both funds have the benefit of a right of first offer over certain investments should they be offered for sale by the Group.

During the year, the value of external AuM grew from £1,472 million to £1,649 million, an increase of 12%. Fee income from external AuM was £16.7 million for 2017, up from £15.8 million in 2016.

Management and enhancement of our investment portfolio

For John Laing, being an active investor means not only participating actively in consortiums at the bidding stage, but also being actively involved in the project during the construction phase in order to protect the value of our investment and provide advice and/or assistance when delays occur or problems arise. This time last year, we reported on the work of our team on the New Royal Adelaide Hospital project in helping to resolve the sometimes competing priorities of the Government of South Australia, the bank lending consortium, and the construction contractor. This situation had arisen principally because construction of the hospital had been delayed. At the half year, we reported that the hospital had successfully achieved technical completion in mid-March 2017 followed by commercial acceptance in mid-June 2017. Our team played a key part in the achievement of this stage. Patients were first admitted to the hospital in early September 2017.

Like many assets in the early operational stage, certain aspects of service provision are still being addressed and, as we have previously reported, remaining disputes are being dealt with through a process of arbitration. The important thing from our perspective is that the hospital is delivering under its contract to the people of South Australia.

As regards Manchester Waste, we reported in September 2017 that our investment in Manchester Waste VL Co had been acquired by the Greater Manchester Waste Disposal Authority (GMWDA). While this resulted in a reduction compared to the value of this investment at 31 December 2016, it is important to note that the cash received of £23.5 million, together with previous distributions, resulted in a positive return on the investment versus our original commitment in 2009. We remain shareholders in Manchester Waste TPS Co where the underlying asset, a combined heat and power station which burns refuse-derived fuel, is performing well.

We regularly apply our active management skills when issues arise. Wherever we operate, we believe our investing, contracting and banking partners appreciate and value the investment experience and active management we provide. We continue to make good use of this expertise to monitor and guide our investments through construction while protecting investment base cases and, where appropriate, seeking to find additional value.

At 31 December 2017, our portfolio comprised investments in 41 infrastructure projects plus our shareholding in JLEN (31 December 2016 – 42 projects plus shareholding in JLEN). Our year end portfolio value, including the shareholding in JLEN, was £1,193.8 million (31 December 2016 – £1,175.9 million). The portfolio value decreased by £142.8 million as a result of cash flows in the year, with proceeds from realisations and cash yield received from project companies partly offset by cash invested in projects. Fair value movements of £160.7 million,

or 15.6% of the cash rebased portfolio value, increased the portfolio value to £1,193.8 million at 31 December 2017. This growth is analysed further in the Portfolio Valuation section.

The portfolio valuation represents our assessment of the fair value of investments in projects on a discounted cash flow basis and assuming that each asset is held to maturity, other than shares in JLEN which are held at market value. At 31 December 2017, investments with availability-based cash flows made up 58.8% of our portfolio by value.

The cash yield in 2017 was £40.2 million (2016 – £34.8 million), a yield of 7.4% (2016 – 7.6%) on the average Secondary Investment portfolio, in line with our guidance of a 6.5% to 8.5% yield. Cash yield represents cash receipts in the form of dividends, interest and shareholder loan repayments from project companies and listed investments.

During the year, we agreed realisations totalling £298.9 million, including the agreed sale of five UK PPP investments to JLIF for a total of £104.6 million, one of which is not expected to complete until later in March 2018. This left us with realisations for 2017 of £289.0 million which were well ahead of our original guidance for 2017 of approximately £200 million.

Consistent with our self-funding model, we are actively considering a number of realisations which are yet to be confirmed. One potential realisation, which is at a reasonably advanced stage, is the disposal of our remaining 15% shareholding in IEP (Phase 1) which could be announced in the next few weeks.

The percentage of our portfolio value attributable to UK investments has fallen from 58% at 31 December 2014 to 34% at 31 December 2017.

Profit before tax

Our profit before tax was £126.0 million in 2017, compared to £192.1 million in 2016. Profit before tax is primarily driven by the fair value movement on our investment portfolio. As set out in the Portfolio Valuation section, the main reasons for the lower fair value movement were:

- The impact of lower power price forecasts (£54.8 million negative in 2017 compared to £17.6 million negative in 2016);
- Adverse foreign exchange movements (£11.0 million negative in 2017 compared to £74.7 million positive in 2016, as a result of the significant weakening of Sterling in 2016);

offset by:

- A higher value uplift on financial closes (£50.1 million in 2017 versus £31.0 million in 2016);
- Higher value enhancements and other changes (£15.1 million positive in 2017 versus £17.2 million negative in 2016), including in 2017 the value reduction in the Manchester Waste investments; and
- A benefit from revised macroeconomic assumptions of £4.1 million (£13.8 million negative in 2016).

Funding

In October 2017, the Group's corporate banking facilities were increased from £400 million to £475 million. The facilities comprise a five-year committed corporate banking facility and associated ancillary facilities, all of which expire in March 2020. The Group also held surety facilities of £50 million backed by two £25 million committed liquidity facilities both expiring in March 2018. In early 2018 these liquidity facilities were extended to February 2019.

The Group's facilities enable us to issue letters of credit and/or put up cash collateral to back investment commitments. We finance our new investments through a combination of cash flow from existing assets, the above corporate banking facilities and realisations of investments in operational projects.

Organisation and staff

Our staff numbers were 158 at 31 December 2017 compared to 160 at the end of 2016. We now have 39% of staff located outside the UK (31 December 2016 – 36%), consistent with our increasing internationalisation.

In January 2018, we initiated an internal reorganisation under which the Primary Investment and Asset Management teams in each of our three geographical regions will in future report to a single regional head, each of whom in turn reports to me. The principal objective behind this revised structure is to enable us to focus more effectively on value creation in each region, while allowing our business to scale up.

I visited our international offices regularly during 2017. We are lucky to have high quality individuals and experienced teams across our business and it is my privilege to thank them for all they have done this year. As I have said before, our success depends on our people.

Current trading and guidance

Our total investment pipeline at 31 December 2017 was £2,150 million and includes £1,585 million of PPP opportunities looking out three years as well as nearer term renewable energy opportunities of £565 million. Within the pipeline is one preferred bidder position related to the MBTA fare collection project in Boston, US as well as nine shortlisted PPP positions with an investment opportunity of approximately £200 million and four exclusive renewable energy positions with an investment opportunity of approximately £150 million. The current pipeline does not include potential opportunities in new jurisdictions or take account of late entry investment opportunities which may arise.

As stated earlier, we achieved a record level of investment commitments in 2017. As our investment pipeline continues to grow, our aim is to keep on growing investment commitments, but not necessarily year on year, giving our teams the time to select the best opportunities. In 2018, our guidance is for investments commitments of approximately £250 million. We expect realisations to be at a broadly similar level to our investment commitments, consistent with our self-funding model.

As set out in the Chairman's statement, we have today launched a 1 for 3 rights issue to raise £210 million, net of costs, which will enable us to take advantage of a higher proportion of the attractive investment opportunities currently available to the Group. With the benefit of the rights issue, we will have greater ability both to position ourselves for, and execute on, investment commitments in excess of £250 million in 2018.

We have a proven business model and we believe we are in a good position to take advantage of opportunities for investment in greenfield infrastructure in a growing market. Since we re-listed in 2015, we have delivered steady growth despite changing governmental policies and macroeconomic environments. Against this background, we have confidence in the future.

Olivier Brousse
CHIEF EXECUTIVE OFFICER

PRIMARY INVESTMENT

OUR PRIMARY INVESTMENT ACTIVITIES ARE FOCUSED ON GREENFIELD INFRASTRUCTURE PROJECTS.

These are principally those awarded under PPP programmes as well as renewable energy assets and may also include similar long-term infrastructure projects which have a strong private-sector (rather than governmental) counterparty. Asset management services in respect of the Primary Investment portfolio during the construction period are provided by John Laing's Asset Management division. When underlying projects reach the end of construction, the investments transfer into our Secondary Investment portfolio.

The Group's Primary Investment portfolio at 31 December 2017 comprised shareholdings in 11 PPP projects and in three renewable energy projects, which were in the construction phase. This portfolio was valued at £580.3 million (31 December 2016 – £696.3 million).

NEW INVESTMENT COMMITMENTS

During 2017, the Primary Investment team successfully secured seven new investments, resulting in total commitments of £382.9 million:

- *North America* – we continued to increase our activities in the market, most notably through committing £118.0 million to the I-66 Managed Lanes PPP project in Virginia. We also invested £47.6 million in the Buckthorn Wind Farm project and £62.9 million in the Rocksprings Wind Farm, both in Texas.
- *Asia Pacific* – the New Grafton Correctional Centre in New South Wales reached financial close in June 2017 with an investment commitment of £79.3 million, and this was followed by an investment commitment in December 2017 of £43.1 million to the Melbourne Metro project. Both these investments further strengthen the Group's presence in the PPP market in this region.
- *Europe* – we made a £22.0 million commitment to Solar House, a rooftop solar energy project in France.

Our investment commitments for 2017 are summarised in the table below:

Investment commitments	Region	PPP £ million	RE* £ million	Total £ million
New Grafton Correctional Centre	Asia Pacific	79.3	–	79.3
Hornsdale 3 Wind Farm	Asia Pacific	–	10.0	10.0
Solar House	Europe	–	22.0	22.0
Buckthorn Wind Farm	North America	–	47.6	47.6
Rocksprings Wind Farm	North America	–	62.9	62.9
I-66 Managed Lanes	North America	118.0	–	118.0
Melbourne Metro	Asia Pacific	43.1	–	43.1
Total		**240.4**	**142.5**	**382.9**

* RE = renewable energy

ACTIVITIES

The Primary Investment teams are responsible for all the Group's bid development activities. The teams take responsibility for developing and managing a pipeline of opportunities, including market research, project selection, bid co-ordination and negotiations with public sector authorities, vendors and lenders. In each of our target markets of North America, Asia Pacific and Europe, we work with strong delivery partners. For instance, in the Asia Pacific and North American regions, the Group is currently working with leading international and domestic contractors and service providers, including Acciona, ACS Group, Aecom, Akuo, Alstom, Ansaldo, Astaldi, Bechtel, Bombardier, Bouygues, Brookfield Multiplex, Capella, Ferrovial, Cubic, Downer, Fluor, Fulton Hogan, John Holland, Leighton/CIMIC, Lend Lease, NRG, Serco, SNC Lavallin, Spotless, Transdev, Vestas and Vinci.

We target a wide range of infrastructure sectors:

- Transport – rail (including rolling stock), roads, street lighting and highways maintenance;
- Environmental – renewable energy (including wind power, solar power and biomass), water treatment and waste management;
- Social infrastructure – healthcare, education, justice, stadiums, public sector accommodation and social housing.

We also continually assess opportunities in other infrastructure sectors where we believe our business model could be successfully applied. Potential sectors which have been or are being considered include: broadband; water resource management; energy storage; and other forms of renewable energy, such as pumped storage.

Project:

Intercity Express Programme

- **Location:**
  United Kingdom
- **Partners:**
  Hitachi Rail Europe
- **Description:**
  The IEP is an innovative scheme covering the finance, design, manufacture, delivery into daily service and maintenance of a fleet of 122 state-of-the-art Hitachi Super Express trains over a guaranteed minimum usage period of 26 years for the Great Western Main Line (Phase 1) and the East Coast Main Line (Phase 2) in the UK. As at 31 December 2017, 15 trains for IEP (Phase 1) had been accepted into operational service. Total fleet acceptance for Phase 1 is expected in late 2018 and commencement of train deliveries for Phase 2 is also expected in late 2018.

Project:
I-77 Managed Lanes

- **Location:**
  North Carolina, US
- **Partners:**
  Cintra
- **Description:**
  This project involves the design, build, finance and operation of 25.9 miles of the I-77 Interstate road in Charlotte, North Carolina, US. Once completed, the project will add 25.9 miles of dynamically priced, high-occupancy toll lanes to existing toll-free road capacity in order to alleviate congestion in the rapidly growing Charlotte metropolitan area.

PRIMARY INVESTMENT (CONTINUED)

PROJECT FINANCE

In Europe and Asia Pacific, the projects we invest in tend to be financed with long-term commercial bank debt whereas in Canada and the US projects tend to be financed in the long-term debt capital markets. In Australia and New Zealand, the tenor of PPP project finance debt tends to be more medium-term than long-term. Overall, financial markets in the regions in which the Group is active supported our growing levels of investment with a large number of international banks being active in these markets and we expect this to continue in 2018.

PIPELINE

At 31 December 2017, our overall investment pipeline of £2,150 million was higher than the pipeline of £1,859 million at 31 December 2016. The pipeline comprises opportunities to invest equity in PPP projects with the potential to reach financial close over the next three years, while the renewable energy pipeline relates to the next two years. The growth compared to 2016 reflects an increase in the renewable energy pipelines in Asia Pacific and North America.

Our overall pipeline is constantly evolving as new opportunities are added and other opportunities drop out. We budget a win rate of 30% for PPP bids.

Our total pipeline broken down by bidding stage is as follows:

Pipeline at 31 December 2017 by bidding stage	Number of projects	PPP £ million	RE £ million	Total £ million
Preferred bidder	1	19	–	19
Shortlisted/exclusive	13	197	141	338
Other active bids	6	112	129	241
Other pipeline	64	1,257	295	1,552
Total	**84**	**1,585**	**565**	**2,150**

The preferred bidder position related to a fare collection project in Boston, US. The shortlisted PPP projects at 31 December 2017 comprised two broadband upgrade projects (one in the Republic of Ireland and one in Pennsylvania, US), a rental car centre at Los Angeles airport and six availability-based transportation projects, spread across the US, Canada and Europe. These should all reach financial close in the next eighteen months.

In terms of geography, our pipeline is well spread across our target markets:

Pipeline at 31 December 2017 by target market	PPP £ million	RE £ million	Total £ million
Asia Pacific	431	174	605
North America	631	233	864
Europe (including the UK)	523	158	681
Total	**1,585**	**565**	**2,150**

In North America (the US and Canada), which makes up 40% of the pipeline, our focus is on what is becoming a very substantial US PPP market, whilst continuing to progress our presence in the renewable energy market, where we made two further investments during 2017. We continue to explore PPP opportunities primarily in the transportation sector and social infrastructure sectors. The Canadian market also continues to demonstrate strong PPP deal flow, which we are actively pursuing.

Some 28% of our pipeline relates to the Asia Pacific region which continues to offer substantial opportunities. In this region, the Group's current bidding activities are focused on Australia and New Zealand, where the Group has built up a strong base. Our growing presence in the renewable energy sector in Australia offers significant potential in the coming years.

The balance of our pipeline is in Europe, where PPP activity remains at a satisfactory level in countries such as the Netherlands. The focus is on those countries which have, or will be, initiating active PPP programmes such as the Netherlands, Spain, Germany and Norway.

Our overall renewable energy pipeline was £565 million at 31 December 2017, higher than at 31 December 2016. Selected countries in Europe, Asia Pacific and North America will provide our main focus in 2018. The pipeline includes many potential wind and solar projects as well as investment opportunities in biomass and other less developed technologies.

In addition to the above, the Group continues to monitor new geographic markets which offer the potential to invest alongside established partners. These include countries in South America, such as Chile and Colombia, and other countries in the Asia Pacific region, which are currently not in the pipeline.

SECONDARY INVESTMENT

AT 31 DECEMBER 2017, THE SECONDARY INVESTMENT PORTFOLIO COMPRISED 11 PPP PROJECTS AND 16 RENEWABLE ENERGY PROJECTS WITH A BOOK VALUE OF £603.2 MILLION (31 DECEMBER 2016 – £469.6 MILLION).

The Secondary Investment portfolio also included a 2.5% shareholding in JLEN valued at £10.3 million at 31 December 2017 (31 December 2016 – 3.3% shareholding valued at £10.0 million). The increase in the Secondary Investment portfolio between 31 December 2016 and 31 December 2017 was primarily due to investments transferring from the Primary Investment portfolio, net of the realisations completed in 2017.

Asset management services in respect of the Secondary Investment portfolio are provided by John Laing's Asset Management division.

INVESTMENT REALISATIONS

During the year, we agreed realisations totalling £298.9 million, one of which, Lambeth Social Housing, is not expected to complete until later in March 2018, giving us realisations for the year of £289.0 million:

- Our investments in two PPP road projects, A1 Poland and M6 Hungary, were sold to third parties for £120.4 million and £22.7 million respectively in March 2017;
- Our investment in one PPP project, Croydon and Lewisham Street Lighting, was sold to JLIF in June 2017 for £8.2 million;
- Our investments in five further PPP projects, including a further 9% in IEP (Phase 1), were sold to JLIF in October 2017 for £104.6 million; and
- Our investment in Llynfi Wind Farm was sold to JLEN for £43.0 million.

Taking agreed realisations for the year as a whole, prices were in line with the most recent portfolio valuation.

Realisations announced	Shareholding	Purchaser	Total £ million
A1 Poland Road	29.69%	Third party	120.4
M6 Hungary Road	30%	Third parties	22.7
Croydon & Lewisham Street Lighting	50%	JLIF	8.2
Lambeth Social Housing	50%	JLIF	104.6
Coleshill Parkway	100%	JLIF	
Aylesbury Vale Parkway	50%	JLIF	
City Greenwich Lewisham (DLR)	5%	JLIF	
IEP (Phase 1)	9%	JLIF	
Llynfi Wind Farm	100%	JLEN	43.0
Total			**298.9**

TRANSFERS FROM THE PRIMARY INVESTMENT PORTFOLIO

During the year, 14 investments transferred from the Primary Investment portfolio to the Secondary Investment portfolio as the underlying projects moved into the operational stage. Of these 14 investments, the investment in Llynfi Wind Farm was sold before the year end leaving the following 13 investments still in the Secondary Investment portfolio at 31 December 2017.

New Royal Adelaide Hospital, Australia (17.26% interest)

Designed to admit 80,000 patients per annum, the hospital achieved technical completion in mid-March, commercial acceptance in mid-June and admitted its first patients in September 2017, resulting in the project moving into a fully operational status. The project company has recently agreed with its syndicate of senior lenders a two year extension of the project's senior debt facility beyond June 2018 to allow a sufficient period for refinancing. Since the start of full operations, the project company has been closely monitoring the performance of the facilities management services, which is steadily improving.

Lambeth Social Housing, UK (50% interest, sale agreed in October 2017)

This project comprises the construction of 808 new build homes and the modernisation and refurbishment of 172 existing homes in Lambeth, South London. John Laing agreed to sell its interest in this project to JLIF in October 2017.

Glencarbry Wind Farm, Republic of Ireland (100% interest)

This project comprises seven 3.3 MW turbines and five 2.5 MW turbines with total installed capacity of 35.6 MW, and is our first renewable energy investment in the Republic of Ireland. Full operation commenced in July 2017, with revenue supported by the Renewable Energy Feed-in Tariff.

Hornsdale Wind Farm Phase Two, Australia (20% interest)

The project comprises a 32 turbine wind farm in South Australia with an installed capacity of 102 MW. The project benefits from a 20 year offtake arrangement from a government counterparty (Australian Capital Territory).

Hornsdale Wind Farm Phase Three, Australia (20% interest)

The project comprises a 35 turbine wind farm in South Australia with an installed capacity of 109 MW. The project benefits from a 20 year offtake arrangement from a government counterparty (Australian Capital Territory).

Project:
New Perth Stadium

- **Location:**
  Perth, Western Australia
- **Partners:**
  Brookfield Multiplex
  Brookfield Global Integrated Services
- **Description:**
  This 60,000 seater stadium is a major sporting and entertainment venue, capable of staging national and international events. Construction was completed in December 2017 in time for the start of the 2018 Australian Rules Football season.

Project:

Nordergründe Offshore Wind Farm

- **Location:**
  North Sea north of Wilhelmshaven, Germany
- **Partners:**
  wpd AG and Gothaer Leben Renewables GmbH
- **Description:**
  This is the Group's first investment in offshore wind. This project has a total capacity of 110.7 MW. Following installation of the offshore sub-station in September 2017, all 18 turbines were subsequently commissioned in the fourth quarter of 2017 and the project became fully operational.

SECONDARY INVESTMENT (CONTINUED)

Speyside Biomass, UK (43.35% interest)

This 14 MWe Combined Heat and Power biomass plant in Speyside, Scotland, supplies heat in the form of steam to the adjacent Macallan distillery and electricity to the grid. Its fuel is low-grade wood harvested locally and supplied by a consortium of provincial growers and forest industry suppliers.

Sterling Wind Farm, US (92.5% interest)

This 30 MW wind farm located in New Mexico was the Group's first renewable energy investment in the US. Operations commenced in late 2017 and the wind farm benefits from a 15 year fixed price power purchase agreement.

Rocksprings Wind Farm, US (95.3% interest)

Located in Texas, this project has a total capacity of 149 MW. Operations commenced in late 2017 and the wind farm benefits from power purchase agreements with two investment grade corporate offtakers.

New Perth Stadium, Western Australia (50% interest)

This 60,000 seater stadium is a major sporting and entertainment venue, capable of staging national and international events. Construction was completed in December 2017 in time for the start of the 2018 Australian Rules Football season and on 28 January 2018 the stadium hosted its first one-day cricket international between Australia and England.

Kiata Wind Farm, Australia (72.3% interest)

Located in South Australia, the project comprises nine Vestas V126 WTG turbines with a total installed capacity of 30 MW. Full operation commenced in December 2017. The project benefits from a 10 year offtake agreement with the Victorian Government.

Nordergründe Offshore Wind Farm, Germany (30% interest)

Located in the North Sea north of Wilhelmshaven, Germany, this is the Group's first investment in offshore wind. This project comprises 18 Senvion 6.2 M126 turbines with a total capacity of 110.7 MW. Following installation of the offshore sub-station in September 2017, all 18 turbines were subsequently commissioned in the fourth quarter of 2017 and the project became fully operational.

Sommette Wind Farm, France (100% interest)

Located in Picardie, France, this project comprises 9 Nordex N117 turbines and has a total capacity of 21.6 MW. Operations commenced in December 2017 and the wind farm benefits from a 15 year feed-in-tariff arrangement.

Buckthorn Wind Farm, US (90.05% interest)

Located in Texas, this project has a total capacity of 100 MW. Partial operations commenced in November 2017 with full operations commencing in January 2018. The wind farm benefits from a 13 year power purchase agreement.

ASSET MANAGEMENT

THE ASSET MANAGEMENT DIVISION'S ACTIVITIES COMPRISE INVESTMENT MANAGEMENT SERVICES AND PROJECT MANAGEMENT SERVICES.

INVESTMENT MANAGEMENT SERVICES

Investment Management Services (IMS) are provided to both JLIF and JLEN and also to our own investment portfolio.

External IMS JLCM provides advisory services to JLIF and JLEN under investment advisory agreements. As at 31 December 2017, JLIF's and JLEN's latest published portfolio values were £1,227.8 million at 30 September 2017 and £420.7 million at 31 December 2017 respectively. JLCM has an independent chairman and two separate dedicated fund management teams whose senior staff are authorised and regulated by the FCA. The teams focus their advice primarily on sourcing new investments for and arranging capital raisings by the two funds. They operate behind information barriers in view of the market sensitive nature of their activities and to ensure the separation of "buy-side" and "sell-side" teams if John Laing is selling investments to either fund. Both funds have a right of first offer over certain investments should they be offered for sale by the Group, and both are stand-alone entities separate from the Group. Each fund maintains an independent board of directors and is independently owned.

Fee income from external IMS grew from £15.8 million in 2016 to £16.7 million in 2017.

Internal IMS John Laing actively manages its own Primary and Secondary Investment portfolios. Our objective is to deliver the base case returns on our investments as a minimum and additionally to enhance those returns through active asset management. There are two main strategies; value protection and value enhancement:

Value protection – examples

- Where possible, to target PPP projects which have revenue streams based on availability of the underlying infrastructure asset rather than revenues based on patronage or volume.
- To ensure construction risks associated with design, workmanship, cost overruns and delays lie with our construction supply chain partners who are best able to manage them.
- To ensure project operational performance and cost risks lie principally with our service supply chain partners.
- To eliminate the risk of increased interest costs on third party project debt finance over the life of an infrastructure project by swapping variable interest rates to fixed interest rates.
- To reduce the impact of short-term volatility on revenues from the projects underlying our renewable energy investments by entering into short or medium-term power purchase agreements with electricity suppliers.

Value enhancement – examples

- To promote a culture of continuous improvement with public sector counter-parties: responding to their need for changes over the life of PPP infrastructure projects, reducing the public sector burden and, where possible, to generate incremental revenues therefrom.
- To optimise SPV management costs and project insurance premiums through bulk purchasing or efficiency gains, thereby increasing investor returns.
- To optimise major maintenance and asset renewal costs over the life of an infrastructure project and thereby increase investor returns.
- To maximise working capital efficiency within project companies.
- To ensure projects are efficiently financed over their concessions or useful lives.

The total IMS income for the year ended 31 December 2017 of £19.0 million (2016 – £17.8 million) includes £2.3 million (2016 – £2.0 million) of fee income for the provision by John Laing of directors to project company boards.

PROJECT MANAGEMENT SERVICES

The Group also provides Project Management Services (PMS), largely of a financial or administrative nature, to project companies in which John Laing, JLIF or JLEN are investors. These services are provided under Management Services Agreements (MSAs).

The Group earned revenues of £6.1 million from the provision of PMS during 2017 (year ended 31 December 2016 – £14.9 million). In November 2016, the Group divested its PMS activities in the UK to HCP Management Services Limited (HCP). The activities sold contributed £7.9 million of the total PMS revenues of £14.9 million in 2016.

The remaining PMS activities are principally focused on MSAs relating to projects outside the UK. At 31 December 2017, the Group held 24 MSAs (31 December 2016 – 19 MSAs).

PROJECTS UNDER CONSTRUCTION

John Laing's investments in projects are managed by the Asset Management division. For each project we invest in, the Asset Management division closely monitors the construction stage and provides active input where necessary to ensure that deadlines are met. Despite this, since the projects we invest in are principally large and sophisticated infrastructure assets, delays can occur. In all instances, the impact of construction delays and a judgement as to potential outcomes are taken into account when the portfolio valuation is prepared.

An update on significant projects under construction is set out below.

Intercity Express Programme (IEP), UK (Phase 1 – 15% interest; Phase 2 – 30% interest)

John Laing is in partnership with Hitachi to manage the contracts that cover the design, manufacture, finance and delivery into daily service and maintenance of a fleet of 122 intercity express trains for the UK's Great Western Main Line (Phase 1 – 15 % interest) and the East Coast Main Line (Phase 2 – 30% interest). With a total capital expenditure across the two phases of £3.4 billion, it is one of the largest PPP projects to be awarded.

In the last quarter of 2017, the first ten trains for IEP (Phase 1) were accepted into passenger operations, achieving a key milestone for the project known as Minimum Fleet Acceptance. As at 31 December 2017, 15 trains had been accepted into operational service. Total fleet acceptance for Phase 1 is expected in late 2018 and commencement of train deliveries for Phase 2 is also expected in late 2018.

Denver Eagle P3, Colorado, US (45% interest)

This project is to design, build, finance, maintain and operate two new commuter rail lines and a section of a third in the Denver Metropolitan area. The three rail lines run for a total of 36 miles, connecting Denver International Airport and Denver Union Station to each other and to other parts of the Denver Metropolitan area. The fleet of rolling stock has been completed.

Following opening of the "A" line in 2016 and the "B" line in 2017, testing and commissioning of the "G" line is currently underway. The project company is appealing against the Colorado Public Utility Commission's decision not to issue the required permit for the level crossings on the "A" line. The outcome should be known in the second quarter of 2018.

I-4 Ultimate, Florida, US (50% interest)

This availability-based road project has total capital expenditure of US$2.3 billion and involves reconstructing 15 major interchanges, building more than 140 bridges, adding four variable toll Express Lanes, and completely rebuilding the general use lanes of 21 miles of the existing I-4 interstate in central Florida. Construction is expected to be completed in 2021.

New Generation Rollingstock, Queensland, Australia (40% interest)

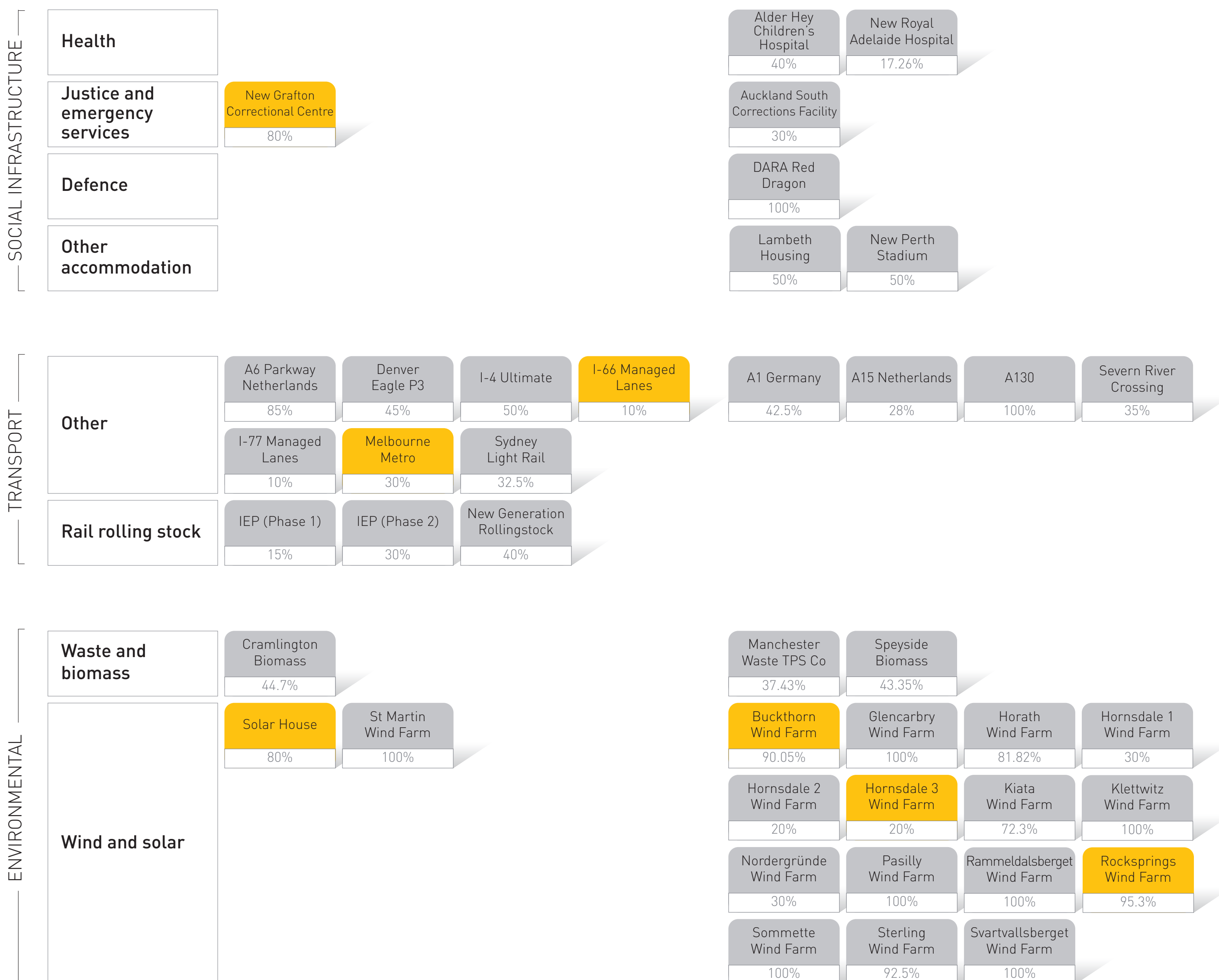
The project involves the provision and maintenance of 75 new six-car trains for the state of Queensland, which will be operated by Queensland Rail, as well as a new maintenance facility at Wulkuraka, Queensland. Whilst the programme is currently behind schedule, the maintenance facility has been completed and nine trains are currently in passenger service. Additional trains are expected to be accepted and enter passenger service ahead of the Commonwealth Games that start on the Australian Gold Coast in April 2018.

Sydney Light Rail, New South Wales, Australia (32.5% interest)

This light rail project will form an integral part of Sydney's public transport infrastructure network and pedestrianise one of its busiest streets, providing a commuter route into the Central Business District and access to the south east of the city. While the overall programme is approximately 12 months behind schedule, the first light rail vehicles arrived in Australia in 2017 and the total length of track installed is now 12.9 kilometres, more than 50% of the total.

PORTFOLIO VALUATION

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2017



Investment commitment pre 2017
New investment commitment in 2017

The portfolio valuation at 31 December 2017 was £1,193.8 million compared to £1,175.9 million at 31 December 2016. After adjusting for realisations, cash yield and cash invested, this represented a positive movement in fair value of £160.7 million (15.6%):

	Investments in projects £ million	Listed investment £ million	Total £ million
Portfolio valuation at 1 January 2017	1,165.9	10.0	1,175.9
– Cash invested	209.9	–	209.9
– Cash yield	(39.6)	(0.6)	(40.2)
– Proceeds from realisations	(289.0)	–	(289.0)
– Cash received on acquisition of Manchester Waste VL Co by GMWDA	(23.5)	–	(23.5)
Rebased valuation	**1,023.7**	**9.4**	**1,033.1**
– Movement in fair value	159.8	0.9	160.7
Portfolio valuation at 31 December 2017	**1,183.5**	**10.3**	**1,193.8**

Cash investment in respect of four new renewable energy assets and one new PPP asset entered into during 2017 totalled £115.0 million. In addition, equity and loan note subscriptions of £94.9 million were injected into existing projects in the portfolio as they progressed through, or completed, construction.

During 2017, the Group completed the realisation of seven entire investments and part of one other investment for a total consideration of £289.0 million, including £1.9 million of consideration deferred to 2018. In addition, the Group received £23.5 million on the acquisition of its investment in Manchester Waste VL Co by the Greater Manchester Waste Disposal Authority (GMWDA). Cash yield on the portfolio during the year totalled £40.2 million.

The movement in fair value of £160.7 million is analysed in the table below.

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Unwinding of discounting	**80.0**	77.1
Reduction of construction risk premia	**53.6**	52.7
Impact of foreign exchange movements	**(11.0)**	74.7
Change in macroeconomic assumptions	**4.1**	(13.8)
Change in power and gas price forecasts	**(54.8)**	(17.6)
Change in operational benchmark discount rates	**23.6**	27.5
Value uplift on financial closes	**50.1**	31.0
Value enhancements and other changes	**15.1**	(17.2)
Movement in fair value	**160.7**	214.4

The net movement in fair value comprised unwinding of discounting (£80.0 million), the reduction of construction risk premia (£53.6 million), the reduction in operational benchmark discount rates (£23.6 million), uplift on financial closes (£50.1 million), movements in macroeconomic forecasts (£4.1 million) and a net movement from value enhancements and other changes (£15.1 million), offset by adverse movements from lower power and gas price forecasts (£54.8 million) and adverse foreign exchange movements (£11.0 million). Foreign exchange movements are addressed further in the Financial Review section. The net benefit of £23.6 million from the amendment of benchmark discount rates for a number of investments is in response to our understanding and experience of the secondary market.

There was a net increase of £32.3 million in value enhancements and other changes from 2016 to 2017. The Group achieved higher value enhancements in 2017 compared to 2016. Further, in 2016 there were value reductions in relation to the Group's investment in New Royal Adelaide Hospital, which made a positive contribution in 2017. In 2017, the value reduction of £25.5 million on the two Manchester Waste investments announced at the half year was partly offset by improvements in the valuation of Manchester Waste TPS Co once it became unleveraged.

The split between primary and secondary investments is shown in the table below:

	31 December 2017 £ million	%	31 December 2016 £ million	%
Primary Investment	**580.3**	**48.6**	696.3	59.2
Secondary Investment	**613.5**	**51.4**	479.6	40.8
Portfolio valuation	**1,193.8**	**100.0**	1,175.9	100.0

PORTFOLIO VALUATION (CONTINUED)

The decrease in the Primary Investment portfolio is due to transfers to the Secondary Investment portfolio of £413.1 million and investment realisations of £82.5 million, offset by a positive movement in fair value of £172.9 million, including value enhancements and financial closes achieved during the year, and cash invested of £206.7 million.

	Primary Investment £ million
Portfolio valuation at 1 January 2017	696.3
– Cash invested	206.7
– Cash yield	–
– Proceeds from realisations	(82.5)
– Transfers to Secondary Investment	(413.1)
Rebased valuation	**407.4**
– Movement in fair value	172.9
Portfolio valuation at 31 December 2017	**580.3**

The increase in the Secondary Investment portfolio is due to transfers from the Primary Investment portfolio of £413.1 million and a cash investment of £3.2 million, offset by a negative movement in fair value of £12.2 million, investment realisations during the year of £230.0 million and cash yield of £40.2 million.

	Secondary Investment £ million
Portfolio valuation at 1 January 2017	479.6
– Cash invested	3.2
– Cash yield	(40.2)
– Proceeds from realisations	(206.5)
– Cash received on acquisition of Manchester Waste VL Co by GMWDA	(23.5)
– Transfers from Primary Investment	413.1
Rebased valuation	**625.7**
– Movement in fair value	(12.2)
Portfolio valuation at 31 December 2017	**613.5**

METHODOLOGY

A full valuation of the investment portfolio is prepared every six months, at 30 June and 31 December, with a review at 31 March and 30 September, principally using a discounted cash flow methodology. The two principal inputs are (i) forecast cash flows from investments and (ii) discount rate. The valuation is carried out on a fair value basis assuming that forecast cash flows from investments are received until maturity of the underlying assets.

Under the Group's valuation methodology, a base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect additional project-specific risks. In addition, risk premia are added to reflect the additional risk during the construction phase. The construction risk premia reduce over time as the project progresses through its construction programme, reflecting the significant reduction in risk once the project reaches the operational stage.

The discounted cash flow valuation is based on future cash distributions from projects forecast as at 31 December 2017, derived from detailed financial models for each underlying project. These incorporate the Group's expectations of likely future cash flows, which are stated net of project tax, and therefore reflect changes in tax legislation as at 31 December 2017 in the jurisdictions in which the Group operates, including recent changes in the US. Expectations of future cash flows also include expected value enhancements and the Group's expectations of future macroeconomic factors such as inflation and, for renewable energy projects, power and gas prices.

For the 31 December 2017 valuation, the overall weighted average discount rate was 8.8% compared to the weighted average discount rate at 31 December 2016 of 8.9%. The decrease was primarily due to reductions in operational discount rates for certain investments and progress in construction, partially offset by the impact of new investments. The weighted average discount rate at 31 December 2017 was made up of 9.3% (31 December 2016 – 9.1%) for the Primary Investment portfolio and 7.9% (31 December 2016 – 8.4%) for the Secondary Investment portfolio.

The overall weighted average discount rate of 8.8% is closer to the weighted average discount rate for the Primary Investment portfolio, reflecting the fact that project cash flows for investments in the Primary Investment portfolio tend to have a longer duration than for investments in the Secondary Investment portfolio.

The discount rate ranges used in the portfolio valuation at 31 December 2017 were as set out below:

Sector	Primary Investment %	Secondary Investment %
PPP investments	7.6% – 11.8%	7.0% – 9.0%
Renewable energy investments	8.0% – 10.2%	6.8% – 10.0%

The shareholding in JLEN was valued at its closing market price on 31 December 2017 of 109.25p per share (31 December 2016 – 106p per share).

The Directors have obtained an independent opinion from a third party, which has considerable expertise in valuing the type of investments held by the Group, that the investment portfolio valuation represented a fair market value in the market conditions prevailing at 31 December 2017.

MACROECONOMIC ASSUMPTIONS

During 2017, higher than previously forecast actual inflation and deposit rates receivable on cash balances within projects had a positive impact on the majority of forecast project cash flows within the portfolio. Deposit rates are anticipated to remain at low levels in the short-term. As mentioned above, movements of foreign currencies against Sterling over the year to 31 December 2017 resulted in net adverse foreign exchange movements of £11.0 million (excluding the effect of foreign exchange hedges as described in the Financial Review section) (2016 – £74.7 million net favourable foreign exchange movements).

Investments in overseas projects are fair valued based on the spot exchange rate on the balance sheet date. As at 31 December 2017, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£38 million.

At 31 December 2017, based on a sample of six of the larger PPP investments by value, a 0.25% increase in inflation is estimated to increase the value of PPP investments by £15 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investments by £14 million. Certain of the underlying project companies incorporate some inflation hedging.

On each valuation and review of the portfolio, the Group updates the detailed financial model of each renewable energy project to reflect the impact of the latest power and gas forecast prices on the project's revenue to the extent that prices are not fixed by governmental support mechanisms and/or offtake arrangements.

The Group obtains forecasts for power and gas prices from external parties who are recognised as experts in the market in the relevant region, including by potential secondary market buyers. During 2017, a reduction in forecast power and gas prices resulted in a £54.8 million adverse fair value movement (2016 – adverse fair value movement of £17.6 million). At 31 December 2017, based on a sample of seven of the larger renewable energy investments by value, a 5% increase in power price forecasts is estimated to increase the value of renewable energy investments by £15 million and a 5% decrease in power price forecasts is estimated to decrease the value of renewable energy investments by £14 million.

The table below summarises the main macroeconomic assumptions used in the portfolio valuation:

Assumption			**31 December 2017**	31 December 2016
Long-term inflation	UK	RPI & RPIX	**2.75%**	2.75%
	Europe	CPI	**1.75% – 2.00%**	1.60% – 2.00%
	US	CPI	**2.25% – 2.50%**	2.25% – 2.50%
	Asia Pacific	CPI	**2.25% – 2.75%**	2.00% – 2.75%
Exchange rates		GBP/EUR	**1.1252**	1.1708
		GBP/AUD	**1.7311**	1.7094
		GBP/USD	**1.3527**	1.2329
		GBP/NZD	**1.9055**	1.7754

DISCOUNT RATE SENSITIVITY

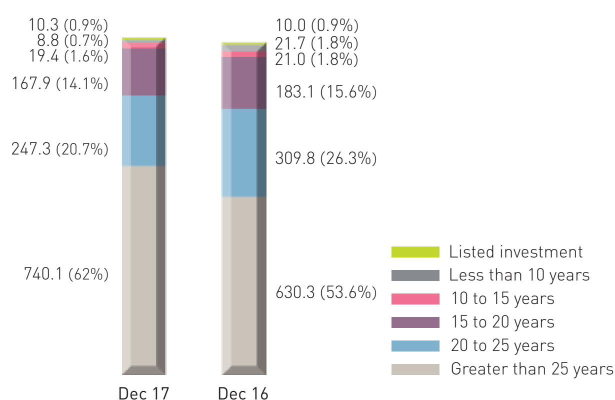
The weighted average discount rate applied at 31 December 2017 was 8.8% (31 December 2016 – 8.9%). The table below shows the sensitivity of a 0.25% change in this rate.

Discount rate sensitivity	Portfolio valuation £ million	Increase/(decrease) in valuation £ million
+0.25%	1,153.1	(40.7)
–	1,193.8	–
-0.25%	1,236.4	42.6

Further analysis of the portfolio valuation is shown in the following tables:

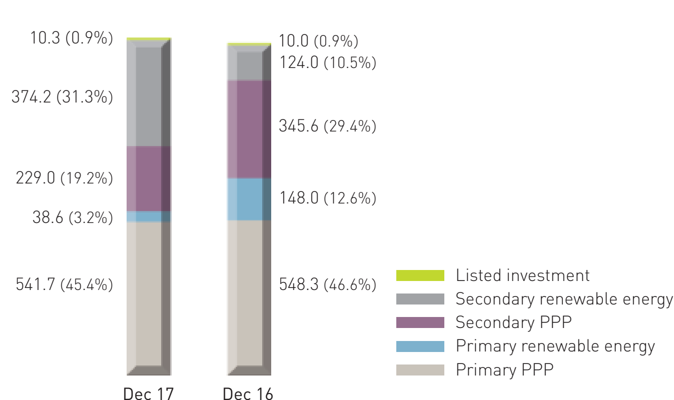
BY TIME REMAINING ON PROJECT CONCESSION/OPERATIONAL LIFE

£ million



SPLIT BETWEEN PPP AND RENEWABLE ENERGY

£ million



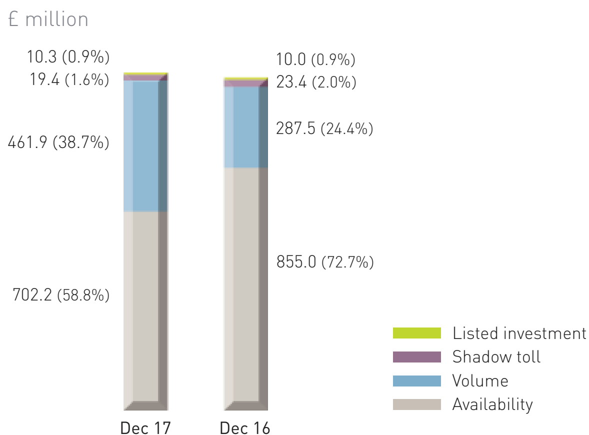
PPP projects are based on long-term concessions and renewable energy assets have long-term useful economic lives. As demonstrated in the table above, 62.0% of the portfolio by value had a greater than 25-year unexpired concession term or useful economic life remaining at 31 December 2017, compared to 53.6% at 31 December 2016.

Primary PPP investments made up the largest part of the portfolio, representing 45.4% of the portfolio value at 31 December 2017, with Secondary renewable energy investments representing a further 31.3%.

PORTFOLIO VALUATION (CONTINUED)

BY REVENUE TYPE

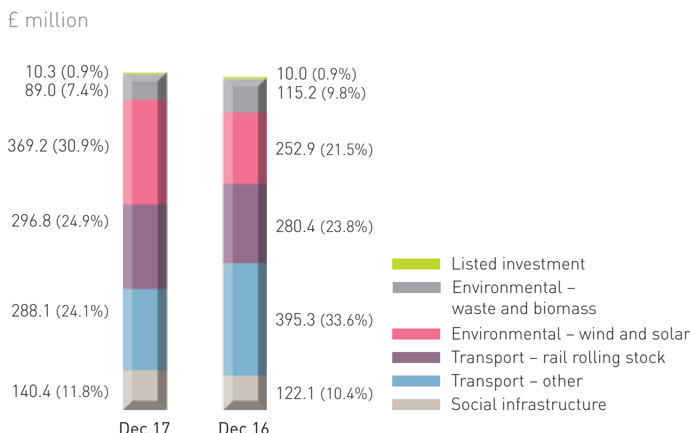
£ million



Availability-based investments continued to make up the majority of the portfolio, representing 58.8% of the portfolio value at 31 December 2017. Renewable energy investments comprised the majority of the volume-based investments. The investment in JLEN, which holds investments in PPP and renewable energy projects, is shown separately.

BY SECTOR

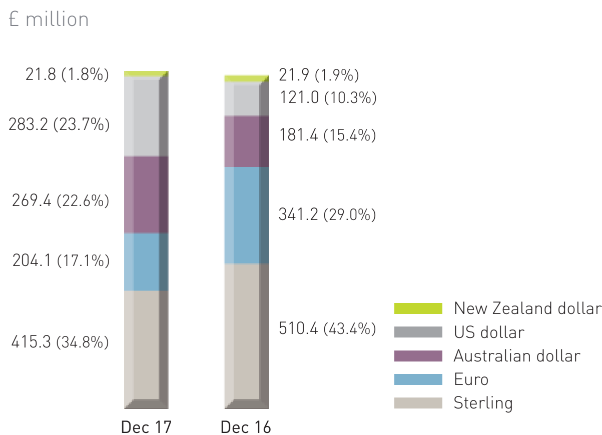
£ million



Wind and solar investments represented 30.9% of the portfolio value at 31 December 2017, with rail rolling stock accounting for a further 24.9%. Other transport investments (excluding rail rolling stock) made up 24.1% of the portfolio by value, while social infrastructure investments and waste and biomass investments made up 11.8% and 7.4% respectively. The portfolio underlying the JLEN shareholding consists of investments in a mix of renewable energy and environmental projects.

BY CURRENCY

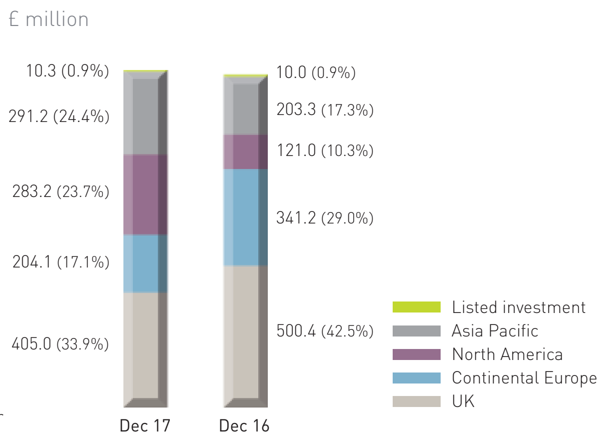
£ million



The percentage of investments denominated in foreign currencies increased from 56.6% to 65.2%. This is consistent with our pipeline and the overseas jurisdictions we target.

BY GEOGRAPHICAL REGION

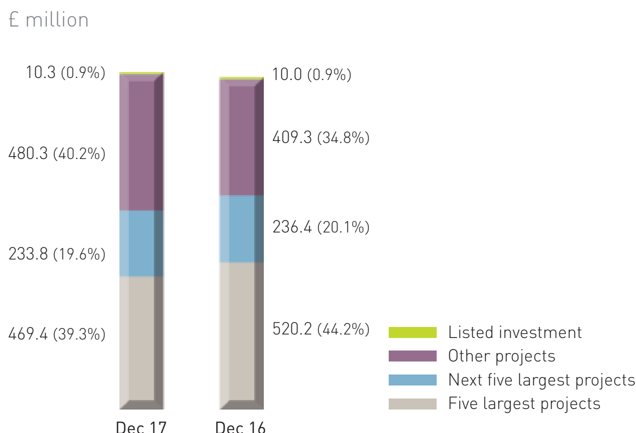
£ million



Investments in the UK decreased to 33.9% of the portfolio value at 31 December 2017. Asia Pacific was the next largest category at 24.4%. Investments in projects located in North America made up 23.7% and investments in Continental Europe made up 17.1%. A substantial majority of the JLEN portfolio consists of investments in UK-based projects.

BY INVESTMENT SIZE

£ million



The top five investments in the portfolio made up 39.3% of the portfolio at 31 December 2017, a decline from 44.2% at 31 December 2016. The next five largest investments made up a further 19.6%, with the remaining investments in the portfolio comprising 40.2%.

BASIS OF PREPARATION

The financial information has been prepared on the historical cost basis except for the revaluation of the Group's investment in John Laing Holdco Limited, through which the Group indirectly holds its investment portfolio, and financial instruments that are measured at fair value at the end of each reporting period. The Company meets the definition of an investment entity set out in IFRS 10 Consolidated Financial Statements. Investment entities are required to account for all investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss (FVTPL), except for those directly-owned subsidiaries that provide investment-related services or engage in permitted investment related activities with investees (Service Companies). Service Companies are consolidated rather than recorded at FVTPL.

Project companies in which the Group invests are described as "non-recourse", which means that providers of debt to such project companies do not have recourse to John Laing beyond its equity commitments in the underlying projects. Subsidiaries through which the Company holds its investments in project companies, which are held at FVTPL, and subsidiaries that are Service Companies, which are consolidated, are described as "recourse".

RE-PRESENTED FINANCIAL RESULTS

As described above, the Company meets the criteria for being an investment entity under IFRS 10 and accordingly the Company is required to fair value its investments in its subsidiaries, joint ventures and associates except for those directly-owned subsidiaries that provide investment-related services, and do not themselves qualify as investment entities; it consolidates such subsidiaries on a line by line basis.

Included within the subsidiaries that the Company fair values in its financial statements are recourse subsidiaries through which the Company holds its investments in non-recourse project companies. These recourse subsidiaries have, in addition to investments in non-recourse project companies, other assets and liabilities, including recourse cash balances, which are included within the Company's investments at FVTPL. For management reporting purposes, these other assets and liabilities are reported separately from the investments in non-recourse project companies as are certain income and costs that do not arise directly from these investments. Under management reporting, it is the investments in non-recourse project companies that are considered as investments of the Group.

The Directors of the Company use the management reporting basis when making business decisions, including when reviewing the level of financial resources and deciding where these resources should be utilised. Therefore, the Directors believe it is helpful to readers of these financial statements to set out in this Financial Review the Group Income Statement, the Group Balance Sheet and the Group Cash Flow Statement on the management reporting basis. When set out on the management reporting basis, these statements are described as "re-presented".

Re-presented income statement

Preparing the re-presented income statement involves a reclassification of certain amounts within the Group Income Statement principally in relation to the net gain on investments at FVTPL. The net gain on investments at FVTPL in the Group Income Statement includes fair value movements from the portfolio of investments in non-recourse project companies and also comprises income and costs that do not arise directly from investments in this portfolio, including investment fees earned from project companies by recourse subsidiaries that are held at FVTPL.

FINANCIAL REVIEW (CONTINUED)

Year ended 31 December	2017 Group Income Statement £ million	2017 Adjustments £ million	2017 Re-presented income statement £ million	2016[d] Re-presented income statement £ million	Re-presented income statement line items
Fair value movements – investment portfolio	160.7	–	160.7	214.4	Fair value movements – investment portfolio
Fair value movements – other	(1.5)	(0.6)[a]	(2.1)	(3.2)	Fair value movements – other
Investment fees from projects	7.1	–	7.1	7.0	Investment fees from projects
Net gain on investments at fair value through profit or loss	**166.3**	**(0.6)**	**165.7**	218.2	
IMS revenue	19.0	–	19.0	17.8	IMS revenue
PMS revenue	6.1	–	6.1	14.9	PMS revenue
Recoveries on financial close	3.7	–	3.7	7.5	Recoveries on financial close
Other income	1.6	(1.6)[b]	–	–	
Other income	**30.4**	**(1.6)**	**28.8**	40.2	
Operating income	**196.7**	**(2.2)**	**194.5**	258.4	
Third party costs	(11.3)	–	(11.3)	(9.8)	Third party costs
Staff costs	(33.9)	–	(33.9)	(34.1)	Staff costs
General overheads	(12.4)	(0.3)[a,b]	(12.7)	(11.1)	General overheads
Other net costs	–	2.1[a,b]	2.1	(0.7)	Other net costs
Pension and other charges	(1.3)	1.3[c]	–	–	
Administrative expenses	**(58.9)**	**3.1**	**(55.8)**	(55.7)	
Profit from operations	**137.8**	**0.9**	**138.7**	202.7	
Finance costs	(11.8)	1.7[a,c]	(10.1)	(7.7)	Finance costs
Pension and other charges	–	(2.6)[c]	(2.6)	(2.9)	Pension and other charges
Profit before tax	**126.0**	**–**	**126.0**	192.1	

Notes:

a) Adjustments comprise £0.6 million income reclassified from 'fair value movements – other' to 'other net costs'; £0.4 million of costs reclassified from 'fair value movements – other' to 'general overheads' and £0.4 million interest income reclassified from 'fair value movements – other to 'finance costs'.

b) Adjustments comprise £1.5 million part proceeds received from the sale of the PMS UK business reclassified from 'other income' to 'other net costs' and £0.1 million of other income from projects reclassified from 'other income' to 'general overheads'.

c) Under IAS 19 Employee Benefits, the costs of the pension schemes comprise a service cost of £1.3 million, included in administrative expenses in the Group Income Statement, and a finance charge of £1.3 million, included in finance costs in the Group Income Statement. These amounts are combined together under management reporting.

d) For a reconciliation between the Group Income Statement and re-presented income statement for the year ended 31 December 2016, refer to the 2016 Annual Report and Accounts.

The results for the year are also shown by operating segment in the table below.

	Primary Investment		Secondary Investment		Asset Management		Total	
	2017 £ million	2016 £ million	2017 £ million	2016 £ million	2017 £ million	2016 £ million	2017 £ million	2016 £ million
Profit before tax for reportable segments	**137.3**	113.1	**(31.9)**	57.1	**18.8**	19.9	**124.2**	190.1
Post-retirement charges							**(2.6)**	(2.9)
Other net gain							**4.4**	4.9
Profit before tax							**126.0**	192.1

Profit before tax for the year ended 31 December 2017 was £126.0 million (2016 – £192.1 million). The main reason for the lower profit before tax was a lower fair value movement compared to 2016.

- The main profit contributor in 2017 was the Primary Investment division. Its contribution was higher than last year primarily because of a higher fair value movement, which in turn was principally as a result of higher value uplift on financial closes of new investments and value enhancements offset by adverse foreign exchange rate movements.
- The lower contribution in 2017 from the Secondary Investment division was primarily as a result of adverse foreign exchange rate movements as well as lower power and gas price forecasts and a value reduction in relation to the Group's investment in the Manchester Waste VL Co project.
- The lower contribution in 2017 from the Asset Management division was principally due to lower fee income from PMS as a result of the sale of the UK activities of PMS in late 2016 offset by higher fee income from IMS as a result of increased external AuM.

The movement in fair value on the portfolio for the year ended 31 December 2017, after adjusting for the impact of investments, cash yield and realisations, was a £160.7 million gain (2016 – £214.4 million gain). For further details of the movement in fair value on the portfolio, see the Portfolio Valuation section.

Negative other fair value movements of £2.1 million for the year ended 31 December 2017 principally comprised net foreign exchange losses outside the investment portfolio of £3.9 million (see the Foreign Currency Exposure section in this review for further details) and a disposal proceeds adjustment payment of £3.6 million offset by fair value gains of £0.7 million in respect of non-portfolio investments in small joint ventures and £4.7 million of tax income.

The Group earned IMS revenue of £19.0 million (2016 – £17.8 million) for investment advisory and asset management services primarily to the external funds, JLIF and JLEN, with the increase from last year due to the higher level of external Assets under Management.

The Group also earned PMS revenue of £6.1 million (2016 – £14.9 million) with the reduction from 2016 a result of the sale of the Group's PMS activities in the UK to HCP in November 2016. The activities sold contributed approximately £7.9 million of the £14.9 million PMS revenues for the year ended 31 December 2016.

The Group achieved recoveries of bidding costs on financial closes of £3.7 million in 2017 (2016 – £7.5 million).

Staff costs by division are shown below:

	Primary Investment		Secondary Investment		Asset Management		Central		Total	
	2017 £ million	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million
Staff costs	**10.2**	9.6	**–**	–	**13.9**	17.1	**9.8**	7.4	**33.9**	34.1

Included within Asset Management staff costs are costs relating to:

	Investment Management Services		Project Management Services		Total Asset Management	
	2017 £ million	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million
Staff costs	**10.0**	9.0	**3.9**	8.1	**13.9**	17.1

The small decrease in overall staff costs is principally due to the sale of the PMS UK activities in November 2016 offset by higher costs of share-based incentive schemes under IFRS 2 Share-based Payment with costs in the year ended 31 December 2017 of £3.2 million compared to £2.0 million in the prior year. See note 6 of the Group financial statements for further details on the share-based incentive schemes.

Finance costs of £10.1 million in 2017 (2016 – £7.7 million) include costs arising on the corporate banking facilities net of any interest income, with the increase from last year primarily due to a higher average usage of the corporate banking facilities, resulting from the increased level of investments, and lower interest earned on cash collateral balances.

The Group's overall tax credit on profit on continuing activities for 2017 was £6.2 million (2016 – credit of £4.8 million). This comprised a net tax credit of £1.5 million (2016 – £1.8 million charge) in recourse subsidiaries that are consolidated (shown in the 'Tax credit/(charge)' line on the Group Income Statement), primarily in relation to group relief receivable from entities held at FVTPL, and a net tax credit of £4.7 million (2016 – £6.6 million) in recourse subsidiaries that are held at FVTPL (shown in the 'net gain on investments at fair value through profit or loss' line on the Group Income Statement), including (i) group relief payable to recourse subsidiaries that are consolidated, together with (ii) group/consortium relief received from project companies.

The contributions made to JLPF are tax deductible when paid and, as a result, there is minimal tax payable by the UK holding and asset management activities of the Group. Capital gains from the realisation of investments in projects are generally exempt from tax under the UK's Substantial Shareholding Exemption for shares in trading companies or under the overseas equivalent. To the extent this exemption is not available, gains may be sheltered using current year losses or losses brought forward within the Group's recourse subsidiaries. There are no losses in the Company but there are tax losses in recourse subsidiaries that are held at FVTPL.

In late 2017, the UK Government enacted legislation, effective from 1 April 2017, which introduced a Fixed Ratio Rule to cap the amount of tax deductible net interest to 30% of a company's UK EBITDA. This was in response to OECD recommendations. In the US, new legislation came into effect on 1 January 2018, including a restriction on interest deductibility for certain US entities paying interest to foreign entities. The impact from both the changes to UK and US tax is reflected in the fair value at 31 December 2017 of the Group's investments in those jurisdictions.

FINANCIAL REVIEW (CONTINUED)

RE-PRESENTED BALANCE SHEET

The re-presented balance sheet is reconciled to the Group Balance Sheet at 31 December 2017 below. The re-presented balance sheet involves the reclassification of certain amounts within the Group Balance Sheet principally in relation to assets and liabilities of £152.6 million (31 December 2016 – £81.6 million) within the Company's recourse subsidiaries that are included in investments at FVTPL in the Group Balance Sheet as a result of the requirement under IFRS 10 to fair value investments in these subsidiaries.

31 December	2017 Group Balance Sheet £ million	Adjustments £ million	**Re-presented balance sheet £ million**	2016[g] Re-presented balance sheet £ million	**Re-presented balance sheet line items**
Non-current assets					
Plant and equipment	0.1	(0.1)[c]	**–**	–	
Investments at FVTPL	1,346.4	(152.6)[a]	**1,193.8**	1,175.9	Portfolio value
	–	133.1[b]	**133.1**	23.7	Cash collateral balances
	–	0.3[b]	**0.3**	0.3	Non-portfolio investments
Deferred tax assets	0.5	(0.5)[c]	**–**	–	
	–	2.1[c,e]	**2.1**	3.7	Other long-term assets
	1,347.0	(17.7)	**1,329.3**	1,203.6	
Current assets					
Trade and other receivables	7.6	(7.6)[d]	**–**	–	
Cash and cash equivalents	2.5	12.1[b]	**14.6**	53.1	Cash and cash equivalents
	10.1	4.5	**14.6**	53.1	
Total assets	1,357.1	(13.2)	**1,343.9**	1,256.7	
Current liabilities	–	(3.7)[b,d,e]	**(3.7)**	(5.6)	Working capital and other balances
Current tax liabilities	(1.4)	1.4[d]	**–**	–	
Borrowings	(173.2)	(2.8)[e]	**(176.0)**	(165.0)	Cash borrowings
Trade and other payables	(17.3)	17.3[d]	**–**	–	
	(191.9)	12.2	**(179.7)**	(170.6)	
Net current liabilities	(181.8)	16.7	**(165.1)**	(117.5)	
Non-current liabilities					
Retirement benefit obligations	(40.3)	8.0[f]	**(32.3)**	(61.3)	Pension deficit (IAS 19)
	–	(8.0)[f]	**(8.0)**	(8.0)	Other retirement benefit obligations
Provisions	(1.0)	1.0[d]	**–**	–	
	(41.3)	1.0	**(40.3)**	(69.3)	
Total liabilities	(233.2)	13.2	**(220.0)**	(239.9)	
Net assets	1,123.9	–	**1,123.9**	1,016.8	

Notes:

a) Investments at FVTPL of £1,346.4 million comprise: portfolio valuation of £1,193.8 million and other assets and liabilities within recourse investment entity subsidiaries of £152.6 million (see note 12 to the Group financial statements).

b) Other assets and liabilities within recourse investment entity subsidiaries of £152.6 million referred to in note (a) include: (i) cash and cash equivalents of £145.2 million, of which £133.1 million is held to collateralise future investment commitments and £12.1 million is other cash balances, (ii) net positive working capital and other balances of £7.1 million and (iii) non-portfolio investments of £0.3 million.

c) Plant and equipment and deferred tax assets are combined as other long-term assets.

d) Trade and other receivables (£7.6 million), current tax liabilities (£1.4 million), trade and other payables (£17.3 million) and provisions (£1.0 million) are combined as working capital and other balances.

e) Borrowings of £173.2 million comprise cash borrowings of £176.0 million less unamortised financing costs of £2.8 million, with the non-current portion of unamortised financial costs of £1.5 million re-presented as other long-term assets and the current portion of £1.3 million re-presented as working capital and other balances.

f) Total retirement benefit obligations are shown in their separate components as in note 19 to the Group financial statements.

g) For a reconciliation between the Group Balance Sheet and re-presented balance sheet as at 31 December 2016, refer to the 2016 Annual Report and Accounts.

Net assets are also shown by operating segment in the table below.

	Primary Investment		Secondary Investment		Asset Management		Total	
As at 31 December	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million	**2017 £ million**	2016 £ million
Portfolio valuation	**580.3**	696.3	**613.5**	479.6	**–**	–	**1,193.8**	1,175.9
Other net current liabilities							**(1.3)**	(1.6)
Group net borrowings[1]							**(28.3)**	(88.2)
Post-retirement obligations							**(40.3)**	(69.3)
Group net assets							**1,123.9**	1,016.8

Note:

(1) Short-term cash borrowings of £176.0 million (31 December 2016 – £165.0 million) net of cash balances of £147.7 million (31 December 2016 – £76.8 million), of which £133.1 million was held to collateralise future investment commitments (31 December 2016 – £23.7 million).

Net asset value increased from £1,016.8 million at 31 December 2016 to £1,123.9 million at 31 December 2017.

The Group's portfolio of investments in project companies and listed investments was valued at £1,193.8 million at 31 December 2017 (31 December 2016 – £1,175.9 million). The valuation methodology and details of the portfolio value are provided in the Portfolio Valuation section.

The Group held cash balances of £147.7 million at 31 December 2017 (31 December 2016 – £76.8 million) of which £133.1 million (31 December 2016 – £23.7 million) was held to collateralise future investment commitments (see the Financial Resources section below for more details). Of the total Group cash balances of £147.7 million, £145.2 million was in recourse subsidiaries held at FVTPL, including the cash collateral balances, that are included within investments at FVTPL on the Group Balance Sheet. The remaining £2.5 million was in the Company and recourse subsidiaries that are consolidated and shown as cash and cash equivalents on the Group Balance Sheet (see the re-presented balance sheet for further details).

Working capital and other balances (a negative amount) were lower than prior year primarily because of a net positive fair value at 31 December 2017 on foreign exchange hedges, lower provisions and higher trade receivables as a result of increased fund management income.

The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2017 was £40.3 million (31 December 2016 – £69.3 million). The Group operates two defined benefit schemes in the UK – the John Laing Pension Fund (JLPF) and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual. Under IAS 19, at 31 December 2017, JLPF had a deficit of £35.2 million (31 December 2016 – £64.2 million) whilst the Plan had a surplus of £2.9 million (31 December 2016 – £2.9 million). The liability at 31 December 2017 under the post-retirement medical scheme was £8.0 million (31 December 2016 – £8.0 million).

The pension deficit in JLPF is based on a discount rate applied to pension liabilities of 2.50% (31 December 2016 – 2.80%) and long-term RPI of 3.10% (31 December 2016 – 3.20%). The amount of the deficit is dependent on key assumptions, principally: inflation rate, discount rate and life expectancy of members. The discount rate, as prescribed by IAS 19, is based on yields from high quality corporate bonds. The deficit (under IAS 19) has decreased since 31 December 2016 primarily as a result of the Group's cash contribution to JLPF of £24.5 million in March 2017.

In December 2016, following a triennial actuarial review of the JLPF as at 31 March 2016, a seven-year deficit repayment plan was agreed with the JLPF Trustee. It was agreed to repay the actuarial deficit of £171 million at 31 March 2016 as follows:

By 31 March	£ million
2017	**24.5**
2018	**26.5**
2019	**29.1**
2020	**24.9**
2021	**25.7**
2022	**26.4**
2023	**24.6**

FINANCIAL REVIEW (CONTINUED)

RE-PRESENTED CASH FLOW STATEMENT

The Group Cash Flow Statement includes the cash flows of the Company and those recourse subsidiaries that are consolidated (Service Companies). The Group's recourse investment entity subsidiaries, through which the Company holds its investments in non-recourse project companies, are held at fair value in the financial statements and accordingly cash flows relating to investments in the portfolio are not included in the Group Cash Flow Statement. Investment-related cash flows are disclosed in note 12 to the Group financial statements.

The re-presented cash flow statement shows all recourse cash flows that arise in both the consolidated group (the Company and its consolidated subsidiaries) and in the recourse investment entity subsidiaries.

Year ended 31 December	**2017 Re-presented cash flows £ million**	2016 Re-presented cash flows £ million
Cash yield	**40.9**	36.8
Operating cash flow	**(17.3)**	(10.9)
Net foreign currency exchange impact	**(1.3)**	(18.2)
Total operating cash flow	**22.3**	7.7
Cash investment in projects	**(209.9)**	(301.5)
Proceeds from realisations	**287.1**	146.6
Cash received from acquisition of Manchester Waste VL Co by the GMWDA	**23.5**	–
Net investing cash inflow/(outflow)	**100.7**	(154.9)
Finance charges	**(8.3)**	(6.8)
Cash contributions to JLPF (including PPF levy)	**(24.7)**	(18.4)
Dividend payments	**(30.1)**	(26.2)
Net cash outflow from financing activities	**(63.1)**	(51.4)
Recourse group cash inflow/(outflow)	**59.9**	(198.6)
Recourse group opening net debt/cash balances	**(88.2)**	110.4
Recourse group closing net debt balances	**(28.3)**	(88.2)
Reconciliation to line items on re-presented balance sheet		
Cash collateral balances[1]	**133.1**	23.7
Cash and cash equivalents[1]	**14.6**	53.1
Total cash balances	**147.7**	76.8
Cash borrowings	**(176.0)**	(165.0)
Net debt	**(28.3)**	(88.2)
Reconciliation of cash borrowings to Group Balance Sheet		
Cash borrowings as per re-presented balance sheet	**(176.0)**	(165.0)
Unamortised financing costs	**2.8**	3.6
Borrowings as per Group Balance Sheet	**(173.2)**	(161.4)

1 For reconciliation of these amounts to the Group Balance Sheet see the re-presented balance sheet above.

Cash yield comprises £40.2 million (2016 – £34.8 million) from the investment portfolio (see the Portfolio Valuation section for further details) and £0.7 million (2016 – £2.0 million) from non-portfolio investments.

The net operating cash outflow in the year ended 31 December 2017 of £17.3 million was higher than the outflow in 2016 principally due to higher bid costs net of recoveries.

Total operating cash flow in the year ended 31 December 2017 was higher than in 2016 primarily due to an adverse impact on foreign exchange hedges in 2016.

In the year, in addition to the payment of the PPF levy of £0.2 million (2016 – £0.3 million), the Group made a cash contribution to JLPF of £24.5 million (2016 – £18.1 million).

During the year, cash of £209.9 million (2016 – £301.5 million) was invested in project companies. In the same period, investments in eight projects were realised (including five investments to JLIF, one to JLEN and two investments to third parties) for total proceeds of £289.0 million, of which £287.1 million was received in the year and £1.9 million was deferred to 2018 (2016 – £140.2 million from the realisation of six investments (including four investments to JLIF and two investments to JLEN) and sale of a 2.2% shareholding in JLEN for £6.4 million). The above proceeds were in addition to the cash received on the acquisition of Manchester Waste VL Co by the GMWDA of £23.5 million.

Finance charges were higher in 2017 due to higher average usage of the corporate banking facilities as well as lower interest income received on cash collateral balances.

Dividend payments of £30.1 million in the year ended 31 December 2017 comprised the final dividend for 2016 of £23.1 million and the interim dividend for 2017 of £7.0 million (2016 – final dividend for 2015 of £19.4 million and interim dividend for 2016 of £6.8 million).

FINANCIAL RESOURCES

At 31 December 2017, the Group had principal committed corporate banking facilities of £475 million (31 December 2016 – £400 million), expiring in March 2020, which are primarily used to back investment commitments. The Group also had surety facilities of £50 million backed by two £25 million committed liquidity facilities both expiring in March 2018. Since the year end, these liquidity facilities have been extended to February 2019. Net available financial resources at 31 December 2017 were £153.1 million (31 December 2016 – £168.1 million).

Analysis of Group financial resources

	31 December 2017 £ million	31 December 2016 £ million
Total committed facilities	**525.0**	450.0
Letters of credit issued under corporate banking facilities (see below)	**(152.3)**	(112.6)
Letters of credit issued under surety facilities (see below)	**(50.0)**	(50.0)
Other guarantees and commitments	**(7.5)**	(6.5)
Short-term cash borrowings	**(176.0)**	(165.0)
Utilisation of facilities	**(385.8)**	(334.1)
Headroom	**139.2**	115.9
Cash and bank deposits[1]	**14.6**	53.1
Less unavailable cash	**(0.7)**	(0.9)
Net available financial resources	**153.1**	168.1

1 Cash and bank deposits exclude cash collateral balances. Of the total cash and bank deposit balances of £14.6 million, £2.5 million was in the Company and recourse subsidiaries that are consolidated and therefore shown as cash and cash equivalents on the Group Balance Sheet, with the remaining £12.1 million in recourse subsidiaries held at FVTPL which are included within investments at FVTPL on the Group Balance Sheet (see the re-presented balance sheet).

Letters of credit issued under the committed corporate banking facilities of £152.3 million (31 December 2016 – £112.6 million) and under additional surety facilities of £50.0 million (31 December 2016 – £50.0 million) together with cash collateral represent future cash investment by the Group into underlying projects in the Primary Investment portfolio.

	31 December 2017 £ million	31 December 2016 £ million
Letters of credit issued	**202.3**	162.6
Cash collateral	**133.1**	23.7
Future cash investment into projects	**335.4**	186.3

The table below shows the letters of credit issued analysed by investment and the date or dates when cash is expected to be invested into the underlying project at which point the letter of credit would expire:

Project	Letter of credit issued £ million	Expected date of cash investment
IEP (Phase 2)	**72.7**	Feb 2018 – Mar 2018
New Grafton Correctional Centre	**76.4**	Dec 2018 – Jul 2019
Buckthorn Wind Farm	**9.5**	Jan 2018
Melbourne Metro	**43.7**	Oct 2019 – Dec 2019
Total	**202.3**	

The table below shows the cash collateral balance at 31 December 2017 analysed by investment and the dates when the cash collateral is expected to be invested into the underlying project:

Project	Cash collateral amount £ million	Expected date of cash investment
I-77 Managed Lanes	**18.3**	Apr 2018 – Nov 2018
I-66 Managed Lanes	**114.8**	May 2020 – Dec 2022
Total	**133.1**	

Cash collateral is included within 'investments at fair value through profit or loss' in the Group Balance Sheet.

There are significant non-recourse borrowings within the project companies in which the Group invests. The interest rate exposure on the debt of such project companies is, in most circumstances, fixed on financial close, through a long-dated bond or fixed-rate debt, or through the fixing of floating rate bank debt via interest rate swaps. Given this, the impact on the Group's returns from investments in project companies of changes in interest rates on project borrowings is minimal. There is an impact from changes in interest rates on the investment income from monies held on deposit both at Group level and within project companies but such an effect is not material in the context of the Group Balance Sheet.

FOREIGN CURRENCY EXPOSURE

The Group regularly reviews the sensitivity of its balance sheet to changes in exchange rates relative to Sterling and to the timing and amount of forecast foreign currency denominated cash flows. As set out in the Portfolio Valuation section, the Group's portfolio comprises investments denominated in Sterling, Euro, and Australian, US and New Zealand dollars. As a result of foreign exchange movements in the year ended 31 December 2017, there was a net adverse fair value movement of £11.0 million in the portfolio valuation, which was net of a £3.0 million gain on the divestment of the Group's investment in the A1 Poland project where the proceeds were hedged (see below). Sterling strengthened against the US, Australian and New Zealand dollars between 31 December 2016 and 31 December 2017, but weakened against the Euro.

The Group may apply an appropriate hedge to a specific currency transaction exposure, which could include borrowing in that currency or entering into forward foreign exchange contracts. An analysis of the portfolio value by currency is set out in the Portfolio Valuation section. In the year, there was a net loss of £3.9 million from foreign exchange movements outside the portfolio, which was primarily as a result of a loss of £3.0 million on forward foreign exchange contracts taken out to hedge the proceeds from the divestment of the Group's investment in the A1 Poland project.

Letters of credit in issue at 31 December 2017 of £202.3 million (31 December 2016 – £162.6 million) are analysed by currency as follows:

Letters of credit by currency	31 December 2017 £ million	31 December 2016 £ million
Sterling	**72.7**	99.7
US dollar	**9.5**	18.1
Australian dollar	**120.1**	44.8
	202.3	162.6

Cash collateral at 31 December 2017 of £133.1 million (31 December 2016 – £23.7 million) is analysed by currency as follows:

Cash collateral by currency	31 December 2017 £ million	31 December 2016 £ million
Sterling	**–**	0.3
US dollar	**133.1**	20.1
Australian dollar	**–**	3.3
	133.1	23.7

GOING CONCERN

The Group has committed corporate banking facilities until March 2020 and has sufficient resources available to meet its committed capital requirements, investments and operating costs for the foreseeable future. Accordingly, the Group has adopted the going concern basis in the preparation of its financial statements for the year ended 31 December 2017.

Patrick O'D Bourke
GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with the revised UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three year period to 31 December 2020, taking into account the Group's current position and the principal risks set out on pages 37 to 42. The assessment carried out supports the Directors' statements both on viability, as set out below, and also in respect of going concern, as set out in the Financial Review section.

The Company has a strong risk management culture, supported by a Management Risk Committee and an Internal Audit function, which helps to ensure that key risks to the business are identified, assessed and monitored appropriately.

The Directors selected a period of three years for their assessment because this is the longest timescale over which the Group has visibility over the future investment opportunities which make up its pipeline. This is consistent with the Group's business model and is also the key period of focus in the Group's budget and planning process.

The particular factors and/or assumptions the Directors considered in making their assessment were as follows:

- The Group makes primarily long-term investments which are not publicly traded. The minimum holding period for an investment typically extends beyond the construction period for the underlying asset and some assets may be held to maturity;
- New investments in greenfield projects are funded through a combination of cash flow from existing assets, the Group's corporate banking facilities and realisations of investments in operational projects. Realisations are dependent on continuing demand in a currently active secondary market;
- Availability of debt finance continues at Group level through the corporate banking facilities and at project level through non-recourse project finance facilities specific to each project; it is assumed that the £475 million corporate banking facilities which mature in March 2020 will be renewed or refinanced before that date;
- The Group is exposed to potential increases in pension cash contributions as well as volatility in the JLPF pension deficit reported as part of NAV, principally because of movements in the main assumptions (discount rate, inflation rate and life expectancy) which impact the value of pension liabilities. The next triennial actuarial valuation of JLPF is due as at 31 March 2019; and
- The value of the Group's investment portfolio is dependent on a number of key assumptions including: discount rates derived from the secondary market; macroeconomic factors such as exchange rates, taxation rates, inflation and deposit rates; the construction stage and operational performance of underlying assets; forecast project cash flows; volumes (where project revenue is linked to project usage); and forward energy prices and energy yields.

The Directors' assessment has been undertaken using a detailed financial model, which the Group uses consistently both for forecasting purposes and to monitor compliance with the covenants in its corporate banking facilities. Key outputs from this model are reviewed at monthly treasury meetings and by the Group's Executive Committee, Audit & Risk Committee and Board. Where appropriate, the model has been subjected to robust sensitivity analysis to stress test the resilience of the Group's forecasts to severe but plausible scenarios. These included:

(i) a scenario under which the Group is unable to make further investment realisations over an extended time period and accordingly materially reduces new investment activity as well as its costs; and

(ii) a scenario where the Group experiences a combination of a significant write down in one or more of its largest investments, a six month delay in forecast investment realisations and material strengthening of Sterling versus the currencies the Group invests in.

Based on the above assessment, the Directors have formed a reasonable expectation that the Group will be able to continue its operations and meet its liabilities as they fall due over the next three years from 31 December 2017.

PRINCIPAL RISKS AND RISK MANAGEMENT

The effective management of risks within the Group is essential to the successful delivery of the Group's objectives. The Board is responsible for ensuring that risks are identified and appropriately managed across the Group and has delegated to the Audit & Risk Committee responsibility for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risks. The Group's risk appetite when making decisions on investment commitments or potential realisations is assessed by reference to the expected impact on NAV.

The principal internal controls that operated throughout 2017 and up to the date of this Annual Report include:

- an organisational structure which provides adequate segregation of responsibilities, clearly defined lines of accountability, delegated authority to trained and experienced staff and extensive reporting;
- clear business objectives aligned with the Group's risk appetite;
- risk reporting, including identification of risks through Group-wide risk registers, that is embedded in the regular management reporting of business units and is communicated to the Board; and
- an independent Internal Audit function, which reports to the Audit & Risk Committee. The external auditor also reports to the Audit & Risk Committee on the effectiveness of financial controls relevant to the audit.

The Group's Internal Audit function has several objectives, in particular to provide:

- independent assurance to the Board, through the Audit & Risk Committee, that internal control processes, including those related to risk management, are relevant, fit for purpose, effective and operating throughout the business;
- a deterrent to fraud;
- another layer of assurance that the Group is meeting its FCA regulatory requirements; and
- advice on efficiency improvements to internal control processes.

Internal Audit is independent of the business and reports functionally to the Group Finance Director and directly to the Chairman of the Audit & Risk Committee. The Head of Internal Audit meets regularly with senior management and the Audit & Risk Committee to discuss key findings and management actions undertaken. The Head of Internal Audit can call a meeting with the Chairman of the Audit & Risk Committee at any time and meets privately with the Audit & Risk Committee, without senior management present, as and when required, but at least annually.

A Management Risk Committee, comprising senior members of management, assists the Board, Audit & Risk Committee and Executive Committee in formulating and enforcing the Group's risk management policy. During 2017, this committee was chaired by the Group Finance Director but from 2018 will be chaired by the Group's Chief Risk Officer. The Head of Internal Audit attends each meeting of the Management Risk Committee. The Management Risk Committee reports formally to the Audit & Risk Committee.

The Directors confirm that they have monitored throughout the year and carried out (i) a review of the effectiveness of the Group's risk management and internal control systems and (ii) a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. No material weaknesses were identified from the review of the Group's risk management and internal control systems. The Group risk register is reviewed at every meeting of the Audit & Risk Committee and Management Risk Committee and every six months by the Board.

The above controls and procedures are underpinned by a culture of openness of communication between operational and executive management. All investment decisions are scrutinised in detail by the Investment Committee and, if outside the Investment Committee's terms of reference, also by the Board. All divestment decisions are scrutinised by the Divestment Committee and approved by the Board.

The Directors' assessment of the principal risks applying to the Group is set out below, including the way in which risks are linked to the three strategic objectives set out in the Chief Executive Officer's Review. Additional risks and uncertainties not presently known to the Directors, or which they currently consider not to be material, may also have an adverse effect on the Group.

The Group's three strategic objectives are:

1. Growth in primary investment volumes (new investment capital committed to greenfield infrastructure projects) over the medium term.
2. Growth in the value of external AuM and related fee income.
3. Management and enhancement of the Group's investment portfolio, with a clear focus on active management during construction, accompanied by realisations of investments which, combined with the Group's corporate banking facilities and operational cash flows, enable it to finance new investment commitments.

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives above	Mitigation	Change in risk since 31 December 2016
Governmental policy Changes to legislation or public policy in the jurisdictions in which the Group operates or may wish to operate could negatively impact the volume of potential opportunities available to the Group and the returns from existing investments. The use of PPP programmes by governmental entities may be delayed or may decrease thereby limiting opportunities for private sector infrastructure investors in the future, or be structured such that returns to private sector infrastructure investors are reduced. Governmental entities may in the future seek to terminate or renegotiate existing projects by introducing new policies or legislation that result in higher tax obligations on existing PPP or renewable energy projects or otherwise affect existing or future PPP or renewable energy projects. Changes to legislation or public policy relating to renewable energy could negatively impact the economic returns on the Group's investments in renewable energy projects, which would adversely affect the demand for and attractiveness of such projects. Compliance with the public tender regulations which apply to PPP projects is complex and the outcomes may be subject to third party challenge and reversed.	1, 2, 3	Thorough due diligence is carried out in order to assess a specific country's risk (for example economic and political stability, tax policy, legal framework and local practices) before any investment is made. Where possible the Group seeks specific contractual protection from changes in governmental policy and law for the projects it invests in. General change of law is considered to be a normal business risk. During the bidding process for investment in a project, the Group takes a view on an appropriate level of return to cover the risk of non-discriminatory changes in law. PPP projects are normally structured so as to provide significant contractual protection for equity investors (see also counterparty risk). During the bidding process for investment in a project, the Group assesses the sensitivity of the project's forecast returns to changes in factors such as tax rates and/or, for renewable energy projects, governmental support mechanisms. The Group targets jurisdictions which have a track record of support for renewable energy investments and which continue to demonstrate such support. Through its track record of more than 130 investment commitments, the Group has developed significant expertise in compliance with public tender regulations.	↑ Increased
Macroeconomic factors To the extent such factors cannot be hedged, changes in inflation and interest rates and foreign exchange all potentially impact the return generated from an investment and its valuation. Changes in factors which affect energy prices, such as the future energy demand/supply balance and the oil price, could negatively impact the economic returns on the Group's investments in renewable energy. Weakness in the political and economic climate in a particular jurisdiction could impact the value of, or the return generated from, any or all of the Group's investments located in that jurisdiction.	1, 2, 3	Factors which have the potential to adversely impact the underlying cash flows of an investment, and hence its valuation, are hedged wherever possible at a project level and sensitivities are considered during the investment appraisal process. Systemic risks, such as potential deflation, or appreciation/depreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole. The Group seeks to reduce the extent to which its renewable energy investments are exposed to energy prices through governmental support mechanisms and/or offtake arrangements. The Group monitors closely the level of investments it has exposed to foreign currencies, including regularly testing the sensitivity of the financial covenants in its corporate banking facilities to a significant change in the value of individual currencies. Where possible, specific clauses relating to potential currency change within a particular jurisdiction are incorporated in project documentation.	→ No change
Liquidity in the secondary market Weakness in the secondary markets for investments in PPP or renewable energy projects, for example as the result of a lack of economic growth in relevant markets, actual or potential governmental policy, regulatory changes in the banking sector, liquidity in financial markets, changes in interest and exchange rates and project finance market conditions may affect the Group's ability to realise full value from its divestments. The secondary market for investments in renewable energy projects may be affected by, inter alia, changes in energy prices, in governmental policy, in the value of governmental support mechanisms and in project finance market conditions. The ability of JLIF and JLEN to raise finance for further investments may have an impact on both the Group's ability to sell investments in PPP and renewable energy projects and on the Group's asset management business more generally.	1, 2, 3	Projects are appraised on a number of bases, including being held to maturity. Projects are also carefully structured so that they are capable of being divested, if appropriate, before maturity. Over recent years, the secondary markets for both PPP and renewable energy investments have grown. While JLIF and JLEN are natural buyers of a number of the Group's PPP and renewable energy investments respectively, the size and breadth of secondary markets and the growth of operational infrastructure as an asset class, plus the Group's recent experience, all provide the Group with confidence that it can sell investments to other purchasers.	→ No change

Risk	Link to strategic objectives above	Mitigation	Change in risk since 31 December 2016
Financial resources Any shortfall in the financial resources that are available to the Group to satisfy its financial obligations may make it necessary for the Group to constrain its business development, refinance its outstanding obligations, forego investment opportunities and/or sell existing investments. Inability to secure project finance could hinder the ability of the Group to make a bid for an investment opportunity, or where the Group has a preferred bidder position, could negatively impact whether an underlying project reaches financial close. The inability of a project company to satisfactorily refinance existing maturing medium-term project finance facilities periodically during the life of a project could affect the Group's projected future returns from investments in such projects and hence their valuation in the Group's Balance Sheet. Adverse financial performance by a project company which affects the financial covenants in its project finance debt documents may result in the project company being unable to make distributions to the Group and other investors, which would impact the valuation of the Group's investment in such project company, and may ultimately enable public-sector counterparties (through cross default links to other project agreements) and/or project finance debt providers to declare default and, in the latter case, to exercise their security.	1, 3	The Group has corporate banking facilities totalling £475 million which mature in March 2020 as well as additional liquidity facilities (£50 million) committed until February 2019. Available headroom is carefully monitored and compliance with the financial covenants and other terms of these facilities is closely observed. The Group also monitors its working capital, cash collateral and letter of credit requirements and maintains an active dialogue with its banks. It operates a policy of ensuring that sufficient financial resources are maintained to satisfy committed and likely future investment requirements. A Divestment Committee was set up in 2017 to provide oversight and recommendations on all potential divestments that were previously under the remit of the Executive Committee. The Group believes that there is currently sufficient depth and breadth in project finance markets to meet the financing needs of the projects it invests in. The Group works closely with a wide range of project finance providers, including banks and other financial institutions. In markets such as Australia and New Zealand, where the tenor of project finance facilities at financial close tends to be medium term, certain PPP projects in which the Group has invested are due for refinancing in due course. One such project, Auckland South Corrections Facility, was successfully refinanced in late 2017. Prior to financial close, all proposed investments are scrutinised by the Investment Committee. This scrutiny includes a review of sensitivities to adverse performance of investment returns and financial ratio tests as well as an assessment of a project's ability to be refinanced if the tenor of its project finance debt is less than the term of the concession or the project's useful life. The Group maintains an active dialogue with the banks and other financial institutions which provide project finance to the projects in which it invests. Monitoring of compliance with financial covenant ratios and other terms of loan documents continues throughout the term of the project finance loan.	→ No change
Pensions The amount of the deficit in the Group's main defined benefit pension scheme (JLPF) can vary significantly due to gains or losses on scheme investments and movements in the assumptions used to value scheme liabilities (in particular life expectancy, discount rate and inflation rate). Consequently the Group is exposed to the risk of increases in cash contributions payable, volatility in the deficit reported in the Group Balance Sheet, and gains/losses recorded in the Group Statement of Comprehensive Income.	1, 3	The Group's two defined benefit pension schemes are overseen by corporate trustees, the directors of which include independent and professionally qualified individuals. The Group works closely with the trustees on the appropriate funding strategy for the schemes and takes independent actuarial advice as appropriate. Both schemes are closed to future accrual and accordingly have no active members, only deferred members and pensioners. A significant proportion of the liabilities of JLPF is matched by a bulk annuity buy-in agreement with Aviva. Other hedging is also in place. The next actuarial valuation of JLPF is due as at 31 March 2019.	→ No change
Future investment activity The Group operates in competitive markets and may not be able to compete effectively or profitably. The Group's investment pipeline is not a guarantee of actual bidding activity or future investments. The Group's historical win rate for PPP projects may decline and is an uncertain indicator of new investments by the Group.	1	The Group believes that its experience and expertise as an active investor and asset manager accumulated over more than 20 years, together with its flexibility and ability to respond to market conditions will continue to enable it to compete effectively and secure attractive investments. Both the PPP and the renewable energy pipelines are diversified by geography and number of and type of project. The Group budgets a 30% win rate for PPP projects and has achieved an average win rate for the three years ended 31 December 2017 ahead of this.	→ No change

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives above	Mitigation	Change in risk since 31 December 2016
Valuation The valuation of an investment in a project may not reflect its ultimate realisable value, for instance because of changes in operational benchmark discount rates. In circumstances where the revenue derived from a project is related to volume (i.e. customer usage or wind energy yield), actual revenues may vary materially from assumptions made at the time the investment commitment is made. In addition, to the extent that a project company's actual costs incurred differ from forecast costs, for example, because of late construction, and cannot be passed on to sub-contractors or other third parties, investment returns and valuations may be adversely affected. Revenues from renewable energy projects may be affected by the volume of power production (e.g. from changes in wind or solar yield), the availability of fuel (in the case of biomass projects), operational issues, restrictions on the electricity network, the reliability of electrical connections or other factors such as noise and other environmental restrictions, as well as by changes in energy prices and to governmental support mechanisms. The valuation of the Group's investment portfolio is affected by movements in foreign exchange rates, which are reflected through the Group's financial statements. In addition, there are foreign exchange risks associated with conversion of foreign currency cash flows relating to an investment into and out of Sterling. The valuation of the Group's investment portfolio could be affected by changes in tax legislation, for instance changes which limit tax-deductible interest (see Taxation section). During the construction phase of an infrastructure project, there are risks that either the works are not completed within the agreed time-frame or that construction costs overrun. Where such risks are not borne by sub-contractors, or sub-contractors fail to meet their contractual obligations, this can result in delays in the receipt of project income and/or cost overruns, which may adversely affect the valuation of and return on the Group's investments. If construction or other long stop dates are exceeded, this may enable public sector counter-parties and/or project finance debt providers to declare a default and, in the case of the latter, to exercise their security. The Group is reliant on the performance of third parties in constructing an asset to an appropriate standard as well as subsequently operating it in a manner consistent with contractual requirements. Consistent under-performance by, or failure of, such third parties may result in the ability of public sector counter parties and/or project finance debt providers to declare a default and consequently the impairment or loss of the Group's investment. A significant portion of the Group's portfolio valuation is, and may in the future be, in a small number of projects, and changes to the value of these projects could materially affect the Group's financial position and results of operations. A project company or a service provider to a project company may fail to manage contracts efficiently or effectively.	3	The discount rates used to value investments are derived from publicly available market data and other market evidence and are updated regularly. The Group has a good track record of realising investments at prices consistent with the fair values at which they are held. The Group's investments are in projects which are principally availability-based (where the revenue does not generally depend on the level of use of the project asset). Where patronage or volume risk is taken, the Directors review revenue assumptions and their sensitivities in detail prior to any investment commitment. Where the revenue from investments is related to patronage or volume (e.g. with regard to investments in renewable energy projects), risks are mitigated through a combination of factors, including (i) the use of independent forecasts of future volumes (ii) lower gearing versus that of availability-based projects (iii) stress-testing the robustness of project returns against significant falls in forecast volumes. In addition, where possible, fixed-price arrangements are entered into to mitigate the impact of changes in future energy prices. The Group typically hedges cash flows arising from investment realisations or significant distributions in currencies other than Sterling. During the bidding process for investment in a project, the Group assesses the sensitivity of the project's forecast returns to changes in tax rates. The intention is that projects are structured such that (i) day-to-day service provision is sub-contracted to qualified sub-contractors supported by appropriate security packages (ii) cost and price inflation risk in relation to the provision of services lies with sub-contractors (iii) performance deductions in relation to non-availability lie with sub-contractors (iv) future major maintenance costs and ongoing project company costs are reviewed annually and cost mitigation strategies adopted as appropriate. The Group has procedures in place to ensure that project companies in which it invests appoint competent sub-contractors with relevant experience and financial strength. If project construction is delayed, sub-contracting arrangements contain terms enabling the project company to recover liquidated damages, additional costs and lost revenue, subject to limits. In addition, the project company may terminate its agreement with a sub-contractor if the latter is in default and seek an alternative sub-contractor. The terms of the sub-contracts into which project companies enter provide some protections for investment returns from the poor performance of third parties. The ability to replace defaulting third parties is supported by security packages to protect against price movement on re-tendering. If long stop dates are exceeded, the Group has significant experience as an active manager in protecting its investments by working with all parties to a project to agree revised timetables and/or other restructuring arrangements. The Group monitors the concentration risk within its portfolio. Since 31 December 2014, the percentage of its portfolio value attributable to UK investments has reduced from 58% to 34% at 31 December 2017. The performance of project companies and service providers to project companies is regularly monitored by the Asset Management team.	→ No change

Risk	Link to strategic objectives above	Mitigation	Change in risk since 31 December 2016
Counterparty risk The Group is exposed to counterparty credit risk with regards to (i) governmental entities, sub-contractors, lenders and suppliers at a project level and (ii) consortium partners, financial institutions and suppliers at a Group level. Public sector counter-parties to PPP projects may seek to renegotiate contract terms and/or terminate contracts, as a result of changes in governmental policy or otherwise, in a way which impacts the valuation of one or more of the Group's investments. In overseas jurisdictions, the Group's investments backed by governmental entities may ultimately be subject to sovereign risk. Project companies are exposed to counterparty credit risk and counterparty performance risk with regards to public sector bodies, sub-contractors, lenders, supplier and consortium partners. Worsening of general economic conditions in the UK as a result of the UK's withdrawal from the European Union could affect project companies in the UK through, for example, heightened counterparty risk.	3	The Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counterparty risk in its investment portfolio. In establishing project contractual arrangements prior to making an investment, the credit standing and relevant experience of a sub-contractor are considered. Post financial close, the financial standing of key counterparties is monitored to provide an early warning of possible financial distress. PPP projects are normally structured so as to provide significant contractual protection for equity investors. Such protection may include "termination for convenience" clauses which enable public sector counter-parties to terminate projects subject to payment of appropriate compensation, including to equity investors. PPP projects are normally supported by central and local government covenants, which significantly reduce the Group's risk. Risk is further reduced by the increasing geographical spread of the Group's investments. The performance of service providers to project companies is regularly monitored by the Asset Management team. Counterparties for cash deposits at a Group level, project debt swaps and deposits within project companies are required to be banks with a suitable credit rating and are monitored on an ongoing basis. Entry into new geographical areas which have a different legal framework and/or different financial market characteristics is considered by the Board separately from individual investment decisions. Typically, a substantial proportion of the revenue generated by renewable energy projects is backed by governmental support mechanisms.	→ No change
Major incident A major incident at any of the Group's main locations or any of the projects invested in by the Group, such as a terrorist attack, war or significant cyber-attack, could lead to a loss of crucial business data, technology, buildings and reputation and harm to the public, all of which could collectively or individually result in a loss of value for the Group. Such an incident affecting any of the projects invested in by the Group could also affect the Group's ability to sell its investment in that project. Failure to maintain secure IT systems and to combat cyber and other security risks to information and to physical sites could adversely affect the Group.	2, 3	At financial close, projects benefit from comprehensive insurance arrangements, either directly or through contractors' insurance policies. Business continuity plans at project level have been designed and are tested at frequent/regular intervals. Business continuity procedures are also regularly updated in order to maintain their relevance. John Laing believes that proper attention to the health and safety of its employees, subcontractors, and the community within which the Group operates is a key element of effective business management and sees health and safety as an important measure of business performance and essential to our reputation. The Group is committed to ensuring the health, safety and welfare of all its employees and all other persons who may be affected by its direct activities, or those under its control. The projects in which the Group invests each have their own health and safety policies and business continuity plans. The Group's IT requirements are outsourced to a third party. A re-tender process is currently underway. Within the outsourced arrangements, cyber risk is addressed through (i) the Group's organisational structure which includes segregation of responsibilities, delegated lines of accountability, delegated authorities and (ii) specific controls, including controls over payments and access to IT systems.	→ No change
Investment adviser agreements with JLIF and JLEN A loss of JLCM's investment adviser agreements with JLIF and/or JLEN respectively would be detrimental to the Group's Asset Management business.	2	Through JLCM, and supported by other parts of the Asset Management division, the Group focuses on delivering a high quality service to both funds.	→ No change

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

Risk	Link to strategic objectives above	Mitigation	Change in risk since 31 December 2016
Future returns from investments The Group's historical returns and cash yields from investments may not be indicative of future returns. The Group's expected hold-to-maturity internal rates of return from investments are based on a variety of assumptions which may not be correct at the time they are made and may not be achieved in the future.	1, 2, 3	In bidding for new projects, the Group sets a target internal rate of return taking account of historical experience, current market conditions and expected returns once the project becomes operational. The Group continually looks for value enhancement opportunities which would improve the target internal rate of return and projected annualised return. At the appraisal stage, investments in projects are tested for their sensitivity to changes in key assumptions.	↑ Increased
Taxation The Group may be exposed to changes in taxation in the jurisdictions in which it operates, or it may cease to satisfy the conditions for relevant reliefs. Tax authorities may disagree with the positions that the Group has taken or intends to take. Project companies may be exposed to changes in taxation in the jurisdictions in which they operate. In 2015, the OECD published its recommendations for tackling BEPS by international companies. It identified the use of tax deductible interest as one of the key areas where there is opportunity for BEPS by international companies. It is up to the governments of OECD countries to decide how to implement the OECD's recommendations into their domestic law. To the extent that one or more of the jurisdictions in which the Group operates changes its rules to limit tax deductible interest, this could significantly impact (i) the tax payable by subsidiaries of the Group, (ii) the valuation of existing investments and (iii) the way in which future project-financed infrastructure investments are structured, in each case in such jurisdictions.	1, 3	Tax positions taken by the Group are based on industry practice and/or external tax advice. At the appraisal stage, investments in projects are tested for their sensitivity to changes in tax rates. Project valuations are regularly updated for changes in tax rates. In late 2017, the UK Government enacted legislation, effective from 1 April 2017, which introduced a Fixed Ratio Rule to cap the amount of tax deductible net interest to 30% of a company's UK EBITDA. This was in response to OECD recommendations. In the US, new legislation came into effect on 1 January 2018, including a restriction on interest deductibility for certain US entities paying interest to foreign entities. The impact from both the changes to UK and US tax is reflected in the fair value at 31 December 2017 of the Group's investments in those jurisdictions. The Group monitors closely the way in which other governments are implementing the OECD recommendations.	↑ Increased
Personnel The Group may fail to recruit or retain key senior management and skilled personnel in, or relocate high-quality personnel to, the jurisdictions in which it operates or seeks to expand. Following the decision to leave the EU, the UK Government has made some proposals regarding EU nationals living and working in the UK but their position has not been resolved. This uncertainty could impact the Group's ability to recruit and retain EU nationals in the UK.	1, 2, 3	The Group regularly reviews pay and benefits to ensure they remain competitive. The Group's senior managers participate in long-term incentive plans. The Group plans its human resources needs carefully, including appropriate local recruitment, when it bids for overseas projects. The Group has the ability to recruit EU nationals in its Amsterdam office or could open further offices in other EU jurisdictions if necessary.	→ No change

CORPORATE RESPONSIBILITY

THE JOHN LAING GROUP REMAINS COMMITTED FOR THE LONG TERM TO ITS CORPORATE RESPONSIBILITY AGENDA. Our community investment strategy is based on supporting the efforts of our employees with the worthy causes they select to make a significant positive impact. We believe it is most effective to support and encourage our employees to contribute positively in their own capacities to good causes where they live and work. Our policies and procedures in general reflect our values as a responsible employer which operates with integrity, and in a manner that is both ethical and transparent."

Olivier Brousse
CHIEF EXECUTIVE OFFICER

COMMUNITY INVESTMENT

Our community investment strategy is based on delivery through our employees and a number of partners.

Since 2006 we have been an active Patron of the Prince's Trust, which has allowed us to support disadvantaged and vulnerable young people across the UK, to help them move into work, education or training.

The Group encourages its staff across each of the different markets where it operates to involve themselves in activities that benefit local communities, both related and unrelated to projects John Laing is working on.

The John Laing WestStadium team in Perth, Australia continues to provide vital support to their Business Class partner school, Girrawheen Senior High School, by assisting in developing the school's strategic plan, organising project tours and one-on-one training by site-based personnel as part of the school's vocational education and training. They also help with the management and structure of Aboriginal Girls' Academy which exists to develop and empower young women through leadership training, mentoring, sport and extra-curricular programmes.

During the year, Student Sponsor Partners, an organisation which aims to bridge the educational achievement gap for low income, academically at-risk high school students in New York City was awarded a grant by the John Laing Charitable Trust towards tuition scholarship of five students for the full four years of high school. This partnership offers our US team the opportunity to mentor the sponsored students and enhance their chances of achieving educational progress.

HEALTH AND SAFETY

John Laing believes that proper attention to the health and safety of its employees, subcontractors, and the community within which the Group operates is a key element of effective business management and sees health and safety as an important measure of business performance and essential to our reputation. The Group is committed to ensuring the health safety and welfare of all its employees and all other persons who may be affected by its direct activities, or those under its control.

The projects in which the Group invests each have their own health and safety policies.

ENVIRONMENT

The Group aspires to reduce the impact on the environment of the infrastructure projects in which it invests, for example, in terms of greenhouse gas emissions and the volume of waste going to landfill. Environmental considerations play an important part in any PPP procurement, ongoing construction and operations and are a central feature of the planning approvals granted for renewable energy projects. The Group's investments in renewable energy projects are contributing to reduced CO_2 emissions. The number of renewable energy investments in the Group's investment portfolio increased from 16 at 31 December 2016 to 19 at 31 December 2017.

Greenhouse gas emissions report

Since John Laing Group plc was listed on the London Stock Exchange in February 2015, we have had a regulatory obligation to report greenhouse gas (GHG) emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The John Laing Charitable Trust (JLCT)

JLCT has special regard to supporting the needs of current and former employees or their families who are in need of financial assistance on account of illness, old age or other causes. It supports the valuable work of the welfare team who look after the needs of former employees and their surviving partners. JLCT trustees make available considerable funds each year to relieve financial hardship through the provision of gratuities and other allowances.

All John Laing Group employees or members of their immediate family directly involved in a charity are able to apply to JLCT for a grant of £1,000 to support a good cause. Additionally, JLCT is able to match charitable donations raised by employees, up to a value of £1,500 per employee. JLCT, together with the Company, recognises the loyalty of long serving staff and their contribution to the business through the annual Star Awards (see Workplace section). In 2017, employees who received such awards were given the opportunity to nominate a charity to receive a donation of up to £3,000. A total of 79 successful applications made under all available schemes during the year amounted to combined donations of over £90,000 to charitable organisations including a number based in Canada, the US, Australia and the Netherlands. This included a £5,000 donation to the 1st Claygate Scout group in Surrey which supports the development of young people and gives them an opportunity to develop new skills including team work, leadership, communication, self-motivation as well as learning respect for others and how to make a positive impact in the community.

JLCT supports the Company's corporate responsibility activities as well as making a difference in the communities where the Company operates. During the year, 16 projects were awarded a total of over £382,000 in donations and grants.

CORPORATE RESPONSIBILITY (CONTINUED)

Methodology

John Laing quantifies and reports its organisational GHG emissions according to the Greenhouse Gas Protocol and has utilised the UK Government 2017 Conversion Factors for Company Reporting and European Residual Mixes 2016 (RE-DISS II) to calculate CO_2 equivalent emissions from corresponding activity data. Supplier-specific emission factors were supplied in grams of carbon dioxide per kilowatt-hour of electricity (CO_2/kWh) by EDF Energy and E.ON.

This report has been prepared in accordance with the amendments to the Greenhouse Gas Protocol's Scope 2 Guidance and therefore includes both a location-based and market-based Scope 2 emissions figure. When quantifying emissions using the market-based approach, John Laing used a supplier-specific emissions factor where possible. If this was unavailable a residual mix emissions factor was used instead, and as a last option the location-based grid emissions factor was used.

Greenhouse gas emissions

In 2017, John Laing's activities emitted a total of 11.8 tCO_2e Scope 1 direct emissions from fuel combustion and operation of its facilities. This tCO_2e figure includes emissions of GHG other than CO_2, such as methane or nitrous oxide, in addition to CO_2.

Through electricity purchased for our own use (Scope 2 indirect), we emitted a total of 127.8 tCO_2e when taking the location-based approach and 115.4 tCO_2 when taking the market-based approach. We have also chosen to voluntarily report Scope 3 emissions arising from our business travel and water consumption where information is available.

The table below shows emissions by scope for 2017 and 2016. Emissions from the consumption of electricity outside the UK are reported in tonnes of carbon dioxide (tCO_2) rather than tCO_2e. Scope 2 emissions were calculated using both the location-based and market-based approaches, with supplier-specific emission factors and residual mix emission factors used for the latter.

Year-on-year change in Greenhouse Gas Emissions

	2017	2016
Combustion of fuel and operation of facilities (Scope 1)	**11.8 tCO_2e**	81.7 tCO_2e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based)	**127.8 tCO_2e**	139.9 tCO_2e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based)	**115.4 tCO_2**	97.0 tCO_2
Other indirect emissions (Scope 3)	**618.0 tCO_2e**	708.3 tCO_2e

The table below shows our total Scope 1 and Scope 2 emissions for 2017 and 2016 under the two accounting methodologies (location-based approach and market-based approach) applicable for the Scope 2 emissions. The table also shows the total Scope 1 and Scope 2 emissions as a ratio against full-time equivalent (FTE) employees. This calculation is based on the average number of full-time equivalent (FTE) employees each year. This is 160 for 2017 and 248 for 2016. As mentioned previously, emissions from electricity consumed outside the UK and Scope 2 emissions are calculated using the market-based approach using supplier specific emission factors and residual mix emission factors are calculated in tCO_2.

	Location-based approach		**Market-based approach**	
	2017	2016	**2017**	2016
Total Scope 1 and 2*	**139.6 tCO_2e**	221.6 tCO_2e	**127.2 tCO_2e**	178.7 tCO_2e
tCO_2e per full-time equivalent (FTE) employee	**0.87 tCO_2e**	0.89 tCO_2e	**0.79 tCO_2e**	0.72 tCO_2e

* Market-based includes Scope 2 in tCO_2

There was a decrease in Scope 1 emissions because vehicles used by our Amsterdam office run mostly on electricity (a Scope 2 activity), rather than biofuel (a Scope 1 activity). Scope 2 emissions decreased year-on-year for several reasons; the removal of certain offices as part of the sale of the UK PMS activities in 2016; the reduction in emission factors in the countries in which John Laing operates; and the refurbishment of air conditioning equipment at the Group's headquarters. In 2017, there was an 88% reduction in rail travel and a 1% reduction in air travel which resulted in a reduction of Scope 3 emissions by 13%.

Reporting Boundaries and Limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 10% for GHG reporting purposes. The GHG sources that constitute the operational boundaries for the 2017 reporting period are:

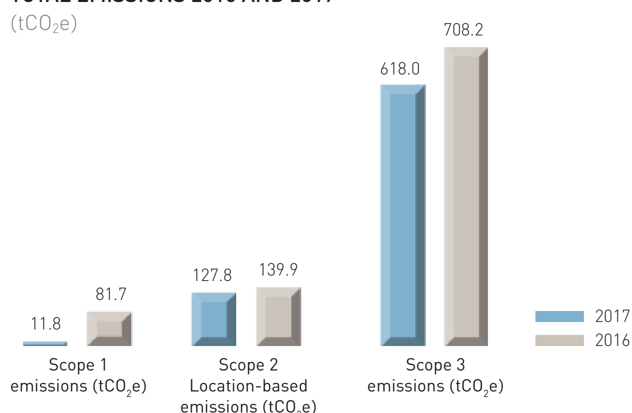
- Scope 1: Natural gas combustion within boilers and fuel combustion within leased vehicles
- Scope 2: Purchased electricity consumption for our own use within buildings and leased electric vehicles
- Scope 3: Business travel and the supply and treatment of water

Assumptions and Estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2016 as a proxy. The Group's New York, Auckland, Toronto and Los Angeles offices are serviced and as such do not receive separate utility bills and so were not able to provide any data, and therefore an average annual consumption figure per square metre of floor area was used to estimate electricity consumption at these sites.

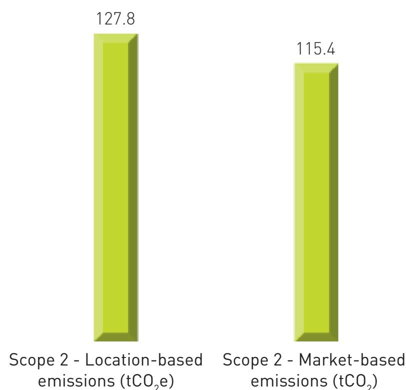
TOTAL EMISSIONS 2016 AND 2017

(tCO_2e)



SCOPE 2 EMISSIONS BY METHODOLOGY

(tCO_2e and tCO_2) – **2017**



WORKPLACE

Our People

John Laing aims to attract and retain, develop and reward high quality employees. We support our people through learning and development so they can maximise their career potential and their value as an employee, and we encourage them to achieve an appropriate work-life balance. We recognise that investing in our people is critical to the success of our business.

We are committed to a positive working environment which is free from any discrimination, harassment or unfair treatment, providing all employees with equal opportunities to develop within the Group and we have the appropriate policies in place to support this.

Employment

At 31 December 2017, the Group employed 158 people in the UK and overseas (2016 – 160). A reduction in UK headcount and an increase in overseas recruitment have resulted in the percentage of staff located outside the UK increasing from 36% to 39% at 31 December 2017.

Employee Engagement

Employees are regularly informed of progress and updates in the business through conference calls conducted by senior management as well as through other briefings on topical and relevant business issues. The Group's 15-25 most senior managers met on two occasions in 2017 over one to two days to address specific business issues and future strategy.

Recognition and Reward

We review our pay and benefits structure on an annual basis to ensure that we remain competitive within the market, are attractive to potential new employees, and provide the right link between performance and reward. As well as a competitive pay and benefits structure, we recognise and reward employee performance through bonuses and long-term incentive plans.

We conduct annual staff awards (the Star Awards) which provide for recognition of the achievements and contributions employees make to both the business and the community.

Work-Life Balance Policies

We recognise the importance of a working environment which enables employees to achieve a balance between their work and personal life to the mutual benefit of the individual, the business and society. Our aim is to create an environment that supports staff and their general wellbeing, maintains effective working practices and enables a productive and positive balance between work and life outside work. The Group has a number of work-life balance policies and practices in place which support flexible working, working parents and periods of absence from the work place. The Group seeks to exceed statutory minimum requirements where it can. For example, we offer enhanced maternity, paternity and adoption pay arrangements.

The Group also provides an employee assistance programme which is available to all employees, their partners and their immediate family. This is an independent service which offers support and counselling on a wide range of work, personal and family issues.

Learning and Development

We aim to enhance the skills, development and learning of all our employees through external courses and seminars, sponsorship for undertaking professional qualifications, secondments, development assessments and coaching and mentoring.

Retention of our employees through effective development is key to the success of the business. Throughout 2017, we focused on the development requirements of individuals and teams, supported where necessary with external facilitation, to ensure teams were operating effectively.

We continue to manage the development of our people through a bi-annual Performance Development Review. This encourages a two-way discussion on performance and objectives between individuals and their managers. It also allows individuals to discuss their career aspirations and identify with their manager development opportunities.

Staff numbers at 31 December 2017, broken down by certain remuneration and gender criteria, were:

	Total Number		Male Number		Male %		Female Number		Female %	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total Group	**158**	160	**115**	107	**73**	67	**43**	53	**27**	33
Senior managers earning above £70,000 per annum	**101**	96	**92**	84	**91**	88	**9**	12	**9**	12
Executive Directors	**2**	2	**2**	2	**100**	100	**–**	–	**–**	–

Modern Slavery Act

The UK Modern Slavery Act addresses the role of businesses in preventing modern slavery within their organisations and down into their supply chain. Last year we published our first modern slavery statement, setting out the steps the Group has taken to ensure slavery and human trafficking are not taking place in any part of our business or supply chains. A further statement will be produced and published on our website describing our continued efforts in this respect over the last year.

DIRECTORS AND COMPANY SECRETARY

Dr Phil Nolan

Will Samuel

Olivier Brousse

Patrick O'D Bourke

Anne Wade

Dr Jeremy Beeton

Toby Hiscock

David Rough

Carolyn Cattermole

* EXECUTIVE DIRECTORS
** NON-EXECUTIVE DIRECTORS

**Dr Phil Nolan BSc, PHD, MBA

Chairman

Phil has been Chairman since joining John Laing in January 2010 but will be stepping down after the 2018 AGM. He has a wealth of experience on the boards of many companies, private and public and in both an executive and non-executive capacity. He is also non-executive Chairman of Associated British Ports Holding Limited. He previously served as non-executive Chairman of Affinity Water Limited, Chairman of Ulster Bank Ireland Limited and as a non-executive director of Providence Resource Plc and EnQuest PLC. He was Chairman of Infinis, a then privately held, leading renewable energy generator between 2007 and 2010, Chairman of Sepura plc, a listed, global supplier of TETRA radios between 2007 and 2010 and CEO of Eircom, Ireland's national telecommunications supplier from 2002 to 2006. Prior to that, he served as an Executive Director of BG Group plc and CEO of Transco plc from 1998 and in 2000, led the demerger of Transco as CEO of the Lattice Group. Age 64

**Will Samuel BSc, BA, FCA

Chairman Designate

Will joined John Laing in December 2017 as a non-executive director and Chairman Designate. Will is also Chairman of Tilney Group Limited. Prior to this he was Chairman of TSB Bank plc, which he took through IPO after its de-merger from Lloyds Bank plc, Chairman of Howdens Joinery Group, Chairman of Ecclesiastical Insurance Group plc, Chairman of H P Bulmer plc, Deputy Chairman of Inchcape plc, Senior Advisor to Lazard & Co Ltd and Senior Advisor to the Prudential Regulation Authority (formerly the Financial Services Authority), a director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc), a non-executive director of the Edinburgh Investment Trust plc and a Trustee and Honorary Treasurer of International Alert. Will is a Fellow of the Institute of Chartered Accountants in England and Wales and has a First Class Honours Degree in Chemistry from Durham University and a Degree in Mathematics from the Open University. Age 66

*Olivier Brousse EP, ENPC

Chief Executive Officer

Olivier joined John Laing in March 2014 as Chief Executive Officer. Following graduation from École Polytechnique and École Nationale des Ponts et Chaussées in France, he became Commercial Director of Unic Systems and then Chief of Staff to the Chairman and CEO of Compagnie Générale des Eaux in 1994, both in France. In 1998, he moved to London as CEO of Connex Trains and then moved to Washington DC in 2003 as CEO of Veolia Transportation Inc. He came back to France in 2007 as Deputy CEO of Veolia Transport Group, responsible for French and US businesses. From 2008 to 2014, he served as CEO and then Executive Chairman of Saur SA in France. In 2016, he was awarded the Légion d'Honneur by the French President François Hollande. Age 53

*Patrick O'D Bourke MA, ACA

Group Finance Director

Patrick joined John Laing in 2011 as Group Finance Director. He graduated from Cambridge University and qualified as a chartered accountant with Peat Marwick (now KPMG) before spending nine years in investment banking with first Hill Samuel and then with Barclays de Zoete Wedd. In 1995, he joined Powergen plc where he was responsible for mergers and acquisitions before becoming Group Treasurer. From 2000 to 2006, he was Group Finance Director of Viridian Group PLC, the Northern Ireland based energy group, becoming Group Chief Executive in 2007 after Viridian was taken private. He joined the Board of Affinity Water Limited in 2013 as a non-executive director. Age 60

**Anne Wade BA, MSc

Independent Non-Executive Director

Anne joined John Laing in December 2014 as a non-executive director. An asset manager by background, Anne has extensive experience in capital markets. From 1995 to 2012, she was Senior Vice President and Director of Capital International. Throughout her 17 year career with Capital, she was responsible for infrastructure-related investments. Anne is a Director and member of the Audit Committee of Summit Materials Inc in the US, of the Heron Foundation in New York, and of Big Society Capital in London. She is also a Partner with Leader's Quest. Anne was previously a non-executive director and member of the Governance and Strategy Committee of Holcim, based in Switzerland. Anne has a BA from Harvard and an MSc from the London School of Economics. Age 45

**Dr Jeremy Beeton CB, BSc, CEng, FICE

Independent Non-Executive Director

Jeremy joined John Laing in December 2014 as a non-executive director. He is a Fellow of the Institution of Civil Engineers with 40 years of international experience in project and programme management over very large multi-site, multiple project operations portfolios for and within government, public companies and private companies. He is also currently an independent non-executive director of SSE plc, an independent non-executive director of WYG plc, an Advisory Board member of PricewaterhouseCoopers LLP and Chairman of Merseylink Ltd. He has also been appointed as an independent non-executive director of OPG Power Ventures Plc. Additionally, Jeremy sits on the governing Court of Strathclyde University. He was Director General of the London 2012 Olympic and Paralympic Games from 2007 until the Olympic Baton was passed on to Rio de Janeiro in 2012. For eight years prior to this, he was a Principal Vice President with Bechtel, responsible for their worldwide civil operations and has lived and worked extensively in the Middle East and Asia Pacific. He was awarded CB in the 2013 New Year Honours and holds an honorary Doctorate of Engineering from Napier University. Age 64

**Toby Hiscock MA (Oxon), FCA

Independent Non-Executive Director

Toby joined John Laing in June 2009 as a non-executive director. He is a qualified chartered accountant with 36 years' experience as a finance professional. He was the Chief Financial Officer and an Executive Director of Henderson Group plc from 2003 until his retirement in 2009, and was responsible for all aspects of financial stewardship of the Henderson Group. Before Henderson, he was a senior manager at Midland Bank Group in London and from 1981 to 1988 worked for Binder Hamlyn, Chartered Accountants after graduating from Oxford University. Toby is also a non-executive director of and consultant to a number of other public and private institutions. Age 58

**David Rough BSc Hons

Senior Independent Director

David joined John Laing in December 2014 as a non-executive director. He has spent his life working in the financial services sector predominantly in the investment management business. He joined Legal and General in 1988 and was made head of securities in 1989. In 1991, David was appointed to the group board as Group Director (Investments) responsible for the group's investment operations. He retired from the business in 2002. During that time he also served as chairman of the Association of British Insurers' Investment Committee. David has been a non-executive and senior independent director on a number of boards, including Land Securities, London Metal Exchange, Friends Provident and Xstrata. Since 2003, David has been a non-executive director of Brown Shipley, a wealth management business and he was appointed as a non-executive director of Hansteen Holdings plc in October 2015. Age 67

COMPANY SECRETARY

Carolyn Cattermole LLB

Group General Counsel and Company Secretary

Carolyn joined John Laing in September 2012 as Group General Counsel and Company Secretary. Her previous roles were General Counsel and Company Secretary of DS Smith Plc, the international supplier of recycled packaging, for ten years, and Company Secretary of Courtaulds Textiles plc for three years. Prior to that, she was a senior legal adviser with Courtaulds plc, having qualified as a solicitor with Norton Rose. Age 57

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited Group and Company financial statements of John Laing Group plc for the year ended 31 December 2017. The Group financial statements are set out on pages 82 to 117 and the Company financial statements on pages 118 to 132. Disclosures made elsewhere in this Annual Report are cross-referenced (and thereby deemed disclosed) in this Directors' Report as appropriate.

GROUP ACTIVITIES

John Laing is an originator, active investor and manager of international infrastructure projects. John Laing Group plc is a company incorporated in England and Wales with company number 05975300.

A list of the Company's investments at 31 December 2017 can be found in note 13 to the Company financial statements on page 126 of this Annual Report.

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the coming year.

The Group's GHG emissions for 2017 are presented in the Corporate Responsibility section.

RESULTS AND DIVIDENDS FROM CONTINUING OPERATIONS

The Group profit before taxation for the year ended 31 December 2017 was £126.0 million (2016 – £192.1 million).

The Company-only profit after tax for the year was £139.4 million (see page 118) (2016 – £138.4 million).

An interim dividend of 1.91 pence per ordinary share was paid on 27 October 2017 and the Directors are recommending a final dividend of 8.70 pence per ordinary share which, together with the interim dividend, makes a total dividend for the year of 10.61 pence per ordinary share. These amounts have not been adjusted for the rights issue announced on 8 March 2018. Subject to the approval of shareholders at the AGM to be held on 10 May 2018 the final dividend will be paid on 18 May 2018 to shareholders on the register at the close of business on 20 April 2018.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies and its exposure to the following risks – market, credit, price, liquidity and capital – are detailed in note 17 to the Group financial statements.

POST BALANCE SHEET EVENTS

Post balance sheet events are detailed in note 27 to the Group financial statements.

KEY EVENTS AND FUTURE DEVELOPMENTS

The key events during the year and the development of the business of the John Laing group of companies are set out in the Strategic Report on pages 10 to 45. The Strategic Report includes the Financial Review on pages 29 to 35, the viability statement on page 36 and the principal risks facing the Group on pages 37 to 42.

As described in the Chairman's statement on page 8, on 8 March 2018 the Company launched a 1 for 3 rights issue to raise £210 million net of costs.

GOVERNANCE ARRANGEMENTS

Information regarding the Company's governance arrangements is set out in the Corporate Governance Report on pages 50 to 53. These pages are incorporated by reference into the Directors' Report.

SHARE CAPITAL

Details of the Company's issued share capital and the rights and restrictions attached to the shares, together with details of movements in the issued share capital during the year, are shown in note 21 to the Group financial statements on page 114 of this Annual Report. The Company has not utilised its authority to make market purchases of shares granted to it at the 2017 AGM but, in line with market practice, will be seeking to renew such authority at this year's AGM.

MAJOR INTERESTS IN ORDINARY SHARES

Notifications of the following major voting interests in the Company's ordinary share capital (notifiable in accordance with Rule 5 of the FCA's Disclosure and Transparency Rules or section 793 of the Companies Act 2006) had been received by the Company as at 31 December 2017 and 1 March 2018:

	As at 31 December 2017	% of issued share capital	As at 1 March 2018	% of issued share capital
Standard Life Aberdeen	38,601,773	10.52	39,095,255	10.65
Schroder Investment Management	35,257,831	9.61	35,182,637	9.59
Fidelity Investment International	31,760,727	8.66	32,742,522	8.92
BlackRock Inc	27,236,400	7.42	26,872,095	7.32
Morgan Stanley Investment Management	18,357,885	5.00	18,357,885	5.00
Janus Henderson Investors	16,208,037	4.42	17,637,916	4.81

The processes by which the Company seeks to understand the views of its major shareholders are described on page 53.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

DIRECTORS

The following Directors served on the Board during the year.

P M G Nolan
O Brousse
P O'D Bourke
N T Hiscock
J J Beeton
D Rough
A K Wade
W M Samuel (appointed 7 December 2017)

Biographical details of the current Directors can be found on page 47 of this Annual Report.

BOARD OF DIRECTORS

The Directors listed above constituted the Board during the year. In accordance with best practice, all Directors will retire at each AGM and offer themselves for re-election.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Company has also entered into qualifying third party indemnity arrangements for the benefit of its Directors, in a form and scope which comply with the requirements of the Companies Act 2006.

MATERIAL CONTRACTS

The Group's £475 million committed corporate banking facilities dated 19 January 2015, as amended and restated on 21 June 2016 and 6 October 2017, mature on 9 March 2020 and include a change of control clause. In the event of a change of control occurring, it would be expected that new financing arrangements to fund the outstanding utilisations would need to be made by the incoming owners. Separately, the Group's £50 million liquidity facilities, originally due to mature in March 2018, were extended to February 2019. These facilities contain change of control provisions similar to the main facilities.

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 are handled by the relevant business head or Executive Committee member 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.

The framework within which decisions about people are made is set out in the Group's personnel policies which are available to all staff. It is part of those policies 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.

Further details relating to the employees of the Group (including details of certain of the Group's employment policies) can be found on page 45 of the Corporate Responsibility section of this Annual Report.

The Directors' Report, the Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report were approved by the Board on 7 March 2018.

MANAGEMENT REPORT

Together, the Strategic Report and the Directors' Report comprise the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.5R).

On behalf of the Board

Carolyn Cattermole
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
7 March 2018

CORPORATE GOVERNANCE REPORT

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the UK Corporate Governance Code (the Code) and best practice generally. The Company complied with the requirements of the Code throughout 2017. The Code is published by the Financial Reporting Council (FRC) and the full text is available on its website at www.frc.org.uk. The following section describes how the Board applies the main principles of the Code.

DIRECTORS

The Board believes it has an appropriate balance of skills and experience. On 7 December 2017 it was announced that Phil Nolan would be stepping down from the Board following the 2018 AGM and that his replacement would be Will Samuel who was appointed as non-executive Chairman Designate. Will is also Chairman of Tilney Group Limited. He joins John Laing having held a number of other non-executive roles and senior positions throughout his career.

The Board met on a regular basis throughout the year and as needed to deal with special business. The Board has appointed an Audit & Risk Committee, a Nomination Committee and a Remuneration Committee which consider issues relevant to their specific terms of reference. The offices of the Chairman and the Chief Executive Officer are held separately.

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board and also address any special business. Matters reserved for the Board include the review of strategy and organisational change, the review and monitoring 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. A schedule of matters reserved for the Board is published on the Company's website at www.laing.com. The Board receives regular reports on current trading and the financial position and forecasts of the Group prior to its meetings. 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. Olivier Brousse 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 Corporate Responsibility section of the Strategic Report on page 43 of this Annual Report.

The Company maintains a register of Directors' conflicts. At the end of each year, all Directors make a declaration concerning any conflicts they or their connected persons may have. In addition, at the start of each Board meeting, as a routine item, Directors are asked to declare any interests that might conflict with the agenda items under discussion. Directors may also notify the Company, via the Company Secretary, at any time, of any potential or future conflicts that may arise. Any such notifications are reviewed at the next Board meeting and, if considered appropriate, authorised. Directors do not participate in the discussion or vote regarding their own conflicts. If authorised, any conflicts are entered in the register of Directors' conflicts.

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, non-executive directors undertake an induction process to familiarise themselves with the Group's activities, policies and key issues. Since joining the Board in December 2017, the Chairman Designate has met all the senior managers in the Group as well as the Group's brokers, legal adviser and external auditor. During their appointment, non-executive directors are expected to dedicate adequate time to carry out their role effectively and to challenge management in a constructive way.

The Chairman meets regularly with the other non-executive directors to discuss the performance of the Board and the Board sub-committees. The performance of Executive Directors is measured against predetermined objectives that are agreed with each Executive Director at the start of the financial year.

The Chairman has no executive responsibilities but leads and sets the agenda for the Board. The Chairman also acts as an interface between the Executive Directors and non-executive directors.

EFFECTIVENESS

Following the external Board evaluation carried out in 2016, an internal review was conducted in 2017. A questionnaire covering the Board's role and composition, strategy, accountability, stakeholder management, behaviours and effectiveness was sent to the Directors and the Chairman then met with each individually to elaborate on answers and raise issues not covered in the questionnaire.

Overall the Board felt that it operated effectively and there were open and frank conversations with a strong focus on delivery and strategy, matters the 2016 evaluation had highlighted. There was agreement on the strategy and direction of the Company and where it needs to get to. Management had built a strong platform, a growing investment pipeline and the Board had committed itself to continued growth.

The review had established that the sub-committees of the Board were operating effectively and no major control or governance issues were observed within the Group.

Overall, there was strong agreement that the Board understood its role with clear Terms of Reference and a good mix of skill and experience. The 2016 evaluation had suggested that the Board's governance might need to become more international as the business grew into different geographies. Consideration would be given to this when identifying the background and experience which would be desirable in future non-executive appointments.

Succession planning was another matter identified by the 2016 evaluation and the Board had received a paper and presentation on this topic from the Chief Executive Officer at a strategy day held in October.

BOARD AND COMMITTEE ATTENDANCE

	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Total number of regular meetings in 2017	8	2	6	6

Total number of meetings attended in 2017

	Independent	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Executive Directors					
Olivier Brousse	No	8	2	n/a	n/a
Patrick O'D Bourke	No	8	n/a	n/a	n/a
Non-Executive Directors					
Phil Nolan	On appointment	8	2	n/a	n/a
Jeremy Beeton	Yes	8	2	6	6
Toby Hiscock	Yes	8	2	6	6
David Rough	Yes	8	2	6	6
Anne Wade	Yes	8	2	n/a	6

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 presentation of the half year and full year accounts, investment performance, acquisitions and disposals and the appointment of Directors and Directors' remuneration. Membership is determined by the Board and the duties of the Board sub-committees are set out in the following sections of this report.

All the sub-committees of the Board operate within clearly defined terms of reference which are reviewed and updated to reflect best practice and the Code as far as is commercially practicable. The terms of reference of the sub-committees are available on request from the Company Secretary and are published on the Company's website at www.laing.com.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee is chaired by Toby Hiscock, a non-executive director, who has up to date relevant financial experience. The other members are David Rough and Jeremy Beeton.

During the year, the Committee met six times. It considers risk management processes in addition to reviewing internal control procedures, including internal audit plans, and the interim and full year results, including external audit plans. Regular reviews of significant risks are undertaken at meetings of the Committee and its observations are reported to the Board. The Group's system of internal control is designed to manage and mitigate rather than eliminate altogether the risk of failure to meet business objectives and can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

The Internal Audit function provides independent assurance to the Board, through the Audit & Risk Committee, that internal control processes, including those related to risk management, are relevant, effective and have operated across the business throughout the year.

The Group Finance Director is normally invited to attend meetings, along with other members of management as appropriate. The external auditor and Head of Internal Audit are also invited to attend meetings and meet with the Audit & Risk Committee privately, without management present, at least once a year. Representatives from the Group's independent valuer attend meetings when the Committee consider the portfolio valuation.

The Committee considers and approves the external audit approach with the external auditor. The Committee reviews the independence of the external auditor and the procedures in place to ensure that its independence is not compromised. The Committee's specific approval is required for non-audit services performed by the external auditor where the fee is expected to exceed £20,000 in accordance with the Company's Charter of Statutory Auditor Independence (a copy of which can be found on the Company's website at www.laing.com).

Audit & Risk Committee meetings are minuted and copies of the minutes are provided to the Directors and the external auditor.

The Committee reports to the Board, through the Chairman of the Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION COMMITTEE

The Committee met formally twice during the year. Phil Nolan is the current Chairman of the Committee and Will Samuel will become Chairman of the Committee when he takes over from Phil Nolan as Chairman of the Company. The other members of the Committee are the four non-executive directors (Anne Wade, David Rough, Jeremy Beeton and Toby Hiscock) and the Chief Executive Officer.

The purpose of the Nomination Committee is to consider and make recommendations to the Board concerning all new Board appointments and the retirement of Directors and to make recommendations to the Board relating to the policy for the ongoing education and development of Directors. The Committee uses external search consultants or open advertising for recruitment purposes as deemed most appropriate. When nominating candidates for non-executive directorships, the Committee takes account of the need for diversity and independence.

David Rough, as Senior Independent Director, led the search for the new Chairman and there were a number of meetings involving Nomination Committee members which resulted in the recommendation to the Board of Will Samuel as Chairman Designate.

As referred to above, at the Group's strategy day in October 2017, the Board received a paper and presentation from the Chief Executive Officer on succession planning.

The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the most appropriate balance of skills, knowledge, experience and independence and to ensure their continued effectiveness.

REMUNERATION COMMITTEE

The Remuneration Committee has four regular scheduled meetings each year and meets additionally as circumstances require. The Committee met six times during the year. Anne Wade is the Chairman of the Committee. The other members are Jeremy Beeton, Toby Hiscock and David Rough.

The Remuneration Committee sets and monitors the overall remuneration policy for the Executive Directors and other senior executives. The Company has adopted the FCA's Remuneration Code which is applied to those staff involved in regulated activities. The Committee reviews, but does not limit itself to, the following key areas and makes recommendations to the Board accordingly:

- total remuneration (including base pay, bonus and incentive arrangements);
- method of remuneration;
- service contracts;
- terms and conditions and any material changes to the standard terms of employment; and
- approval of financial arrangements proposed by the Chief Executive Officer relating to the termination of Executive Directors' service contracts.

The activities, recommendations and approvals of the Committee are reported to the next routinely scheduled Board meeting.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee comprises the Executive Directors, the Group Managing Director – International Projects, the Chief Risk Officer, the three Regional Managing Directors, the Group HR Director and the Company Secretary. The Executive Committee deals with the day-to-day business of the Group and also considers Group-wide initiatives and priorities. It reviews the implementation of strategy, discusses the development of new investments and progress on existing investments. It also reviews the disposal of investments and proposals before they are presented to the Board and monitors progress against the budget.

INVESTMENT COMMITTEE

The purpose of the Investment Committee is to make recommendations to the Board, or to approve proposals within its delegated authority, in relation to the Group's investments in infrastructure projects. The Committee also reviews the Group's portfolio valuation and monitors the balance of risk across the portfolio. The activities, recommendations and approvals of the Committee are reported to the Board. The Committee's delegated authorities are reviewed annually by the Board.

Members of the Committee are appointed by the Board and comprise the Executive Directors, the Group Managing Director – International Projects, the Company Secretary (or the Group Head of Legal as alternate), the Chief Risk Officer and up to five other persons as the Chief Executive Officer shall nominate from time to time. The Committee is currently chaired by the Chief Executive Officer and usually meets at least fortnightly.

The role of the Investment Committee was reviewed in 2016 with the help of external consultants. A number of changes were implemented including the appointment of a dedicated resource in order to improve the quality of risk analysis.

DIVESTMENT COMMITTEE

During 2017 the Company established a Divestment Committee. Its purpose is to provide oversight and recommendations on all proposed disposals. The Committee generally meets once per month, with other meetings scheduled as necessary. The Committee comprises the Executive Directors, the Group Managing Director – International Projects, the Company Secretary, the Chief Risk Officer and up to three other senior managers. The Committee is currently chaired by the Group Finance Director.

MANAGEMENT RISK COMMITTEE

The Management Risk Committee's role is to assist the Audit & Risk Committee and Board in monitoring financial, legal and regulatory risks, by reviewing the internal control and risk management systems of the Group. The Committee normally meets six times a year.

Members of the Committee are appointed by the senior management and comprise at least three members of the senior management team, including the Group Finance Director. During 2017 the Committee was chaired by the Group Finance Director. With effect from the beginning of 2018, the Committee has been chaired by the Chief Risk Officer. The other members of the committee are currently the Group Finance Director, the Company Secretary, the Group Managing Director – International Projects and three other senior managers.

ENGAGEMENT WITH SHAREHOLDERS

The Board is committed to providing shareholders with timely announcements of significant events or transactions affecting the Company, including its financial performance and any changes to strategy as well as material investment commitments and realisations. As part of this, the Company's brokers provide regular market feedback to the Board and senior management. In addition, the Chairman and Senior Independent Director are available to shareholders to discuss governance, strategy or any concern they may have. It is proposed that Will Samuel will offer to meet the Company's top 10-20 shareholders once he takes over as Chairman in May.

The Chief Executive Officer and the Group Finance Director are responsible for the Company's interaction with existing shareholders, potential new shareholders and analysts. To ensure its financial and operational performance and strategic objectives are properly communicated, the Company operates a dedicated investor relations programme. This includes formal events along with other meetings outside the financial reporting calendar. In November 2017, the Chief Executive Officer, together with other members of the senior management team, hosted the Company's second investor day since its IPO; this focused on the North American market and its potential; the background to how John Laing makes renewable energy investments; potential new markets; John Laing's financial resources and the impact of macroeconomic factors on the Company's balance sheet.

AUDIT & RISK COMMITTEE REPORT

ROLE OF THE COMMITTEE

The Committee's responsibilities have not changed since last year's report. They are, in summary, to:

1. Scrutinise the integrity of the Group and Company financial statements, preliminary announcements, trading updates and other statements on financial performance and prospects, prior to their publication;
2. Review the content of the annual and interim report and accounts and advise the Board on whether, as a whole, they are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group and Company's financial affairs, business model and strategy;
3. Monitor the efficacy of the Group's internal financial and operational controls, including compliance with FCA requirements, insurance cover, data protection and cyber security, business continuity and disaster recovery plans;
4. Monitor and assess the work and matters arising from the Internal Audit function;
5. Consider and recommend to the Board the appointment, reappointment, resignation or removal of the Group's external auditor, subject to approval of the Company's shareholders at the AGM;
6. Negotiate and agree on behalf of the Board the external auditor's remuneration, including fees for any non-audit services performed;
7. Assess the external auditor's independence and objectivity, the overall effectiveness of the external audit process and the quality of work delivered, including scrutiny and approval of any non-audit services;
8. Advise the Board on the Group's overall risk appetite and tolerance and monitor the confluence of risks affecting the Group's markets and investments;
9. Review the results of regular stress testing of the Group's major financial exposures;
10. Advise the Board on any proposed strategic transactions, such as acquisitions and disposals of recourse business entities; and
11. Advise the Remuneration Committee on any risk weightings applied to the performance objectives of Executive Directors, wider management and staff.

COMPOSITION OF THE COMMITTEE

There were no changes to the membership of the Committee during the year. It continues to comprise the following independent non-executive directors:

Toby Hiscock (Chair)
Jeremy Beeton
David Rough

The Committee Chair is deemed to have up to date relevant financial experience and competence in accounting matters. The Committee as a whole has extensive experience in the sector in which the Company operates, investing in international infrastructure. Further details of the qualifications and experience of Committee members are given on page 47 of this Annual Report.

COMMITTEE MEETINGS

The Committee met six times during the year, including twice on the interim report and accounts prior to their publication, to assess inter-alia a settlement agreement reached with the Greater Manchester Waste Disposal Authority (GMWDA) in respect of the Group's investment in Manchester Waste VL Co and its impact on the half-year portfolio valuation (see page 25).

The Group Finance Director and other management representatives attend Committee meetings together with the Head of Internal Audit and the external auditor. In addition, both the internal and external auditors met privately with the Committee during the year, without management present.

The Committee Chair attends the Company's AGM and is prepared to answer any questions from shareholders on matters falling within the Committee's responsibilities.

SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE IN THE 2017 GROUP AND COMPANY FINANCIAL STATEMENTS

1. **Investment portfolio valuation** – The valuation of the Group's investment portfolio is at the core of its financial reporting and the Committee has a particular duty to ensure it is comprehensively reported in a fair, balanced and understandable way.

   A full valuation of the Group's investments is prepared every six months, at 30 June and 31 December each year, with a review at 31 March and 30 September each year, using a discounted cash flow methodology. The valuation assumes that investments and their related cash flows are held until maturity. Changes in the fair value of investments are recognised in the Group Income Statement in net gains on investments at fair value through profit or loss.

   In preparing the valuation, the key assumptions made by management include:

   i) forecast cash flows accruing to each investment;

   ii) macro economic factors affecting forecast cash flows, including estimates of long-term inflation, interest, currency and taxation rates, energy yield and future power prices; and

   iii) discount factors applied to each investment to reflect market and operational risks.

   The valuation of investments is sensitive to changes in these assumptions and, in order to aid shareholders, the key sensitivities are illustrated in the Portfolio Valuation section on pages 24 to 28 of this Annual Report.

   During the year the Committee reviewed and challenged the valuations and disclosures prepared by management as well as the work performed by the Group's independent valuer, a professionally qualified third party, and the procedures carried out by the external auditor. At the half year, there was a particular focus on the Group's investment in Manchester Waste VL Co following a settlement agreement reached with the GMWDA in the period. Furthermore, the Committee has reviewed the discount rate ranges between primary and secondary assets by inspection of market evidence and cross-examination of subject-matter experts, to ensure trends are properly reflected in the Group's portfolio valuation. It has also observed the downward trend in power price forecasts produced by independent third parties and challenged the valuation of the Group's renewable energy assets accordingly.

   We are satisfied that the Group's investment portfolio as a whole is reflected in the 2017 accounts at its prevailing fair value.

2. **Retirement benefit obligations** – The net deficit in the Group's two defined benefit and post-retirement medical schemes has been reflected in the Group Balance Sheet as at 31 December 2017 in accordance with IAS 19. During the year the Group agreed to a request by the scheme trustee to enhance pension commutation factors, thus increasing scheme liabilities. This was offset by a reduction in longevity expectations, as predicated in latest published actuarial tables.

   The deficit is sensitive to movements in future price inflation, discount rates and life expectancy and can, therefore, be volatile. To assist shareholders, the key sensitivities have been included in note 19 of the Group financial statements on page 109 of this Annual Report.

   The IAS 19 deficit calculation is prepared by the Company with input from the Group's actuarial adviser. Following a detailed review and challenge of the underlying assumptions, in addition to assessing the procedures performed by the external auditor, the Committee is satisfied that the net deficit shown as at 31 December 2017 is properly disclosed and fairly reflects the Group's retirement benefit obligations at that date as prescribed by IAS 19. Furthermore, the Committee is satisfied that, based on legal advice, there is no minimum funding requirement and consequently no additional pension liability arising under IFRIC 14.

3. **Principal risks and uncertainties** – The Committee received various presentations and reports from management during the year on inter alia bidding activities, portfolio management, major financial exposures and related provisions, and taxation risks. We looked at: markets; business growth; organisational risks; the aggregated exposures to contractors that the Group partners with; and topics raised by subject matter experts, for example on taxation strategy, risk management and cyber security. During the period a statement of the Group's taxation strategy was recommended by the Committee to the Board for approval and published in accordance with the Finance Act 2016. In addition we reviewed and approved an anti-evasion policy on taxation as required by the Criminal Finances Act 2017.

   A risk assurance map has been created for the Group and will be monitored and updated by the Committee at regular intervals. Following discussions with management, we are pleased to report the appointment of Mark Westbrook as Chief Risk Officer with effect from January 2018. Mark has been appointed to the Executive Committee in his new role (see page 52). He is a senior and seasoned member of the management team and will attend meetings of the Committee going forward and provide executive support to it in relation to its responsibilities for monitoring risks. Mark will also take over the chair of the Management Risk Committee from the Group Finance Director.

   Whilst we cannot give absolute assurance that the Group's internal control system is operating effectively, we are satisfied that overall the control and compliance culture of the Group is strong and its risk base is well diversified, which helps to provide reasonable assurance that these financial statements are free from material error and/or misstatement.

AUDIT & RISK COMMITTEE REPORT (CONTINUED)

SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE IN THE 2017 GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. **Financial Reporting Council (FRC) review of 2016 Annual Report and Accounts and key developments for 2017/18** – As part of its normal cycle of work, the Conduct Committee of the FRC conducted a limited review of the Group's 2016 Annual Report and Accounts during the year and commented on the following main areas:

   i) determination of the Group's investment entity status in accordance with IFRS 10;

   ii) details of the Group's taxation charge and reconciliation; and

   iii) the sensitivity of the Group's portfolio valuation to changes in assumptions.

   The Group has responded to the FRC on each of its comments and has enhanced disclosures in these and supplementary areas of the 2017 Annual Report and Accounts.

   In addition, the FRC wrote to UK public and large private companies, including the Group, during the year to highlight a number of disclosure areas it will focus on in 2017/18 accounts, namely cash flows, dividends, pensions, and other critical judgments and estimates. The Committee has paid particular attention to these themes and is satisfied with the level of disclosures in these financial statements.

INTERNAL AUDIT

The Head of Internal Audit continues to report directly to the Committee and have access to the Company and Committee Chairs at any time.

During the year the Committee again scrutinised the efficacy of the Internal Audit function including its:

i) terms of reference, budget and resourcing – both internal and co-sourced arrangements;

ii) risk-based programme of work; and

iii) reports and the adequacy of responses from management to them. As in previous years, Internal Audit achieved its coverage plan for 2017 and the majority of audits completed were rated as good or satisfactory. There were no new emerging trends or themes.

Following a review of resources during the period, the Committee is pleased to report an increase in Internal Audit headcount, from two to three full-time heads, to match the Group's expansion into international markets and growth in funds under management. This should enable the function's continued satisfactory performance and contribution to the business.

EXTERNAL AUDIT

Further to the Group conducting a competitive tender of its audit during 2016 and the re-appointment of Deloitte with a change of partners, the Committee is satisfied with the effectiveness of the external auditor's audit and independence in respect of 2017, after scrutiny of:

1. Deloitte's planned approach to the interim and annual accounts, including the fresh perspective brought as a result of the tender process;
2. Deloitte's execution of the above approach, such as inter alia its physical inspection and valuation of the Group's investment portfolio, together with any adjustments or qualifications to the accounts (of which there were none);
3. Deloitte's arrangements to ensure there were no conflicts of interest arising from its work;
4. Deloitte's safeguards over its audit independence and objectivity;
5. The extent and quality of any non-audit services provided by Deloitte during the year; and
6. The day to day management of the audit relationship by the Group Finance Director and his team.

The Company has published on its website a Charter of Statutory Auditor Independence which summarises the arrangements that ensure the external auditor remains independent throughout its term. In particular the external auditor is required to rotate its engagement partner at least every five years (Claire Faulkner was appointed as engagement partner in 2016) and the audit is subject to an open market tender no more than every ten years (last tendered in 2016). In addition no work by the external auditor is permitted in a range of areas including: secondments to management; bookkeeping services; systems design and implementation work; valuation and actuarial services; human resources and Internal Audit support; and any other activities that could create an actual or perceived conflict of interest.

The Group has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

EXTERNAL AUDIT (CONTINUED)

The Committee reviewed and approved on behalf of the Board the external auditor's terms of engagement and remuneration. Fees for audit services to the Company and recourse subsidiaries during the year amounted to £224,257 (2016 – £185,806). Fees for audit services to non-recourse subsidiaries during the year amounted to £59,403 (2016 – £62,129). The increase in fees for audit services to the Company and recourse subsidiaries was due to additional work on the Group's investments in certain project companies which Deloitte does not audit.

Any potential non-audit work by the external auditor is considered case by case by the Committee and is generally awarded on a competitive basis.

The only non-audit work performed by Deloitte in 2017 was, as in the prior year, in relation to its review of the Group and Company interim financial statements and the annual review of the Group's FCA regulated subsidiary. Fees for this work amounted to £61,000 (2016 – £44,800). The increase in 2017 fees was due to a) additional work by the external auditor on the interim results following the settlement agreement on Manchester Waste VL Co and its impact on the portfolio valuation and b) an increase in scope of the FCA review in response to additional industry-wide obligations imposed by the regulator.

With regards to the rights issue launched with announcement of these results, the Committee approved the appointment of Deloitte as reporting accountant because:

- it is represented by an independent partner;
- its work is limited to a small number of reporting workstreams with no management role;
- it is familiar with the Group's cash forecasting methodology, having carried out a working capital review for the IPO in 2015;
- it can draw on the knowledge of the external audit team; and
- its fee proposal was considered competitive relative to market benchmarks. Although material in the context of the Group's average statutory audit fee over the last three years, the fee is not in breach of the cap on non-audit services recently set out in EU Audit Legislation which does not come into effect until the Group's financial year end in 2020.

The principal area of work for the reporting accountant is a working capital review for the benefit of the rights issue's sponsors, Barclays and HSBC. This is to provide comfort to them on the working capital statement made by the Directors in the prospectus. The other main areas of work are:

- A review of a proforma net asset statement;
- A review of any material changes since 31 December 2017;
- Confirmation of financial numbers extracted from the audited accounts; and
- Comments on drafting of the prospectus and responding to the UK Listing Authority's review thereof.

The recommendation to reappoint Deloitte was supported unanimously by the Board and will be subject to shareholder approval at the Company's forthcoming AGM.

OTHER MATTERS

As part of the Board's review of its effectiveness in 2017 the work of its committees, including the Committee, was assessed by Directors. The comments were positive although we will look to enhance structured training of members, for example through further presentations on topics by subject experts, during the course of 2018.

Other matters considered by the Committee during 2017 included:

i) the lookout period and forecast assumptions for the Group's viability statement and the adoption of the going concern basis in these financial statements;

ii) the Group's compliance with market abuse regulation, including anti-bribery, anti-money laundering and whistle blowing arrangements; and

iii) the Group's policies and procedures for preventing and detecting fraud.

After detailed consideration and enquiry, including testing of evidence provided by management, each of these matters was deemed satisfactory by the Committee.

Toby Hiscock
AUDIT & RISK COMMITTEE CHAIRMAN
7 March 2018

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017.

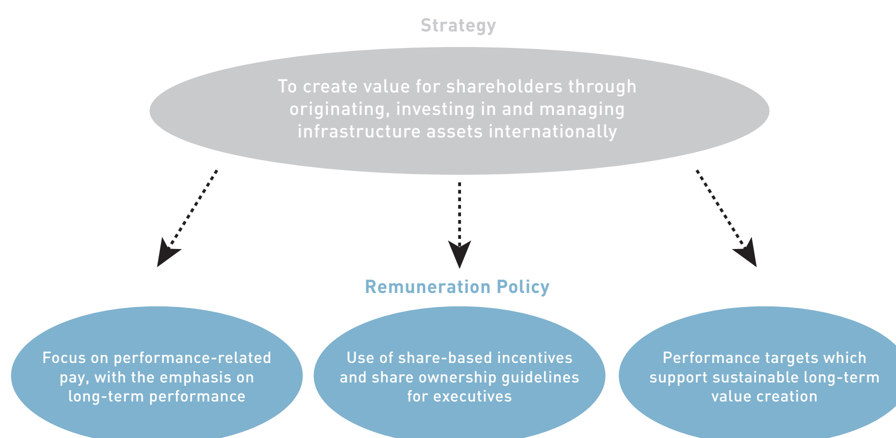
This report is split into two sections:

- Annual Report on Remuneration – this sets out in detail how the remuneration policy has been applied in 2017, the remuneration received by Directors for the year and how the policy will be applied in 2018. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM in May 2018.
- Directors' Remuneration Policy – this sets out the remuneration policy for the Executive Directors, Chairman and non-executive directors. The Directors' Remuneration Policy is subject to approval by shareholders every three years. The policy was approved by shareholders at our 2016 AGM and therefore was not subject to a shareholder vote in 2017.

REMUNERATION AT A GLANCE

How the remuneration policy supports our business strategy

Our remuneration policy is designed to support the Group's strategy as summarised below:



In addition to setting the remuneration for the Executive Directors, the Remuneration Committee also has oversight of remuneration for all members of the senior management team, ensuring a cohesive approach to reward is operated throughout the Group.

SUMMARY OF THE CURRENT REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTOR

	Element	Description	Opportunity
Fixed	Base pay	Salaries are set taking into account the experience of the Director, his/her role and responsibilities.	Current salaries are £465,000 for the Chief Executive Officer and £346,300 for the Group Finance Director.
	Benefits	Private medical insurance, life insurance, permanent health insurance and, for Patrick O'D Bourke, a car allowance.	Market competitive.
	Pension	Cash allowance in lieu of pension.	15% of salary.
Variable	Bonus	Annual bonus is determined by reference to corporate and individual performance*. Any bonus above target (60% of salary) is deferred into shares vesting in equal tranches over one, two and three years subject to continued employment.	Up to 100% of salary (60% of salary at target).
	LTIP	Shares vest after three years subject to continued employment and the achievement of NAV per share and Total Shareholder Return (TSR) targets (with 50% of the award on each measure). Executive Directors are required to retain the net of tax number of any shares vesting under the LTIP for a further two years post-vesting.	Current award levels are 175% of salary per annum for the Chief Executive Officer and 150% of salary per annum for the Group Finance Director (within a policy maximum of 200% of salary per annum).

* The performance measures for the 2017 Bonus are set out in the Annual Report on Remuneration on page 62.

REMUNERATION RECEIVED BY THE EXECUTIVE DIRECTORS FOR 2017

£'000	Salary	Benefits	Pension[1]	Bonus[2]	Long-Term Incentives[3]	Total
Olivier Brousse	434	2	56	342	774	1,608
Patrick O'D Bourke	336	12	43	251	514	1,156

1 Cash allowance in lieu of pension is paid net of employer's national insurance.

2 Bonuses were based on an assessment of corporate and individual performance objectives (see page 62 for further details).

3 This relates to the estimated value of the 2015 LTIP which will vest in April 2018, see page 63.

2017 has been a busy year for John Laing, as we continue to scale up the business and strengthen the pipeline of investment opportunities for future growth across our three regions. New investment commitments of £383 million were significantly ahead of the targets set at the start of the year and total realisations increased to £289 million (compared to £147 million for 2016), providing additional funding for new investments and enabling us to declare a special dividend for 2017 of 4.88p. The investment portfolio as a whole is performing well and we are pleased to report NAV as at 31 December 2017 of £1,124 million (up 10.5% on prior year) and value enhancements of £66 million.

The Executive Directors are eligible for an annual bonus of up to 100% of salary. The majority of the bonus (up to 80% of salary) is based on a scorecard of corporate financial targets to provide a rounded assessment of the financial performance of the business. Detail of the scorecard targets set and performance against them is disclosed in full on page 62. Based on performance against the targets and the overall strong performance of the business over the year, a bonus of 60.8% of salary (76% of the maximum) was awarded for the corporate element of the bonus. The remainder of the bonus (up to 20% of salary) is based on specific individual targets for each Executive Director, the weighting of the bonus on personal objectives being reduced from 40% in 2016. Details of the Committee's assessment against the personal objectives are set out on page 62. The Executive Directors performed strongly against their personal objectives set resulting in overall bonuses for 2017 of 78.8% of salary for the Chief Executive Officer and 74.8% of salary for the Group Finance Director. Part of the bonus is deferred into shares.

The first awards granted under the John Laing Group plc Long Term Incentive plan are due to vest in April 2018. The awards were based on half on compound annual growth in NAV per share and half on relative TSR. NAV per share was measured over three financial years to 31 December 2017. NAV per share grew by 15.5% per annum over this period, resulting in 69% of shares for this part of the award becoming eligible to vest. The performance period for the relative TSR condition runs until 15 April 2018. Based on performance as at 15 February 2018, the estimated level of vesting for this part of the award is 81%. The awards will vest once the final outcome of the TSR performance condition is known. Any shares vesting to the Executive Directors are subject to a two year post-vesting retention period.

REMUNERATION FOR 2018

In terms of application of the policy for 2018:

- The Group's results demonstrate continued strong financial and operational performance and our employees, including the senior management team, have been critical to this success. The Remuneration Committee is conscious of the need to ensure that the remuneration of our top talent reflects their experience, performance and contribution to our success and remains market competitive. The Remuneration Committee recently undertook salary reviews for the Executive Directors and wider senior leadership team, including employees in John Laing Capital Management Limited. The review took into consideration the performance of the Group as a whole, individual performance, roles and responsibilities, individual relativities and industry benchmark data. Following this review, the Committee approved an average salary increase of 4% across the workforce. The increase for the Group Finance Director, Patrick O'D Bourke, was 3.0%, bringing his salary to £346,300 from 1 January 2018. The Chief Executive Officer, Olivier Brousse, received a 7.1% increase, increasing his salary from £434,300 to £465,000 effective from 1 January 2018. The increase for the Chief Executive Officer reflects his strong performance in the role since IPO and bringing his salary closer to, but still below, the market level following limited salary increases since his appointment in March 2014 on a salary of £420,000. The Committee continues to monitor salary levels across the Group to ensure that they remain appropriate and reflect the competitive nature of the industry in which we operate.
- The structure and operation of the bonus scheme remain unchanged. The bonus maximum remains 100% of salary. Bonuses will continue to be based on corporate and individual performance. The measures used to assess corporate performance for 2018 will be:
  - NAV
  - Distributions (excluding from non-portfolio assets)
  - Divestments
  - New investments
  - Value enhancements
  - Profit before tax.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

REMUNERATION FOR 2018 (CONTINUED)

The detailed targets and how the Group has performed against them will be set out retrospectively in next year's Annual Report on Remuneration.

- Annual LTIP awards will be granted at 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director as in 2017. The awards will continue to be based 50% on relative TSR and 50% on growth in NAV per share. Details of the relative TSR targets to be applied to the 2018 awards, which are consistent with those applying to the 2017 awards, are shown on page 63. The NAV per share targets for the 2018 awards will require 10% to 16% p.a. compound annual growth rate over three years for 25% to 100% vesting of this part of the award. These targets are the same as for 2017.
- The annual fee for the Chairman will increase to £200,000 when Will Samuel becomes Chairman immediately following the Company's AGM on 10 May 2018. Base annual fees for other non-executive directors will increase by £5,000 to £50,000 with effect from 1 May 2018. In addition, the fee for chairing the Remuneration Committee will increase by £5,000 to £15,000 to match the fee for chairing the Audit & Risk Committee.

SUMMARY

The aim of this report is to communicate details of Executive Director compensation and how this is clearly linked to performance. We are committed to maintaining an open and transparent dialogue with shareholders and I welcome any comments you may have.

During the course of 2018, the Committee intends to undertake a review of the Remuneration Policy, ahead of the shareholder vote to renew the policy required at the 2019 AGM. If any significant changes to the policy are proposed following this review, we will consult with the Company's major shareholders in advance.

I very much hope that you will support the resolution to approve the Annual Report on Remuneration at the forthcoming AGM. We firmly believe that our remuneration policy is right for the Company and that it will continue to motivate and incentivise our senior team to deliver the Company's strategy.

Anne Wade
CHAIRMAN, REMUNERATION COMMITTEE
7 March 2018

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

Remuneration Committee members

Anne Wade (Chairman)
Jeremy Beeton
Toby Hiscock
David Rough

All members of the Committee are independent non-executive directors. Further details on the members of the Committee can be found on pages 46 and 47 of this Annual Report.

Responsibilities

The Committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for the Executive Directors, the Chairman and other senior executives and prepares an Annual Report on Remuneration for approval by shareholders at the AGM. The Committee's terms of reference can be viewed on our website at www.laing.com/investor-relations/corporate-governance. Details of the number of meetings held during the year are shown in the Corporate Governance Report on page 51.

Advisors

The Committee receives information and takes advice from inside and outside the Group. Internal support is provided by the Group HR Director and the Company Secretary. The Chairman and Chief Executive Officer are invited to attend meetings where appropriate. No individual is present when matters relating to his/her own remuneration are discussed.

New Bridge Street (NBS) was appointed in early 2015 to act as the independent adviser to the Committee. NBS is a trading name of Aon Hewitt Limited, which is a subsidiary of Aon plc. Fees are normally charged on a time spent basis, with estimates provided in advance for particular projects. The total fees paid to NBS in respect of its services to the Committee during the year were £53,842 plus VAT (2016 – £38,986 plus VAT). The increase is largely due to an exercise on international benchmarking carried out during the year. NBS also provided advice to the Company in relation to the implementation of the Company's share plans. NBS is a signatory to the Remuneration Consultants' Code of Conduct and reports directly to the Chairman of the Committee. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

Directors' single total figure of remuneration for 2017 (audited)

The table below provides a breakdown of the various elements of Director pay for the year ended 31 December 2017 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2017 to 31 December 2017, and the prior period from 1 January 2016 to 31 December 2016.

	Salary/Fees		Benefits[1]		Pension[2]		Bonus[3]		LTIP[4]		Other		Total	
£'000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Olivier Brousse	434	430	2	2	56	56	342	271	774	nil	n/a	n/a	1,608	759
Patrick O'D Bourke	336	333	12	12	43	43	251	210	514	nil	n/a	n/a	1,156	598
Dr Phil Nolan	180	180	–	–	–	–	–	–	–	–	–	–	180	180
Will Samuel[5]	3	–	–	–	–	–	–	–	–	–	–	–	3	–
David Rough	55	55	–	–	–	–	–	–	–	–	–	–	55	55
Jeremy Beeton	45	45	–	–	–	–	–	–	–	–	–	–	45	45
Toby Hiscock	60	60	–	–	–	–	–	–	–	–	–	–	60	60
Anne Wade	55	55	–	–	–	–	–	–	–	–	–	–	55	55

1. This relates to private health insurance. The figure for Patrick O'D Bourke also includes a car allowance of £10,200.
2. Paid as a cash supplement in lieu of pension.
3. In accordance with the Deferred Share Bonus Plan (DSBP), any amount over 60% of salary awarded in bonus is deferred in shares. Awards under the DSBP vest in equal tranches on the first, second and third anniversary of grant, subject to continued employment.
4. The 2015 LTIP award is due to vest in April 2018. 50% of the award is based on NAV per share performance over a three year period to 31 December 2017. The remaining 50% is based on relative TSR performance which is measured to 15 April 2018, for which an estimated outcome has been used in calculating the above figures. The estimated value of the shares is based on the share price for the last three months of 2017. See page 63 for further details.
5. Appointed to the Board on 7 December 2017.

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Governance
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DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Details of variable pay earned in the year (audited)

Annual Bonus

The bonus payable for 2017 (excluding JLCM employees) was assessed by the Committee taking into account performance against the following scorecard of metrics:

£ million	Threshold	Target	Stretch	Actual	Narrative
NAV	1,083	1,140	1,198	1,124	Between threshold and target
Value enhancements	36	38	41	66	Above stretch
Distributions (excluding from non-portfolio assets)	37	39	43	40	Between target and stretch
Disposals	257	271	298	289	Between target and stretch
New investments	214	225	247	383	Above stretch
Profit before tax	142	150	165	126	Below threshold

Based on the achievement of the above scorecard of metrics, the Committee determined that the overall bonus payable for corporate performance was 76% of the maximum, equivalent to 60.8% of salary for the Executive Directors.

In addition to the overall Company targets, the Executive Directors were given specific individual objectives which accounted for 20% of their maximum bonus entitlement. The individual objectives for 2017 and a summary of the Committee's assessment of the Executive Directors' performance against these objectives are set out below:

Chief Executive Officer, Olivier Brousse

In addition to oversight of all Group objectives, the Chief Executive Officer was individually tasked with:

- Completing a comprehensive review of the senior management structure at John Laing to best align the Group for future growth opportunities. The Chief Executive Officer recently initiated an internal reorganisation under which the Primary Investment and Asset Management teams in each of our three geographical regions will in future report to a single regional head, complemented by a Group Chief Risk Officer, each of whom reports to the Chief Executive Officer.
- Making a significant step-change in the size and profile of the North American business. We have seen a marked increase in the pipeline, in our shortlisted positions and an increase in committed investments.
- Review and reform of the Investment Committee. This has been done with success.

The Board is pleased with the progress to date, including the sizeable step-change in the Group's total investment commitments, and accordingly awarded the Chief Executive Officer 90% of the maximum potential for performance against his individual objectives.

Group Finance Director, Patrick O'D Bourke

In addition to oversight of all Group objectives, the Group Finance Director was individually tasked with:

- Developing and agreeing with the Board a future funding strategy with options for financial flexibility to meet the increasing investment opportunities as well as dividend expectations. This was a continued process begun in 2016 and supported the Group's increase in investments in 2017.
- Establishing a new Divestment Committee with the goal of improving visibility of the Group disposal pipeline over the next three years and efficiency on disposal costs. While we achieved a good outcome on realisations in 2017 this process remains a work in progress.

The Board has awarded the Group Finance Director 70% of the maximum potential for performance against his individual objectives.

Overall, bonuses for 2017 for the Executive Directors were as follows:

% salary	Olivier Brousse	Patrick O'D Bourke
Corporate (maximum 80% of salary)	**60.8%**	**60.8%**
Individual (maximum 20% of salary)	**18%**	**14%**
Total (maximum 100% of salary)	**78.8%**	**74.8%**
Total (£000)	**342**	**251**

Bonuses up to 60% of salary are paid in cash with any bonus above this level awarded in the form of deferred shares, vesting in equal tranches over one, two and three years, normally subject to continued employment. Any deferred shares due will normally be awarded as soon as practicable following the results announcement in March.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Vesting of the 2015 Long-Term Incentive Plan award (audited)

The first awards granted under the John Laing Group plc Long-Term Incentive Plan (LTIP) are due to vest

Measure	Weighting	Performance period	Threshold target (25% vesting)	Stretch target (100% vesting)[1]	Performance outcome
Compound annual growth in NAV per Share	50%	1 January 2015 to 31 December 2017[2]	12% p.a.	18% p.a.	15.5% p.a. growth[3] resulting in 68.75% of this element vesting.
TSR relative to the constituents of the FTSE 250 Index	50%	16 April 2015 to 15 April 2018	Median ranking	Upper quartile ranking or above	The performance period for the TSR condition has not yet ended, but as at 15 February 2018, John Laing was ranked between the median and upper quartile of the comparator group resulting in an estimated 81.43% of this vesting element.

1 For performance between threshold and stretch, awards vest on a straight line basis.

2 The base year for the measurement of the growth in value of NAV per share was the 2014 financial year, and at 31 December 2014 the NAV per share value was 210p which was adjusted to include the funds raised in the Company's IPO in February 2015.

3 NAV is based on the figures reported in the Company's annual financial statements but adjusted to include the value of any dividends paid to or approved by shareholders during the three year performance period. NAV per share for 2017, the final year of the performance period, adjusted to include the value of dividends, was 323p.

The performance period for the relative TSR condition has not yet ended, but based on performance to-date, 81.43% of this element would vest. Taking the NAV per share growth element of 68.75%, this would give rise to an overall expected level of vesting of 75.09%. The final vesting position will be disclosed in next year's report.

	Type of award	Number of shares granted	Anticipated number of shares vesting	Estimated value of shares vesting[1]
Olivier Brousse	LTIP (nil cost option)	342,820	257,423	£774,482
Patrick O'D Bourke	LTIP (nil cost option)	227,560	170,874	£514,091

1 Value based on the average share price over the period 1 October 2017 to 31 December 2017 (283.9p), including the value of dividend equivalents (16.96p per share) to be rolled-up and paid out based on the number of shares estimated to vest.

As a result of the rights issue announced on 8 March 2018, the Company will make appropriate adjustments to awards held under its share plan arrangements, to ensure award holders will not be disadvantaged compared to shareholders.

The awards were structured as nil cost options and, on vesting, will ordinarily be capable of exercise up to the day before the tenth anniversary of grant. The awards are subject to a post-vesting holding period and the Executive Directors must retain the net number of shares vesting under the LTIP (after tax) for two years post vesting.

Details of share awards granted in the year (audited)

The following LTIP awards were granted to the Executive Directors during the financial year:

	Type of award	Award size	Face value	Number of shares[1]	Grant date	Performance period	Performance targets
Olivier Brousse	LTIP (nil cost option)	175% salary	£757,044	262,680	19 April 2017	1 January 2017 to 31 December 2019	50% based on relative TSR and 50% based on NAV per share
Patrick O'D Bourke	LTIP (nil cost option)	150% salary	£504,436	175,030			

1 Calculated using the closing middle market share price on the day preceding the date of grant which was 288.2 pence.

The performance conditions attached to the awards are:

- 50% is based on TSR performance against a comparator group comprising the members of the FTSE 250 index. 25% of the shares in this tranche will vest for median performance with full vesting for upper quartile performance or above (straight line vesting between these points).
- 50% is based on the compound annual growth in the Group's NAV per share. NAV per share growth will be based on the NAV per share reported in the Group's annual financial statements but adjusted to include the value of any dividends paid to or approved by shareholders during the three year performance period. The NAV per share figures may also be adjusted at the discretion of the Committee to reflect any regulatory or accounting changes or any changes to the Company's share capital. 25% of the shares in this tranche will vest for 10% per annum compound growth, with full vesting for 16% per annum compound growth or above (straight line vesting between these points).

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The awards are structured as nil cost options and will normally vest on the later of the third anniversary of grant and the determination of the performance conditions, and will then normally remain exercisable until the day before the tenth anniversary of the date of grant provided the individual remains an employee or officer of the Group. The Executive Directors may not sell shares vesting under the LTIP (other than to settle related tax liabilities) within two years of vesting.

The following were granted to the Executive Directors under the DSBP during the financial year. These related to the deferred element of the 2016 bonus.

	Type of award	Award size	Face value	Number of shares[1]	Grant date
Olivier Brousse	DSBP (nil cost option)	Bonus earned over 60% of salary	£12,900	4,808	17 March 2017
Patrick O'D Bourke	DSBP (nil cost option)	Bonus earned over 60% of salary	£9,989	3,723	17 March 2017

1 Calculated using the closing middle market share price on the day preceding the date of grant which was 268.3p.

The awards will vest in three equal tranches on each of the first three anniversaries of the date of grant and will then remain exercisable until the day before the tenth anniversary of the date of grant provided the individual remains an employee or officer of the Group.

The first tranche of shares granted under the deferred element of the 2015 bonus vested during the year. The value of the shares on vesting was £16,788 for Olivier Brousse, and £13,278 for Patrick O'D Bourke (calculated using the closing middle market share price on the date of vesting, 15 March 2017, which was 260.2p).

Chairman and non-executive director fees

The current fees for the Chairman and the non-executive directors are set out below:

	Fee
Chairman	£180,000
Non-executive directors:	
Base fee	£45,000
Additional fees for:	
– Chairing the Audit & Risk Committee	£15,000
– Chairing the Remuneration Committee	£10,000
– Senior Independent Director	£10,000

In addition, the Chairman and the non-executive directors are entitled to reimbursement of reasonable expenses.

Will Samuel is entitled to an annual fee of £45,000 for his role as non-executive director and Chairman Designate, which will increase to £200,000 when he becomes Chairman immediately following the Company's AGM on 10 May 2018.

The base fee for non-executive directors will increase to £50,000 per annum as from 1 May 2018. The additional fee for chairing the Remuneration Committee will increase to £15,000.

Directors' shareholdings (audited)

The following table sets out a summary of the Directors' interests in shares (including any interests held by connected persons).

	No. of shares owned on 31 December 2016	No. of shares owned on 31 December 2017	Other interests in shares as at 31 December 2017		Total interest in shares as at 31 December 2017
			Outstanding LTIP awards	Outstanding Deferred Share Bonus Plan awards	
Olivier Brousse	155,604	168,929	935,830	17,372	1,122,131
Patrick O'D Bourke	136,282	141,385	621,860	13,660	776,905
Dr Phil Nolan	110,256	110,256	N/A	N/A	110,256
David Rough	35,256	35,256	N/A	N/A	35,256
Will Samuel[1]	–	–	N/A	N/A	–
Jeremy Beeton	16,256	16,256	N/A	N/A	16,256
Toby Hiscock	20,500	20,500	N/A	N/A	20,500
Anne Wade	20,256	20,256	N/A	N/A	20,256

1 Appointed to the Board 7 December 2017.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Between 31 December 2017 and the date of this report there have been no changes in the Directors' shareholdings.

The guideline shareholding for Executive Directors is 100% of salary. At 31 December 2017, Olivier Brousse and Patrick O'D Bourke held shares worth 114% and 123% of salary respectively.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Payments for loss of office (audited)

No payments have been made for loss of office in the year.

Relative importance of the expenditure on pay

The table below shows the Group's expenditure on pay compared with distributions to shareholders.

£ million	2017	2016
Remuneration paid to or receivable by all employees	**33.6**	34.6
Distributions to shareholders by way of dividends	**30.1**	26.2
Distributions to shareholders by way of share buy-backs	**Nil**	Nil

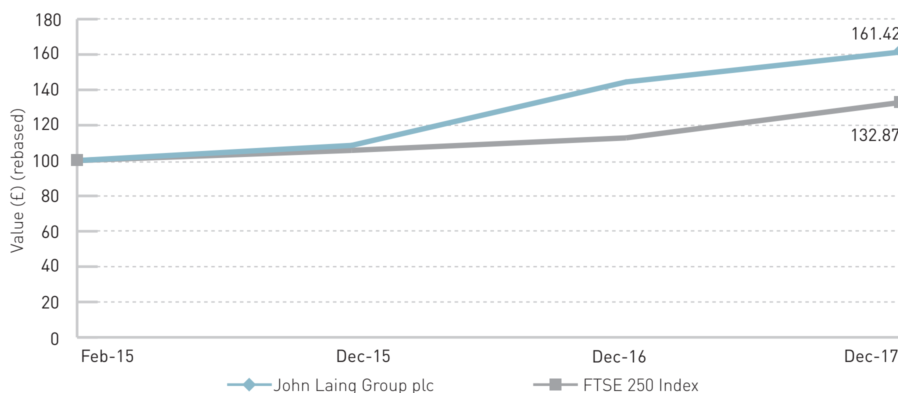
Percentage change in the remuneration of the Director undertaking the role of Chief Executive Officer compared to the average for other employees

The table below shows the percentage change in salary, benefits and bonus earned between 1 January 2017 and 31 December 2017 for the Chief Executive Officer compared to the average for other UK-based employees. This comparator group was used because the Committee believe it gives the best understanding of underlying increases, while avoiding distortions from currency fluctuation and different economic conditions in other countries.

	Salary	Benefits	Bonus
CEO	1.0%	6.4%	26.3%
Average for other UK employees	4.4%	1.3%	25.0%

Performance graph and total remuneration history for Chief Executive Officer

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index for the period from the Company's IPO in February 2015 to 31 December 2017. This comparator has been chosen as it is a broad equity index of which the Company is a constituent and it is also the one used in assessing relative TSR performance under the LTIP.



The graph shows the value (as at 31 December 2017) of £100 invested in John Laing Group plc on the date of Admission (17 February 2015) compared to £100 invested in the FTSE 250. The other points plotted are the values at intervening financial year-ends.

The total remuneration figures for the Chief Executive Officer for 2015, 2016 and 2017 are shown in the table below. The annual bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

	2015	2016	**2017**
Total remuneration (£'000)	1,535	759	**1,608**
Annual bonus (% of maximum)	70%	63%	**79%**
LTIP (% of maximum)	Nil	Nil	**75%[1]**

1 Estimated

Voting outcome on Remuneration

The following votes were received at the 2016 and 2017 AGMs:

	Date Approved	Votes For	Votes Against	Votes Withheld
Resolution to approve the Annual Report on Remuneration	11 May 2017	292,599,856 (99.99%*)	36,853 (0.01%*)	1,947,354
Resolution to approve the Directors' Remuneration Policy	12 May 2016	258,873,852 (95.86%*)	11,182,710 (4.14%*)	5,337

* Percentage of votes cast.

Application of the Remuneration Policy for 2018

A summary of how the remuneration policy will be applied during the forthcoming year is set out below:

Salaries for Executive Directors	Olivier Brousse – £465,000 Patrick O'D Bourke – £346,300
Benefits and Pension	No change
2018 Bonus	The 2018 bonus will be based on 80% corporate and 20% individual objectives. Bonuses will be awarded based on a mix of corporate and individual performance. Corporate performance will be assessed taking into account NAV, distributions (excluding from non-portfolio assets), disposals, new investments, value enhancements and profit before tax. The performance targets for 2018 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.
2018 LTIP	LTIP awards granted to the Chief Executive Officer and Group Finance Director in 2018 will be over shares worth 175% and 150% of salary respectively (the same as 2017). Performance will be measured over three years subject to the following conditions (with an equal weighting on each measure):

Performance condition	Threshold (25% vesting)	Maximum (100% vesting)
Compound annual growth in NAV per share	10% p.a.	16% p.a.
TSR relative to the constituents of the FTSE 250 Index	Median performance	Upper quartile performance

There will be straight-line vesting between these points.

Chairman and non-executive director fees

The fees for the Chairman and non-executive directors were reviewed during the year, the current fee policy having been in place since IPO. The fees to apply for 2018 onwards are as follows:

Chairman	£200,000[1]
Non-executive directors:	
Base fee	£50,000[2]
Additional fees for:	
Chairing the Audit & Risk Committee	£15,000
Chairing the Remuneration Committee	£15,000[3]
Senior Independent Director	£10,000

1 To apply from 10 May 2018 (increased from £180,000)
2 To apply from 1 May 2018 (increased from £45,000)
3 To apply from 1 May 2018 (increased from £10,000)

By order of the Board

Anne Wade
CHAIRMAN OF THE REMUNERATION COMMITTEE
7 March 2018

DIRECTORS' REMUNERATION POLICY

This report sets out the Remuneration Policy for the Directors. The report was subject to a binding vote by shareholders at our AGM in 11 May 2016 and is intended to remain in place for three years. Shown below is the Policy in full, as approved by shareholders, updated where appropriate to reference how the Policy will be applied in 2018.

Remuneration Policy Table

The table below sets out the remuneration policy for the Executive Directors.

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Base salary	To provide a core reward for the role at a sufficient level to recruit and retain individuals of the necessary calibre to execute the Company's business strategy.	Reviewed annually by the Committee (with effect from 1 January) or, if appropriate, following a change in an individual's position or responsibilities. Benchmarked periodically against relevant market comparators, including companies of a similar size and complexity and other broadly comparable companies.	Base salary levels are set at a level to reflect the experience, skills and responsibilities of the individual as well as the scope and scale of their role. Increases to base salary will reflect individual performance and contribution as well as the pay and conditions for other employees of the Group.	While there is no maximum salary, increases will normally be in line with the typical level of increase awarded to other employees of the Group. However, increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibilities, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business. For details of salary levels from 1 January 2018 see the Annual Report on Remuneration on page 66.
Benefits	To operate a competitive benefits structure for Executive Directors that aids in their recruitment and retention.	Provision of benefits such as private medical insurance, life insurance, permanent health insurance, company sick pay and a car allowance. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing, on the same basis as other eligible employees. Additional benefits may be provided from time to time if the Committee decides payment of such benefits is appropriate, for example, if this is in line with emerging market practice or to facilitate the relocation of an Executive Director. Each Executive Director is entitled to reimbursement of reasonable expenses incurred by him in the performance of his duties (including any tax payable thereon).	Not applicable	The cost of the benefit provision varies from year-to-year and there is no prescribed maximum limit. The Committee monitors annually the overall cost of the benefits provided to ensure that it remains appropriate.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Pension	To offer market competitive levels of pension and to recognise long-term commitment to the Group.	The Company may provide a cash allowance in lieu of a contribution to a pension scheme, contribute an amount to a money purchase pension scheme or provide for a combination of the two depending on the circumstances of the individual.	Not applicable	15% of salary
Annual bonus	To recognise and reward the delivery of short-term strategic and financial objectives which contribute towards long-term sustainable growth.	The Executive Directors participate in the same overall bonus structure as other Group employees (except for those employees within John Laing Capital Management (JLCM)). The size of the overall Group bonus is determined based on performance against a range of metrics linked to the Group's strategy. The overall bonus is then allocated partly based on Company performance with the remainder based on individual performance. To the extent any bonus exceeds the target amount (60% of salary), the full amount of any excess will be deferred in shares under the Deferred Share Bonus Plan (DSBP). Awards under the DSBP vest in equal tranches on the first, second and third anniversary of grant, normally subject to continued employment. Dividends that accrue on the DSBP shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and, in the case of deferred share awards, malus provisions will apply.	The size of the bonus is assessed by the Committee taking into account performance against a scorecard of corporate metrics. The choice of metrics is reviewed by the Committee at the start of each financial year, with a target range set for each measure. Details of the metrics used to determine the 2017 bonus are set out in the Annual Report on Remuneration on page 62 and the metrics to be used for the 2018 bonus are set out in the Annual Report on Remuneration on page 66. There is no pre-determined weighting between metrics. The Committee uses the scorecard as a guide to help it consider the overall performance of the business and the appropriate size of the overall bonus. The Committee will, in its absolute discretion, take into account all relevant circumstances when determining the size of the overall Group bonus, recognising that, given the long-term nature of the business, timescales on particular projects may be outside management's control. The Committee also has the discretion to reduce the size of the overall Group bonus if it feels that the level of bonus is not supported by the underlying financial and operational performance of the business. Once performance against the corporate metrics has been determined, the calculation of an individual's allocation will be subject to an assessment by the Committee of both Group performance and individual performance. The amount allocated based on individual performance cannot exceed 40% of salary. For 2018, this will be 20% of salary. The Committee may reduce a participant's bonus (including to zero) to reflect adverse events, e.g. health and safety breaches or poor individual performance.	100% of salary (60% of salary for target performance). No more than 25% of salary will be payable for threshold performance.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Element	Purpose and link to strategy	Operation	Link to performance	Maximum opportunity
Long Term Incentive Plan (LTIP)	To incentivise and reward the creation of long-term shareholder value.	At the discretion of the Committee, Executive Directors will receive annual awards of shares in the form of nil (or nominal) cost options or conditional awards which will usually vest on the third anniversary of grant (or, if later, when the Committee determines that the performance conditions have been satisfied). The awards are subject to the achievement of performance and service conditions. Executive Directors are required to retain the net of tax number of any shares vesting under an LTIP award for a further two years post-vesting. Dividends that accrue on the shares during the vesting period may be paid in cash and/or shares at the time of vesting. Clawback and malus provisions apply.	Awards are subject to the achievement of performance targets linked to the long-term success of the Company. These are currently based 50% on growth in NAV per share and 50% on TSR. However, different performance metrics/weightings may be set for future awards to ensure that the LTIP remains aligned to the Company's strategy. A sliding scale of targets is applied for each performance metric, with no more than 25% of that part of the award vesting for achievement of the threshold target.	Up to 200% of salary. It is intended that awards for 2018 will be limited to 175% and 150% of salary for the Chief Executive Officer and Group Finance Director respectively.

Shareholding guidelines

The Executive Directors are required to build and maintain a shareholding in the Company equivalent to 100% of their salary and are expected to retain all shares vesting under the DSBP and LTIP (net of tax) until such time as the guideline shareholding has been achieved.

Annual bonus performance metrics

The size of the overall Group bonus is assessed by the Committee taking into account performance against a scorecard of metrics which reflect the growth of the business. The choice of metrics may change for future award cycles, but was based on the following for 2017:

Metric	Link to strategy
NAV	This measures growth in the value of the Group's net assets.
Distributions	This reflects the Group's ability to realise cash distributions from its investments.
Disposals	Disposals of existing investments provide additional funding for new investments. Special dividends payable to shareholders are based on disposal proceeds.
New investments	New investments are designed to contribute to future NAV growth.
Value enhancements	Value enhancements increase the investment portfolio valuation and therefore contribute to future NAV growth.
Profit before tax	This is linked to growth in NAV in any given year and in addition provides an appropriate focus on cost control.

LTIP metrics

Awards under the LTIP vest subject to delivering against metrics which are aligned to long-term shareholder value creation. The choice of metric may change for future award cycles, but is currently based on the following:

Metric	Link to strategy
TSR	This measures the total return to shareholders provided through share price appreciation and dividends. TSR is measured relative to performance against a comparative group comprising the members of the FTSE 250 index. TSR provides a clear alignment between the value created for shareholders and the reward earned by executives.
NAV per share	This measures the overall value of the Group's net assets (adjusted for dividends paid or approved) divided by the number of shares in issue and provides an assessment of the growth of the business over time.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Incentive plan operation

The Committee operates the Company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. This includes dealing with leavers and making adjustments to awards following acquisitions, disposals, changes in share capital and other merger and acquisition activity.

The Committee also retains the ability to adjust the targets and/or set different metrics for the annual bonus plan and outstanding LTIP awards if events occur which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Clawback and malus

The Company has the right to reduce the number of shares over which an award was granted under the DSBP or LTIP where it is discovered that the award was granted over too many shares as a result of a material misstatement in the Company's accounts, when there has been an error or reliance on misleading information when assessing the size of the award that was granted, and/or it is discovered that the participant could reasonably have been dismissed as a result of his/her misconduct.

The Company may also clawback cash bonus awards or previously vested DSBP and LTIP awards in accordance with the principles set out above to ensure that the full value of any overpayment is recouped. In these circumstances the Committee may apply clawback within three years of the payment of the cash bonus, date of grant of a DSBP award or the vesting of an LTIP award.

Shareholder views

The Remuneration Committee values the views of the Company's shareholders and guidance from shareholder representative bodies. Shareholder feedback received in relation to the AGM, as well as any additional feedback received during the year, is considered as part of the Company's annual remuneration review. The Committee will consult with major shareholders in advance of making any significant changes to remuneration arrangements.

Link to the remuneration policy for all employees

The remuneration policy for the Executive Directors is similar to the policy for employees across the Group, although the Committee does not formally consult with employees in respect of the design of the Directors' remuneration policy.

A consistent approach to remuneration is applied across the Group – with the same overarching principle that reward should be sufficient to attract and retain high calibre talent and that reward should support the delivery of the business strategy.

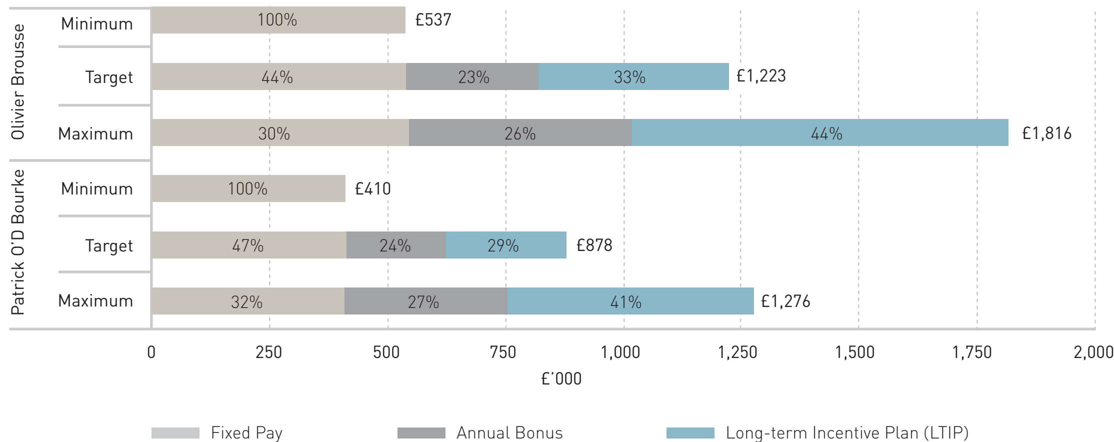
The same approach to salary reviews is applied to all employees and the Executive Directors participate in the same overall bonus structure as other Group employees (except those employees within JLCM). However only the most senior employees are subject to deferral arrangements and some other employees may have a higher weighting on individual performance. The Executive Directors also participate in the same LTIP as other senior executives.

However, there are some differences in the structure of the remuneration policy for the Executive Directors compared to other senior employees, which the Committee believes are necessary to reflect the different levels of responsibility. The two main differences are the increased emphasis on performance-related pay for Executive Directors (through a higher variable pay opportunity) and a greater focus on long-term alignment (through bonus deferral, additional holding periods for LTIP awards and minimum shareholding guidelines).

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Remuneration reward scenarios

The total remuneration for each of the Executive Directors that could result from the remuneration policy in 2018 is shown below:



Notes:

1. Fixed pay consists of salary, benefits and pension. Salary is the amount to be paid in 2018 and benefits are based on the value shown in the single total figure of remuneration for 2017 on page 59. Pension is shown as 15% of salary.
2. The maximum bonus opportunity is 100% of salary with 60% of salary earned at target performance. Any bonus earned for above target performance is deferred in shares, which vest subject to continued employment over one, two and three years.
3. The maximum LTIP award for 2018 is 175% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director. An award of 50% of the maximum is assumed for target performance. LTIP awards are subject to a three year performance period and the net of tax number of any shares received must be held for a further two years post vesting.
4. No assumptions are made as to future share price movements which will impact on the actual values to be received under the DSBP and LTIP.

Executive Director Recruitment and Promotions

Remuneration arrangements for a new appointment will be set in accordance with the policy for the existing Executive Directors, except as noted below:

- If it is considered appropriate to set the salary for a new Executive Director at a level which is below market, his or her salary may be increased in future periods to achieve the desired market positioning by way of a series of phased above inflation increases, subject to his or her continued development in the role.
- Any bonus payment for the year of joining will normally be pro-rated to reflect the proportion of the period worked and the Committee may set different performance measures and targets, depending on the timing and nature of the appointment.
- In the case of an Executive Director being recruited overseas, being recruited by the Company to relocate overseas or an existing Executive Director being asked to relocate overseas, expatriate benefits may be provided on an ongoing basis. The Committee may also approve the payment of one-off relocation-related expenses and legal fees.
- The Committee may offer cash and/or share-based elements to compensate an individual for remuneration forfeited on leaving a former employer, if it considers these to be in the best interests of the Company (and therefore its shareholders). Such payments would take account of remuneration relinquished and would mirror (as far as possible) the delivery mechanism, time horizons and performance requirement attached to that remuneration. Where possible any such payments would be facilitated through the Company's existing share plans, but, if not, the awards may be granted outside these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate the recruitment of an Executive Director.
- In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms or adjusted as considered appropriate to reflect the new role.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Executive Directors' service agreements and payments for loss of office

The Executive Directors entered into new service agreements with the Company on 16 January 2015. There is no fixed term and the contracts continue until terminated by either party giving 12 months' notice.

The Company is also entitled to terminate the Executive Directors' employment by payment of a cash sum in lieu of notice equal to salary and the cost to the Company of providing contractual benefits (including pension but excluding bonus) during what would otherwise have been the notice period. A payment in lieu of notice can, at the Company's discretion, be paid as a lump sum or in equal monthly instalments over the notice period. There is a mechanism in the agreement to reduce the instalments where the Executive Director commences alternative employment during the notice period. Outplacement services and reimbursement of legal costs may also be provided.

The Company may also terminate the Executive Directors' employment with immediate effect and with no liability to make any further payments in certain prescribed circumstances (e.g. in the case of a serious or repeated breach of the Executive Directors' obligations).

The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interest of the Company.

The table below sets out the general position in respect of incentive arrangements for departing Executive Directors. In accordance with the terms of the relevant incentive plan rules, and based on the circumstances of any departure, the Committee has discretion to determine how an Executive Director should be categorised for each element and determine the relevant vesting levels:

	Bad Leaver[1]	**Good Leaver[2]**
Annual Bonus	No entitlement.	Bonus may be payable subject to performance. Awards normally pro-rated based on the period worked during the financial year.
DSBP	Unvested awards will lapse.	Unvested awards will vest on the date of cessation with no pro-rata reduction.
LTIP	Unvested awards will lapse.	Awards will vest on the normal vesting date, subject to performance and a time pro-rata reduction (based on the number of complete months served from the date of grant to cessation of employment). The Committee may, in its absolute discretion, determine that awards can vest, subject to performance, earlier than the normal vesting date and, if a participant dies, the award will ordinarily vest, subject to performance, on the date of death unless the Committee decides it should vest on the normal vesting date. In any of the circumstances described above, the Committee may determine that the pro-rata reduction should not apply at all or should apply to a lesser extent if it considers that exceptional circumstances justify such treatment.

1 e.g. termination for cause etc.

2 e.g. death, injury, disability, redundancy, retirement with the agreement of the participant's employer, the sale of the participant's employer or the business in which he or she is employed out of the Group or any other reason at the Remuneration Committee's discretion.

Other

In the event of a change of control or voluntary winding-up, unvested LTIP awards will vest at the time of the relevant event subject to performance and a time-based pro-rata reduction (although the Committee may determine that the pro-rata reduction should not apply at all or should apply to a lesser extent if it considers that exceptional circumstances justify such a treatment). Unvested DSBP awards will vest early and in full. The Committee may require LTIP and DSBP awards to be exchanged for equivalent awards over shares in a new holding company if the change of control is part of an internal reorganisation.

In the event that a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the price of a share to a material extent, the Committee may decide that unvested LTIP and DSBP awards will vest on the same basis as described above.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

External Board appointments

The Committee recognises that Executive Directors may be invited to become non-executive directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. The Executive Director is permitted to retain any fees paid for such services.

Olivier Brousse is a non-executive director of 1001 Fontaines and of Brive Rugby Club. He does not receive any fees for these appointments. Patrick O'D Bourke is a non-executive director of Affinity Water Limited and received fees of £47,587.50 in 2017 (£47,000 in 2016).

Remuneration for the Chairman and non-executive directors

	Operation
Fee policy	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other non-executive directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities (e.g. for Chairmanship of the Audit & Risk or Remuneration Committee or the role of Senior Independent Director). The non-executive directors do not participate in any of the Company's incentive arrangements. The maximum aggregate fee is set at £750,000 in the Company's Articles of Association. Current fee levels are set out in the Annual Report on Remuneration on page 64. Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity and other broadly comparable companies.
Expenses	The Chairman and the non-executive directors are entitled to reimbursement of reasonable expenses (and any tax payable thereon).
Letters of appointment and policy on termination	The letter of appointment for the Chairman states that his appointment is expected to last for at least three years but will be subject to annual re-election at the AGM. The appointment is terminable by either party giving to the other six months' written notice or at any time in accordance with the Articles of Association of the Company (without prejudice to the Chairman's right to receive six months' payment in lieu of notice unless the removal is as a result of a serious default on his part). The appointments of the other non-executive directors are for initial terms of three years. The non-executive directors are subject to annual re-election by the Company's shareholders. Their appointments may be terminated at any time upon written notice or in accordance with the Articles of Association of the Company or upon their resignation. The non-executive directors are not entitled to receive any compensation on termination of their appointment.

Director	Date of letter of appointment*	Unexpired term at 31 December 2017**
Dr Phil Nolan	16 January 2015	6 weeks
Jeremy Beeton	18 December 2014	6 weeks
Toby Hiscock	16 January 2015	6 weeks
David Rough	17 December 2014	6 weeks
Will Samuel	7 December 2017	Two years and 11 months
Anne Wade	17 December 2014	6 weeks

* The agreements were conditional on and did not become effective until the Company's admission to the Official List on 17 February 2015.

** Amendments to the letters of appointment were signed in January 2018 extending the terms by a further three years to 16 February 2021.

Recruitment policy	For the appointment of a new Chairman or non-executive director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 7 March 2018 and is signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
7 March 2018

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
7 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of John Laing Group plc (the 'Parent Company') and its subsidiaries (together the 'Group') which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company statements of changes in equity;
- the Group and Parent Company balance sheets;
- the Group and Parent Company cash flow statements; and
- the related notes 1 to 27 of the Group financial statements and the related notes 1 to 13 of the Parent Company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investments • Valuation of defined benefit pension schemes. The above key audit matters are consistent with the prior year with the exception that in the prior year, as part of the valuation of investments we paid particular attention to the valuation of the Group's investments in New Royal Adelaide Hospital and Manchester Waste (being the Group's investment in Manchester Waste VL Co and Manchester Waste TPS Co). Following commercial acceptance being achieved on New Royal Adelaide Hospital in June 2017 and the Group's investment in Manchester Waste VL Co being acquired by the Greater Manchester Waste Disposal Authority in September 2017, we no longer consider the valuation of these investments to be a key audit matter.
Materiality	The materiality that we used for the Group financial statements in the current year was £21 million. The materiality that we used for the Parent Company financial statements was £19 million. This is 1.9% of shareholders' equity for the Group and 1.6% of shareholders' equity for the Parent Company.
Scoping	Our audit scope primarily focused on the fair value of those PPP and renewable energy investments which are significant to the Group.
Significant changes in our approach	There has been no significant change in our audit approach in the current year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING GROUP PLC (CONTINUED)

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed the directors' statement in note 2(c) to the Group financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 37 – 42 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 37 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 36 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters include those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS

Key audit matter description	The Group holds a range of investments which primarily include PPP and renewable energy assets. The total value of these assets at 31 December 2017 was £1,194 million (31 December 2016 – £1,176 million) as disclosed in note 12 to the Group financial statements. These investments are held across a range of different sectors comprising transport, environmental (including renewable energy) and social infrastructure, and a range of geographies including the UK, Europe, North America and Asia Pacific. The valuation of investments is a significant judgement underpinned by a number of key assumptions and estimates. The key estimate is the discount rates adopted. Given the level of judgement involved, we also consider whether there was a potential for fraud through the possible manipulation of these rates. Other key sources of estimation uncertainty include forecast project cash-flows, in particular future power prices which impact the value of the Group's investments in renewable energy projects. A full valuation of the investment portfolio is prepared every six months, at 30 June and 31 December, with a review at 31 March and 30 September, principally using a discounted cash flow methodology. An independent opinion is obtained from a third party that the portfolio as a whole represents fair market value at the balance sheet date. More information on the valuation and valuation methodology (including the discount rates adopted, the relevant sensitivity of the valuation of investments to a change in those rates and the relevant sensitivity of the valuation to a change in future power prices) can be found on page 55 of the Audit & Risk Committee's report and note 3 to the Group financial statements.
How the scope of our audit responded to the key audit matter	• We assessed the design and implementation of the controls in place to value the Group's investments. • We obtained evidence to substantiate the discount rate(s) adopted including benchmarking management's discount rates against market data, including the Group's disposals in the current and previous period. We also benchmarked the discount rates on key assets to each other to ensure that we understood why projects have different rates and why there had been a change in the rates since the prior year. We performed this work in conjunction with our own valuation specialists. • We met with the Group's external valuer to understand the process undertaken by them in arriving at their opinion that the portfolio as a whole represents fair market value. This included assessing how the discount rates adopted by the Group benchmarked against those of the external valuer. We also assessed the competence and independence of the external valuer. • We reviewed the key changes in cash flows since the prior year within a sample of project models which included checking that the latest forward power price curves had been correctly incorporated into a sample of project models. • We checked that the disclosures in the financial statements were appropriate particularly in respect of the judgements taken and the sensitivities disclosed.
Key observations	• While there are both upside and downside risks on the value of individual assets we consider the judgements adopted in valuing the Group's investments as a whole (including the discount rate(s) adopted) to be appropriate. • We consider the disclosures around the valuation of investments to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING GROUP PLC (CONTINUED)

VALUATION OF DEFINED BENEFIT PENSION SCHEMES

Key audit matter description	The Group has two defined benefit pension schemes (The John Laing Pension Fund and The John Laing Pension Plan) which had a combined net deficit of £32 million at 31 December 2017 (£61 million at 31 December 2016). The valuation of the deficit is subject to a number of assumptions including the adoption of the appropriate (i) discount rate (ii) inflation rate and (iii) mortality assumptions. We considered whether there was potential for fraud through the possible manipulation of these assumptions. There is also a judgement concerning the Group's ability to recover a surplus under the rules of the John Laing Pension Fund and consequently the consideration of minimum funding requirements under IFRIC 14 '*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*'. See note 19 of the Group financial statements for further information and page 55 of the Audit & Risk Committee's report and the Group's disclosures around critical accounting judgements and key sources of estimation uncertainty in note 3.
How the scope of our audit responded to the key audit matter	• We assessed the design and implementation of the controls in place when valuing the Group's defined benefit pension schemes including the setting of actuarial assumptions. • In conjunction with our internal actuarial specialists, we compared the Group's key assumptions, including the discount rate, mortality assumptions and inflation rate against our expected benchmarks and those adopted by other companies in the market. • In assessing the impact of IFRIC 14, we examined the nature of the Group's funding commitments to the schemes and reviewed the scheme rules, the external legal advice obtained by management and the actuarial schedule of contributions. • We checked that the disclosure requirements of IAS 19R Employee Benefits had been fulfilled.
Key observations	• We consider the judgements adopted by the Group in valuing the pension scheme liabilities to be appropriate. • We concur that the Group has the ability to recover any surplus under the rules of the John Laing Pension Fund and consequently is not subject to a minimum funding requirement under IFRIC 14. • We also consider the disclosures around the valuation of the defined benefit pension schemes to be appropriate.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole (both the Group and Parent Company financial statements) to be as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality for the financial statements	£21 million (2016 – £19 million) with the increase driven by an increase in shareholders' equity.	£19 million (2016 – £17 million) with the increase driven by an increase in shareholders' equity.
Basis for determining materiality	Below 2% of Group shareholders' equity.	Below 2% of Parent Company shareholders' equity.
Rationale for the benchmark applied	Shareholders' equity was selected as net asset value is a key performance indicator for the Group. This is consistent with the prior year.	Shareholders' equity was selected as net asset value is a key performance indicator for the Parent Company. This is consistent with the prior year.

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £500,000 (2016 – £500,000) for the Group and for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Our audit scope primarily focused on the fair value of those PPP and renewable energy investments which are significant to the Group.

We made enquiries of the auditors of a sample of investments as to whether they were aware of any matters which may impact the fair value of those investments.

Our audit work on those subsidiaries which provide asset management services and which are consolidated in the Group financial statements was executed at a materiality lower than Group materiality. All audit work on these subsidiaries was performed by the Group audit team.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining subsidiaries not subject to audit or audit of specified account balances.

The Group audit team has initiated a programme of planned visits that has been designed so that it visits a sample of the Group's investments each year with a specific focus on visiting the Group's largest investments by value. Over the past three years the Group audit team has visited seven of the Group's investments which covered 25% of the investment portfolio by value at 31 December 2017.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LAING GROUP PLC (CONTINUED)

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

OTHER MATTERS

Auditor tenure

We were initially appointed as auditors by the Board of John Laing Group in 2008 to audit the financial statements for the year ended 31 December 2008. Following an audit tender led by the Audit & Risk Committee in 2016, on the recommendation of the Board, we were reappointed as auditors at the Annual General Meeting on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ended 31 December 2008 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Claire Faulkner FCA (Senior statutory auditor)

FOR AND ON BEHALF OF DELOITTE LLP
STATUTORY AUDITOR
LONDON, UNITED KINGDOM
7 March 2018

GROUP INCOME STATEMENT

for the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 £ million**	Year ended 31 December 2016 £ million
Net gain on investments at fair value through profit or loss	12	**166.3**	218.8
Other income	7	**30.4**	42.0
Operating income	4	**196.7**	260.8
Administrative expenses		**(58.9)**	(58.4)
Profit from operations	8	**137.8**	202.4
Finance costs	10	**(11.8)**	(10.3)
Profit before tax	4	**126.0**	192.1
Tax credit/(charge)	11	**1.5**	(1.8)
Profit for the year attributable to the Shareholders of the Company		**127.5**	190.3
Earnings per share (pence)			
Basic	5	**34.7**	51.9
Diluted	5	**34.3**	51.4

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 £ million**	Year ended 31 December 2016 £ million
Profit for the year		**127.5**	190.3
Exchange differences on translation of overseas operations		**0.1**	0.3
Actuarial gain/(loss) on retirement benefit obligations	19	**6.4**	(39.2)
Other comprehensive income/(loss) for the year		**6.5**	(38.9)
Total comprehensive income for the year		**134.0**	151.4

The only movement which could subsequently be recycled to the Group Income Statement is the exchange difference on translation of overseas operations.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Notes	**Share capital £ million**	**Share premium £ million**	**Other reserves £ million**	**Retained earnings £ million**	**Total equity £ million**
Balance at 1 January 2017		**36.7**	**218.0**	**2.7**	**759.4**	**1,016.8**
Profit for the year		**–**	**–**	**–**	**127.5**	**127.5**
Other comprehensive income for the year		**–**	**–**	**–**	**6.5**	**6.5**
Total comprehensive income for the year		**–**	**–**	**–**	**134.0**	**134.0**
Share-based incentives	6	**–**	**–**	**3.2**	**–**	**3.2**
Dividends paid[1]		**–**	**–**	**–**	**(30.1)**	**(30.1)**
Balance at 31 December 2017		**36.7**	**218.0**	**5.9**	**863.3**	**1,123.9**

for the year ended 31 December 2016

	Notes	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016		36.7	218.0	0.7	634.2	889.6
Profit for the year		–	–	–	190.3	190.3
Other comprehensive loss for the year		–	–	–	(38.9)	(38.9)
Total comprehensive income for the year		–	–	–	151.4	151.4
Share-based incentives	6	–	–	2.0	–	2.0
Dividends paid[1]		–	–	–	(26.2)	(26.2)
Balance at 31 December 2016		36.7	218.0	2.7	759.4	1,016.8

[1] Dividends paid:

	Year ended 31 December 2017 pence	Year ended 31 December 2016 pence
Dividends on ordinary shares		
Per ordinary share:		
– final paid	**6.30**	5.30
– interim proposed and paid	**1.91**	1.85
– final proposed	**8.70**	6.30

The total estimated amount to be paid in May 2018 in respect of the proposed final dividend for 2017 is £31.9 million. These amounts have not been adjusted for the rights issue announced on 8 March 2018.

GROUP BALANCE SHEET

as at 31 December 2017

	Notes	31 December 2017 £ million	31 December 2016 £ million
Non-current assets			
Plant and equipment		**0.1**	0.3
Investments at fair value through profit or loss	12	**1,346.4**	1,257.5
Deferred tax assets	18	**0.5**	1.0
		1,347.0	1,258.8
Current assets			
Trade and other receivables	13	**7.6**	7.4
Cash and cash equivalents		**2.5**	1.6
		10.1	9.0
Total assets		**1,357.1**	1,267.8
Current liabilities			
Current tax liabilities		**(1.4)**	(4.1)
Borrowings	15	**(173.2)**	(161.4)
Trade and other payables	14	**(17.3)**	(14.7)
		(191.9)	(180.2)
Net current liabilities		**(181.8)**	(171.2)
Non-current liabilities			
Retirement benefit obligations	19	**(40.3)**	(69.3)
Provisions	20	**(1.0)**	(1.5)
		(41.3)	(70.8)
Total liabilities		**(233.2)**	(251.0)
Net assets		**1,123.9**	1,016.8
Equity			
Share capital	21	**36.7**	36.7
Share premium	22	**218.0**	218.0
Other reserves		**5.9**	2.7
Retained earnings		**863.3**	759.4
Equity attributable to the Shareholders of the Company		**1,123.9**	1,016.8

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 7 March 2018. They were signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
7 March 2018

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
7 March 2018

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 £ million**	Year ended 31 December 2016 £ million
Net cash outflow from operating activities	23	**(47.3)**	(37.1)
Investing activities			
Net cash transferred from/(to) investments at fair value through profit or loss	12	**77.4**	(73.4)
Purchase of plant and equipment		**(0.1)**	(0.1)
Net cash from/(used in) investing activities		**77.3**	(73.5)
Financing activities			
Dividends paid		**(30.1)**	(26.2)
Finance costs paid		**(10.0)**	(8.9)
Proceeds from borrowings		**11.0**	165.0
Repayment of borrowings		**–**	(19.0)
Net cash (used in)/from financing activities		**(29.1)**	110.9
Net increase in cash and cash equivalents		**0.9**	0.3
Cash and cash equivalents at beginning of the year		**1.6**	1.1
Effect of foreign exchange rate changes		**–**	0.2
Cash and cash equivalents at end of the year		**2.5**	1.6

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 GENERAL INFORMATION

The results of John Laing Group plc (the "Company" or the "Group") are stated according to the basis of preparation described below. The registered office of the Company is 1 Kingsway, London, WC2B 6AN. The principal activity of the Company is the origination, investment in and management of international infrastructure projects.

The financial information is presented in pounds sterling and prepared in accordance with IFRS as adopted by the EU.

2 ACCOUNTING POLICIES

a) Basis of preparation

The Group financial statements have been prepared on the historical cost basis except for the revaluation of the investment portfolio and other financial instruments that are measured at fair value at the end of each reporting period. The Company has concluded that it meets the definition of an investment entity as set out in IFRS 10 Consolidated Financial Statements, paragraph 27 on the following basis:

(i) as an entity listed on the London Stock Exchange, the Company is owned by a number of investors;

(ii) the Company holds a substantial portfolio of investments in project companies through intermediate holding companies. The underlying projects have a finite life and the Company has an exit strategy for its investments which is either to hold them to maturity or, if appropriate, to divest them. Investments take the form of equity and/or subordinated debt;

(iii) the Group's strategy is to originate, invest in, and manage infrastructure assets. It invests in PPP and renewable energy projects and aims to deliver predictable returns and consistent growth from its investment portfolio. The underlying project companies have businesses and activities that the Group is not directly involved in. The Group's returns from the provision of management services are small in comparison to the Group's overall investment-based returns; and

(iv) the Group measures its investments in PPP and renewable energy projects on a fair value basis. Information on the fair value of investments forms part of monthly management reports reviewed by the Group's Executive Committee, who are considered to be the Group's key management personnel, and by its Board of Directors.

Although the Group has a net defined benefit pension liability, IFRS 10 does not exclude companies with non-investment related liabilities from qualifying as investment entities.

Investment entities are required to account for all investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss (FVTPL), except for those directly owned subsidiaries that provide investment related services or engage in permitted investment related activities with investees (Service Companies). Service Companies are consolidated rather than recorded at FVTPL.

Project companies in which the Group invests are described as "non-recourse", which means that providers of debt to such project companies do not have recourse to John Laing beyond its equity and/or subordinated debt commitments in the underlying projects. Subsidiaries through which the Company holds its investments in project companies, which are held at FVTPL, and subsidiaries that are Service Companies, which are consolidated, are described as "recourse".

Unconsolidated project company subsidiaries are part of the 'non-recourse' business. Based on arrangements in place with those subsidiaries, the Group has concluded that there are no:

a) significant restrictions (resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated subsidiary to transfer funds to the Group in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Group; and

b) current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support, beyond the Group's original investment commitment.

Transactions and balances receivable or payable between recourse subsidiary entities held at fair value and those that are consolidated are eliminated in the Group financial statements. Transactions and balances receivable or payable between non-recourse project companies held at fair value and recourse entities that are consolidated are not eliminated in the Group financial statements.

For details of the subsidiaries that are consolidated, see note 13 to the Company financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

b) Adoption of new and revised standards

The Group has adopted the following amendments to IFRS in 2017, none of which has had a material impact on the financial statements with the exception of the Amendments to IAS 7 Statement of Cash Flows Disclosure Initiative which has led the Group to present a reconciliation of the changes in liabilities arising from financing activities. This reconciliation can be found on note 24 of the Group financial statements.

- Amendments to IAS 7 Statement of Cash Flows Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 Disclosure of Interest in Other Entities included in Annual Improvements to IFRS Standards 2014-2016 Cycle

At the date of authorisation of these financial statements, there are a number of standards and interpretations which are in issue but not yet effective and in some cases have not yet been adopted by the EU. These include:

Issued and endorsed by the EU

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments resulting from Annual Improvements to IFRS 2014-2016 Cycle

The Group's principal revenue stream is net gain on investments held at FVTPL, which is accounted for under IAS 39 Financial Instruments Recognition and Measurement rather than IFRS 15. The Group's other revenue stream is other income comprising fees from asset management services and recovery of bid costs on financial close. The Group does not expect IFRS 15 to have a material impact on the accounting for these revenue streams.

The adoption of IFRS 16 will require the Group to bring its operating leases on to the Group Balance Sheet. The Group does not have material operating leases (total outstanding commitments under operating leases at 31 December 2017 are £6.4 million) and therefore adopting the standard is not expected to have a significant impact.

It is not expected that IFRS 9, when it becomes effective, will have a significant impact on the measurement of the Group's financial assets and liabilities as the Group's principal financial assets are investments held at fair value through profit or loss which are not impacted by the adoption of IFRS 9. IFRS 9 also changes the classification of financial assets and implements new rules around hedge accounting. The Group does not have any financial assets whose classification will be impacted by adoption of IFRS 9 nor does it apply hedge accounting to any of its derivatives.

Issued and not endorsed by the EU

- Amendments resulting from Annual Improvements to IFRS 2015-2017 Cycle
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 Insurance Contracts.

While the Group is still undertaking an assessment of the impact of the new standards, it is not anticipated that they will have a material impact on the Group.

The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been applied consistently to each of the years presented, unless otherwise stated.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

c) Going concern

The Directors have reviewed the Group's financial projections and cash flow forecasts and believe, based on those projections and forecasts, that it is appropriate to prepare the financial statements of the Group on the going concern basis.

In arriving at their conclusion, the Directors took into account the Group's approach to liquidity and cash flow management and the availability of its £475 million corporate banking facilities committed until March 2020, together with the additional £50 million of liquidity facilities committed until February 2019. The Directors are of the opinion that, based on the Group's forecasts and projections and taking into account expected bidding activity and operational performance, the Group will be able to operate within its bank facilities and comply with the financial covenants therein for the foreseeable future.

In determining that the Group is a going concern, certain risks and uncertainties, some of which arise or increase as a result of the economic environment in some of the Group's markets, have been considered. The Directors believe that the Group is adequately placed to manage these risks. The most important risks and uncertainties identified and considered by the Directors are set out in the Principal Risks and Risk Management section. In addition, the Group's policies for management of its exposure to financial risks, including liquidity, foreign exchange, credit, price and interest rate risks are set out in note 17.

d) Revenue

The key accounting policies for the Group's material revenue streams are as follows:

(i) Dividend income

Dividend income from investments at FVTPL is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when approved and paid.

(ii) Net gain on investments at FVTPL

Net gain on investments at FVTPL excludes dividend income referred to above. Please refer to accounting policy f)(i) for further detail.

(iii) Other income

Fees from asset management services

Fees from asset management services to projects in which the Group invests and to external parties are recognised as the services are provided in accordance with IAS 18 Revenue.

When it is probable that the expected outcome over the life of a management services contract will result in a net outflow of economic benefits or overall loss, a provision is recognised immediately. The provision is determined based on the net present value of the expected future cash inflows and outflows.

Recovery of bid costs on financial close

Costs incurred in respect of bidding for new primary investments are charged to the Group Income Statement until such time as the Group is virtually certain that it will recover the costs. Virtual certainty is generally achieved when an agreement is in place demonstrating that costs are fully recoverable even in the event of cancellation of a project. From the point of virtual certainty, bid costs are held in the Group Balance Sheet as a debtor prior to achieving financial close. On financial close, the Group recovers bid costs by charging a fee to the relevant project company in the investment portfolio.

Other income excludes VAT and the value of intra-group transactions between recourse subsidiaries held at FVTPL and those that are consolidated.

e) Dividend payments

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's AGM. Dividends are recognised as an appropriation of shareholders' funds.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments

Financial assets and financial liabilities are recognised on the Group Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

(i) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL, which are initially measured at fair value.

Financial assets are classified into the following specified categories: cash and cash equivalents, financial assets at FVTPL; 'held-to-maturity' investments; 'available-for-sale' financial assets; or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The financial assets that the Group holds are classified as financial assets at FVTPL, loans and receivables and cash and cash equivalents:

- Financial assets at FVTPL comprise the Group's investment in John Laing Holdco Limited (through which the Group indirectly holds its investments in projects) which is valued based on the fair value of investments in project companies, the Group's investment in JLEN and other assets and liabilities of investment entity subsidiaries. Investments in project companies and in JLEN are designated upon initial recognition as financial assets at FVTPL. Subsequent to initial recognition, investments in project companies are measured on a combined basis at fair value principally using discounted cash flow methodology. The investment in JLEN is valued at the quoted market price at the end of the period.

  The Directors consider that the carrying value of other assets and liabilities held in investment entity subsidiaries approximates to their fair value, with the exception of derivatives which are measured in accordance with accounting policy f)(v).

  Changes in the fair value of the Group's investment in John Laing Holdco Limited are recognised within operating income in the Group Income Statement.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the Group Balance Sheet.
- Cash and cash equivalents in the Group Balance Sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less. For the purposes of the Group Cash Flow Statement, cash and cash equivalents comprise cash and short-term deposits as defined above, net of bank overdrafts.

  Deposits held with original maturities of greater than three months are shown as other financial assets.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

(ii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events which have occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss.

(iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iv) Financial liabilities

Interest-bearing bank loans and borrowings are initially recorded at fair value, being the proceeds received net of direct issue costs, and subsequently at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis in the Group Income Statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(v) Derivative financial instruments

The Group treats forward foreign exchange contracts and currency swap deals it enters into as derivative financial instruments at FVTPL. All the Group's derivative financial instruments are held by subsidiaries which are recorded at FVTPL and consequently the fair value of derivatives is incorporated into investments held at FVTPL.

g) Provisions

Provisions are recognised when:

- the Group has a legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole.

h) Finance costs

Finance costs relating to the corporate banking facilities, other than set-up costs, are recognised in the year in which they are incurred. Set-up costs are recognised over the remaining facility term.

Finance costs also include the net interest cost on retirement benefit obligations and the unwinding of discounting of provisions.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

i) Taxation

The tax charge or credit represents the sum of tax currently payable and deferred tax.

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Group Income Statement because it excludes both items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible, which includes the fair value movement on the investment in John Laing Holdco Limited. The Group's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax

Deferred tax liabilities are recognised in full for taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Group Income Statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

j) Foreign currencies

The individual financial statements of each Group subsidiary that is consolidated (i.e. a Service Company) are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the financial statements, the results and financial position of each Group subsidiary are expressed in pounds sterling, the functional currency of the Company and the presentation currency of the financial statements.

Monetary assets and liabilities expressed in foreign currency (including investments measured at fair value) 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 Group Income Statement with foreign exchange movements on investments measured at fair value recognised in operating income as part of net gain on investments at FVTPL. Income and expense items are translated at the average exchange rates for the period.

k) Retirement benefit costs

The Group operates both defined benefit and defined contribution pension arrangements. Its two defined benefit pension schemes are the John Laing Pension Fund (JLPF) and the John Laing Pension Plan, which are both closed to future accrual. The Group also provides post-retirement medical benefits to certain former employees.

Payments to defined contribution pension arrangements are charged as an expense as they fall due. For the defined benefit pension schemes and the post-retirement medical benefit scheme, the cost of providing benefits is determined in accordance with IAS 19 Employee Benefits (revised) using the projected unit credit method, with actuarial valuations being carried out at least every three years. Actuarial gains and losses are recognised in full in the year in which they occur and are presented in the Group Statement of Comprehensive Income. Curtailment gains arising from changes to members' benefits are recognised in full in the Group Income Statement.

The retirement benefit obligations recognised in the Group Balance Sheet represent the present value of: (i) defined benefit scheme obligations as reduced by the fair value of scheme assets, where any asset resulting from this calculation is limited to past service costs plus the present value of available refunds; and (ii) unfunded post-retirement medical benefits.

Net interest expense or income is recognised within finance costs.

l) Leasing

All leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

m) Share capital

Ordinary shares are classified as equity instruments on the basis that they evidence a residual interest in the assets of the Group after deducting all its liabilities.

Incremental costs directly attributable to the issue of new ordinary shares are recognised in equity as a deduction, net of tax, from the proceeds in the period in which the shares are issued.

n) Employee benefit trust

In June 2015, the Group established the John Laing Group Employee Benefit Trust (EBT) as described further in note 6. The Group is deemed to have control of the EBT and it is therefore treated as a subsidiary and consolidated for the purposes of the accounts. Any investment by the EBT in the Company's shares is deducted from equity in the Group Balance Sheet as if such shares were treasury shares. No investment was made in the year. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group.

Any shares held by the EBT are excluded for the purposes of calculating earnings per share.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The key areas of the financial statements where the Group is required to make critical judgements and material accounting estimates (which are those estimates where there is a risk of material adjustment in the next reporting period) are in respect of the fair value of investments and accounting for the Group's defined benefit pension liabilities.

Fair value of investments

Critical accounting judgements in applying the Group's accounting policies

The Company measures its investment in John Laing Holdco Limited at fair value. Fair value is determined based on the fair value of investments in project companies and the Group's investment in JLEN (together the Group's investment portfolio) and other assets and liabilities of investment entity subsidiaries. A full valuation of the Group's investment portfolio is prepared on a consistent, principally discounted cash flow basis at 30 June and 31 December. The key inputs, therefore, to the valuation of each investment are (i) the discount rate; and (ii) the cash flows forecast to be received from such investment. Under the Group's valuation methodology, a base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect additional project-specific risks. In addition, risk premia are added to reflect the additional risk during the construction phase. The construction risk premia reduce over time as the project progresses through its construction programme, reflecting the significant reduction in risk once the project reaches the operational stage. The valuation (excluding the investment in JLEN) assumes that forecast cash flows are received until maturity of the underlying assets. The cash flows on which the discounted cash flow valuation is based are those forecast to be distributable to the Group at each balance sheet date, derived from detailed project financial models. These incorporate a number of assumptions with respect to individual assets, including: dates for construction completion; value enhancements; the terms of project debt refinancing (where applicable); the outcome of any disputes; the level of volume-based revenue; future rates of inflation and, for renewable energy projects, energy yield and future energy prices. Value enhancements are only incorporated when the Group has sufficient evidence that they can be realised.

Key sources of estimation uncertainty

A key source of estimation uncertainty in valuing the investment portfolio is the discount rate applied to forecast project cash flows. A base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect project-specific risks. In addition, risk premia are added during the construction phase to reflect the additional risks throughout construction. These premia reduce over time as the project progresses through its construction programme, reflecting the significant reduction in risk once the project reaches the operational stage. The discount rates applied to investments at 31 December 2017 were in the range of 6.8% to 11.8% (31 December 2016 – 7.0% to 11.6%). Note 17 provides details of the weighted average discount rate applied to the investment portfolio as a whole and sensitivities to the investment portfolio value from changes in discount rates.

The key sources of estimation uncertainty present in the forecast cash flows to be received from investments are the forecasts of future energy prices on renewable energy projects and forecasts for long-term inflation. Note 17 provides details of the sensitivities to the investment portfolio value from changes in forecast energy prices and forecast long-term inflation. The Group does not consider the other factors that affect cash flows, as described in the critical accounting judgements in applying the Group's accounting policies above, to be key sources of estimation uncertainty. They are based either on reliable data or the Group's experience and individually not considered likely to materially deviate year on year.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Pension and other post-retirement liability accounting

Critical judgements in applying the Group's accounting policies

The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2017 was £40.3 million (31 December 2016 – £69.3 million). In determining the Group's defined benefit pension liability, consideration is also given to whether there is a minimum funding requirement under IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction which is in excess of the IAS 19 Employee Benefits liability. If the minimum funding requirement is higher, an additional liability would need to be recognised. Under the trust deed and rules of JLPF, the Group has an ultimate unconditional right to any surplus, accordingly the excess of the minimum funding requirement over the IAS 19 Employee Benefits liability has not been recognised as an additional liability.

Key sources of estimation uncertainty

The value of the pension deficit is highly dependent on key assumptions including price inflation, discount rate and life expectancy. The assumptions applied at 31 December 2017 and the sensitivity of the pension liabilities to certain changes in these assumptions are illustrated in note 19.

4 OPERATING SEGMENTS

Information is reported to the Group's Board (the chief operating decision maker under IFRS 8 Operating Segments) for the purposes of resource allocation and assessment of segment performance based on the category of activities undertaken within the Group. For the year ended 31 December 2017, the principal categories of activity, and thus the reportable segments under IFRS 8, were: Primary Investment, Secondary Investment and Asset Management.

The results included within each of the reportable segments comprise:

Primary Investment – costs and cost recoveries associated with originating, bidding for and winning greenfield PPP and renewable energy infrastructure projects; investment returns from and growth in the value of the Primary Investment portfolio, net of associated costs.

Secondary Investment – investment returns from and growth in the value of the Secondary Investment portfolio, net of associated costs.

Asset Management – fee income and associated costs from investment management services in respect of both the Primary and Secondary Investment portfolios and in respect of JLIF's and JLEN's portfolios and the PPP assets in JLPF's portfolio plus fee income and associated costs from project management services.

The Board's primary measure of profitability for each segment is profit before tax.

For the year ended 31 December 2017, the Board did not monitor on an ongoing basis the results of the Group on a geographical basis. An analysis of the Group's investments at FVTPL by foreign currency can be found in note 17.

The following is an analysis of the Group's operating income and profit before tax for the years ended 31 December 2017 and 31 December 2016:

	Year ended 31 December 2017						
	Reportable segments						
	Primary Investment £ million	Secondary Investment £ million	Asset Management £ million	Segment Sub-total £ million	Inter-segment £ million	Non-segmental results £ million	Total £ million
Net gain on investments at FVTPL	179.9	(21.5)	–	**158.4**	–	7.9	**166.3**
Other income	3.7	–	42.4	**46.1**	(17.3)	1.6	**30.4**
Operating income	183.6	(21.5)	42.4	**204.5**	(17.3)	9.5	**196.7**
Administrative expenses	(37.9)	(8.2)	(23.6)	**(69.7)**	17.3	(6.5)	**(58.9)**
Profit from operations	145.7	(29.7)	18.8	**134.8**	–	3.0	**137.8**
Finance costs	(8.4)	(2.2)	–	**(10.6)**	–	(1.2)	**(11.8)**
Profit before tax	137.3	(31.9)	18.8	**124.2**	–	1.8	**126.0**

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

4 OPERATING SEGMENTS (CONTINUED)

	Year ended 31 December 2016						
	Reportable segments						
	Primary Investment £ million	Secondary Investment £ million	Asset Management £ million	Segment Sub-total £ million	Inter-segment £ million	Non-segmental results £ million	Total £ million
Net gain on investments at FVTPL	144.4	66.9	–	211.3	–	7.5	218.8
Other income	7.5	–	47.4	54.9	(14.7)	1.8	42.0
Operating income	151.9	66.9	47.4	266.2	(14.7)	9.3	260.8
Administrative expenses	(33.3)	(7.6)	(27.5)	(68.4)	14.7	(4.7)	(58.4)
Profit from operations	118.6	59.3	19.9	197.8	–	4.6	202.4
Finance costs	(5.5)	(2.2)	–	(7.7)	–	(2.6)	(10.3)
Profit before tax	113.1	57.1	19.9	190.1	–	2.0	192.1

Non-segmental results include results from corporate activities.

For the year ended 31 December 2017, the Group had three (2016 – two) investments from each of which it received more than 10% of its operating income. The operating income from the three investments was £36.1 million, £37.3 million and £27.5 million, all of which was reported within the Primary Investment sector. The Group treats each investment in a project company as a separate customer for the purpose of IFRS 8.

The Group's investment portfolio, comprising investments in project companies and a listed fund included within investments at FVTPL (see note 12) is allocated between primary and secondary investments. The Primary Investment portfolio includes investments in projects which are in the construction phase. The Secondary Investment portfolio includes investments in operational projects.

Segment assets	**31 December 2017 £ million**	31 December 2016 £ million
Primary Investment	**580.3**	696.3
Secondary Investment	**613.5**	479.6
Total investment portfolio	**1,193.8**	1,175.9
Other investments	**0.3**	0.3
Other assets and liabilities	**152.3**	81.3
Total investments at FVTPL	**1,346.4**	1,257.5
Other assets	**10.7**	10.3
Total assets	**1,357.1**	1,267.8
Retirement benefit obligations	**(40.3)**	(69.3)
Other liabilities	**(192.9)**	(181.7)
Total liabilities	**(233.2)**	(251.0)
Group net assets	**1,123.9**	1,016.8

Other assets and liabilities above include cash and cash equivalents, trade and other receivables and trade and other payables within recourse group investment entity subsidiaries.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

5 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following information:

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Earnings		
Profit for the purpose of basic and diluted earnings per share	**127.5**	190.3
Profit for the year	**127.5**	190.3
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**366,952,621**	366,923,076
Dilutive effect of ordinary shares potentially issued under share-based incentives (note 6)	**4,892,369**	3,313,330
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**371,844,990**	370,236,406
Earnings per share from continuing operations (pence/share)		
Basic	**34.7**	51.9
Diluted	**34.3**	51.4

6 SHARE-BASED INCENTIVES

Long-term incentive plan

The Group operates share-based incentive arrangements for Executive Directors, senior executives and other eligible employees under which awards are granted over the Company's ordinary shares. Awards are conditional on the relevant employee completing three years' service (the vesting period). The awards vest three years from the grant date, subject to the Group achieving a target market-based performance condition, total shareholder return (50% of the award), and a non-market based performance condition, NAV per share growth (50% of the award). The Group has no legal or constructive obligation to repurchase or settle the awards in cash.

The movement in the number of shares awarded is as follows:

	Number of shares awarded 2017	2016
At 1 January	**3,774,330**	1,763,030
Granted	**1,557,430**	2,094,460
Adjustment to awards granted in prior periods	**35,500**	–
Lapsed	**(108,290)**	(83,160)
At 31 December	**5,258,970**	3,774,330

The weighted average fair value of awards granted during the year was 136.26p per share (2016 – 167.25p per share) for the market-based performance condition, determined using the Stochastic valuation model, and 291.09p per share (2016 – 226.49p per share) for the non-market based performance condition determined using the Black Scholes model. The weighted average fair value of awards granted during the year from both models is 213.69p per share (2016 – 196.87p per share). The significant inputs into the model were the weighted average share price of 291.2p per share (2016 – 226.5p per share) at the grant date, expected volatility of 12.79% (2016 – 12.55%), expected dividend yield of 2.80% (2016 – 3.10%), an expected award life of three years and an annual risk-free interest rate of 0.14% (2016 – 0.4%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years.

The total expense recognised in the Group Income Statement for awards granted under share-based incentive arrangements for the year ended 31 December 2017 was £3.2 million (2016 – £2.0 million).

Of the 5,258,970 outstanding awards (2016 – 3,774,330), none were exercisable at 31 December 2017 (2016 – nil). The weighted average exercise price of the awards granted during 2017 was £nil (2016 – £nil). There were no awards forfeited, exercised or expired during the year ended 31 December 2017 (2016 – nil). During the year ended 31 December 2017, there were 108,290 awards (2016 – 83,160) that lapsed.

Of the awards outstanding at the end of the year, 1,703,090 vest on 15 April 2018, 1,998,450 vest on 15 April 2019 and 1,557,430 vest on 18 April 2020 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2017 was £nil (31 December 2016 – £nil).

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

6 SHARE-BASED INCENTIVES (CONTINUED)

Deferred Share Bonus Plan

In accordance with the Deferred Share Bonus Plan, 9,762 shares were awarded on 17 March 2017 to Executive Directors and certain senior executives in relation to that part of their annual bonus for 2016 which exceeded 60% of their base salary. These awards vest in equal tranches on the first, second and third anniversary of grant, normally subject to continued employment. For further details on this plan, refer to the Directors' Remuneration Report.

The movement in the number of shares awarded is as follows:

	Number of shares awarded 2017	2016
At 1 January	**84,439**	–
Granted	**9,762**	84,439
Adjustment to awards granted in the prior period	**5,000**	–
Vested in the period	**(36,080)**	–
At 31 December	**63,121**	84,439

In addition to the 36,080 shares that vested as per the table above, a further 978 shares were awarded in lieu of dividends payable since the grant date on the vested shares.

Employee Benefit Trust

On 19 June 2015 the Company established the EBT to be used as part of the remuneration arrangements for employees. The purpose of the EBT is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The EBT purchases shares in the Company to satisfy obligations under the Company's share-based payment plans.

During the year the EBT purchased no shares in John Laing Group plc and as at 31 December 2017 the EBT held no shares in the Company.

7 OTHER INCOME

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Fees from asset management services	**26.7**	34.5
Recoveries on financial close	**3.7**	7.5
	30.4	42.0

In November 2016 the Group sold its UK Project Management Services business for £4.0 million, of which £1.9 million was received in 2016 and £2.1 million was deferred and recognised in January 2017 on transfer of the final underlying MSA contracts. Total costs of the sale were £1.6 million with £0.2 million recognised in 2017 (in administrative expenses) giving a total profit on sale recognised in the year ended 31 December 2017 of £1.9 million. A profit of £0.5 million was recognised in the year ended 31 December 2016 on initial transfer of the MSA contracts, leading to an overall profit on sale of £2.4 million.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

8 PROFIT FROM OPERATIONS

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Profit from operations has been arrived at after charging:		
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**(0.3)**	(0.2)
Total audit fees	**(0.3)**	(0.2)
Other assurance services	**(0.1)**	–
Total non-audit fees	**(0.1)**	–
Operating lease charges:		
– rental of land and buildings	**(1.2)**	(1.3)
Depreciation of plant and equipment	**(0.3)**	(0.6)
Amortisation of intangible assets	**–**	(0.2)

The fee payable to the Company's auditor for the audit of the Company's annual accounts was £6,566 (2016 – £6,375). The fees payable to the Company's auditor for the audit of the Company's subsidiaries were £277,094 (2016 – £241,560). The fees payable to the Company's auditor for non-audit services comprised: £48,500 (2016 – £40,000) for other assurance services and £12,500 (2016 – £4,800) for a FCA regulatory review.

9 EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Employee costs comprise:		
Salaries	**(25.1)**	(26.8)
Social security costs	**(2.9)**	(2.9)
Pension charge		
– defined benefit schemes (note 19)	**(1.3)**	(1.6)
– defined contribution	**(1.1)**	(1.3)
Share-based incentives (note 6)	**(3.2)**	(2.0)
	(33.6)	(34.6)

Annual average employee numbers (including Directors):

	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
Staff	**160**	248
UK	**101**	191
Overseas	**59**	57
Activity		
Primary investments, asset management and central activities	**160**	248

Details of Directors' remuneration for the year ended 31 December 2017 can be found in the audited sections of the Directors' Remuneration Report.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

10 FINANCE COSTS

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Finance costs on corporate banking facilities	**(9.2)**	(7.9)
Amortisation of debt issue costs	**(1.3)**	(1.1)
Net interest cost of retirement obligations (note 19)	**(1.3)**	(1.3)
Total finance costs	**(11.8)**	(10.3)

11 TAX CREDIT/(CHARGE)

The tax credit/(charge) for the year comprises:

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Current tax:		
UK corporation tax credit/(charge) – current year	**0.5**	(1.9)
UK corporation tax credit – prior year	**1.6**	0.5
Foreign tax charge	**(0.1)**	–
	2.0	(1.4)
Deferred tax:		
Deferred tax charge – current year	**–**	(0.2)
Deferred tax charge – prior year	**(0.5)**	(0.2)
	(0.5)	(0.4)
Tax credit/(charge)	**1.5**	(1.8)

The tax credit/(charge) for the year can be reconciled to the profit in the Group Income Statement as follows:

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Profit before tax	**126.0**	192.1
Tax at the UK corporation tax rate	**(24.3)**	(38.4)
Tax effect of expenses and other similar items that are not deductible	**(1.1)**	(0.6)
Non-taxable movement on fair value of investments	**32.0**	43.8
Adjustment for management charges to fair value group	**(6.1)**	(6.6)
Other movements	**(0.1)**	(0.3)
Prior year – current tax credit	**1.6**	0.5
Prior year – deferred tax charge	**(0.5)**	(0.2)
Total tax credit/(charge)	**1.5**	(1.8)

The above tax credit/(charge) of the Company and the recourse group subsidiary entities that are consolidated is primarily in relation to a group relief credit/(charge) with recourse group subsidiary entities held at FVTPL, where there are tax losses primarily as a result of the tax deduction from the payment of contributions to JLPF obtained by a recourse subsidiary held at FVTPL. There is a corresponding tax (charge)/credit within 'net gain on investments at FVTPL' on the Group Income Statement.

For the year ended 31 December 2017 a tax rate of 19.25% has been applied (2016 – 20.0%). The UK Government has announced its intention to reduce the main corporation tax rate by 1% to 19% from 1 April 2017 and by a further 2% to 17% from 1 April 2020.

The Group expects that the majority of deferred tax assets will be realised after 1 April 2020 and therefore the Group has measured its deferred tax assets at 31 December 2017 at a tax rate of 17% (31 December 2016 – 17%).

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017				
	Investments in project companies £ million	**Listed investment £ million**	**Portfolio valuation sub-total £ million**	**Other assets and liabilities £ million**	**Total £ million**
Opening balance	**1,165.9**	**10.0**	**1,175.9**	**81.6**	**1,257.5**
Distributions	**(39.6)**	**(0.6)**	**(40.2)**	**40.2**	**–**
Investment in equity and loans	**209.9**	**–**	**209.9**	**(209.9)**	**–**
Realisations from investment portfolio	**(289.0)**	**–**	**(289.0)**	**289.0**	**–**
Proceeds received on acquisition of Manchester Waste VL Co by GMWDA	**(23.5)**	**–**	**(23.5)**	**23.5**	**–**
Fair value movement	**159.8**	**0.9**	**160.7**	**5.6**	**166.3**
Net cash transferred from investments at FVTPL	**–**	**–**	**–**	**(77.4)**	**(77.4)**
Closing balance	**1,183.5**	**10.3**	**1,193.8**	**152.6**	**1,346.4**

	31 December 2016				
	Investments in project companies £ million	Listed investment £ million	Portfolio valuation sub-total £ million	Other assets and liabilities £ million	Total £ million
Opening balance	825.3	16.1	841.4	123.9	965.3
Distributions	(33.9)	(0.9)	(34.8)	34.8	–
Investment in equity and loans	301.5	–	301.5	(301.5)	–
Realisations from investment portfolio	(140.2)	(6.4)	(146.6)	146.6	–
Fair value movement	213.2	1.2	214.4	4.4	218.8
Net cash transferred to investments at FVTPL	–	–	–	73.4	73.4
Closing balance	1,165.9	10.0	1,175.9	81.6	1,257.5

Included within other assets and liabilities at 31 December 2017 above is cash collateral of £133.1 million (31 December 2016 – £23.7 million) in respect of future investment commitments to the I-66 Managed Lanes and I-77 Managed Lanes projects (31 December 2016 – IEP (Phase 1), I-77 Managed Lanes and New Perth Stadium).

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12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The investment disposals that have occurred in the years ended 31 December 2017 and 2016 are as follows:

Year ended 31 December 2017

During the year ended 31 December 2017, the Group disposed of shares and subordinated debt in eight PPP and renewable energy project companies for £289.0 million (including £1.9 million deferred to 2018). In addition, the Group's shareholding in Viridor Laing (Greater Manchester) Limited was acquired by the Greater Manchester Waste Development Authority (GMWDA) for £23.5 million.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Acquired by John Laing Environmental Assets Group Limited (JLEN)				
Llynfi Afan Renewable Energy Park (Holdings) Limited	12 December 2017	100.0	100.0	–
Acquired by John Laing Infrastructure Fund Limited (JLIF)				
Aylesbury Vale Parkway Limited	20 October 2017	50.0	50.0	–
City Greenwich Lewisham Rail Link plc	20 October 2017	5.0	5.0	–
Croydon & Lewisham Lighting Services (Holdings) Limited	1 June 2017	50.0	50.0	–
John Laing Rail Infrastructure Limited	20 October 2017	100.0	100.0	–
Rail Investments (Great Western) Limited*	26 October 2017	80.0	30.0	50.0
Acquired by GMWDA				
Viridor Laing (Greater Manchester) Limited	28 September 2017	50.0	50.0	–
Sold to other parties				
Gdansk Transport Co. SA	2 March 2017	29.69	29.69	–
MAK Mecsek Autopálya Koncessziós Zrt.	29 March 2017	30.0	30.0	–

* This entity held a 30% interest in IEP (Phase 1) as at 31 December 2017, resulting in a 15% indirect interest in IEP (Phase 1) by the Company.

Year ended 31 December 2016

During the year ended 31 December 2016, the Group disposed of shares and subordinated debt in six PPP and renewable energy project companies as well as part of its shareholding in JLEN. Total proceeds from all disposals were £146.6 million. In addition, the Group sold its interest in UK Highways Limited for £0.3 million as part of its disposal of the UK activities of PMS.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Acquired by John Laing Environmental Assets Group Limited (JLEN)				
Dreachmhor Wind Farm (Holdings) Limited	29 June 2016	100.0	100.0	–
New Albion Wind (Holdings) Limited	21 July 2016	100.0	100.0	–
Acquired by John Laing Infrastructure Fund Limited (JLIF)				
Inspiral Oldham Holdings Company Limited	27 May 2016	95.0	95.0	–
Rail Investments (Great Western) Limited*	29 December 2016	100.0	20.0	80.0
Services Support (BTP) Holdings Limited	29 February 2016	54.2	54.2	–
UK Highways (A55) Holdings Limited	22 December 2016	100.0	100.0	–
Sold to other parties				
John Laing Environmental Assets Group Limited	2 November 2016	5.5	2.2	3.3
UK Highways Limited	30 November 2016	100.0	100.0	–

* This entity held a 30% interest in IEP (Phase 1) as at 31 December 2016, which resulted in a 24% indirect interest in IEP (Phase 1) by the Company.

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13 TRADE AND OTHER RECEIVABLES

	31 December 2017 £ million	31 December 2016 £ million
Current assets		
Trade receivables	**6.2**	6.3
Other taxation	**0.1**	–
Other receivables	**0.3**	0.6
Prepayments and accrued income	**1.0**	0.5
	7.6	7.4

In the opinion of the Directors the fair value of trade and other receivables is equal to their carrying value.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2017 £ million	31 December 2016 £ million
Sterling	**6.9**	5.9
Other currencies	**0.7**	1.5
	7.6	7.4

Other currencies mainly comprise trade and other receivables in Canadian dollars (31 December 2016 – Euros).

Included in the Group's trade receivables are debtors with a carrying value of £0.1 million which were overdue at 31 December 2017 (31 December 2016 – £0.4 million). The overdue balances have an ageing of up to 120 days (31 December 2016 – up to 120 days). The Group has not provided for these debtors as they are considered fully recoverable. The Group does not hold any collateral against these balances.

Included in the Group's trade receivables are debtors with a carrying value of £nil which were impaired at 31 December 2017 (31 December 2016 – £nil).

14 TRADE AND OTHER PAYABLES

	31 December 2017 £ million	31 December 2016 £ million
Current liabilities		
Trade payables	**(1.5)**	(1.9)
Other taxation and social security	**(0.7)**	(1.6)
Accruals	**(15.0)**	(11.1)
Deferred income	**(0.1)**	(0.1)
	(17.3)	(14.7)

15 BORROWINGS

	31 December 2017 £ million	31 December 2016 £ million
Current liabilities		
Interest-bearing loans and borrowings net of unamortised financing costs (note 16 c and note 17)	**(173.2)**	(161.4)
	(173.2)	(161.4)

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16 FINANCIAL INSTRUMENTS

a) Financial instruments by category

31 December 2017	Cash and cash equivalents £ million	Loans and receivables £ million	Assets at FVTPL £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	**n/a**	**n/a**	**Level 1 / 3***	**n/a**	
Non-current assets					
Investments at FVTPL*	**–**	**–**	**1,346.4**	**–**	**1,346.4**
Current assets					
Trade and other receivables	**–**	**6.9**	**–**	**–**	**6.9**
Cash and cash equivalents	**2.5**	**–**	**–**	**–**	**2.5**
Total financial assets	**2.5**	**6.9**	**1,346.4**	**–**	**1,355.8**
Current liabilities					
Interest-bearing loans and borrowings	**–**	**–**	**–**	**(173.2)**	**(173.2)**
Trade and other payables	**–**	**–**	**–**	**(16.5)**	**(16.5)**
Total financial liabilities	**–**	**–**	**–**	**(189.7)**	**(189.7)**
Net financial instruments	**2.5**	**6.9**	**1,346.4**	**(189.7)**	**1,166.1**

31 December 2016	Cash and cash equivalents £ million	Loans and receivables £ million	Assets at FVTPL £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	n/a	Level 1 / 3*	n/a	
Non-current assets					
Investments at FVTPL*	–	–	1,257.5	–	1,257.5
Current assets					
Trade and other receivables	–	7.0	–	–	7.0
Cash and cash equivalents	1.6	–	–	–	1.6
Total financial assets	1.6	7.0	1,257.5	–	1,266.1
Current liabilities					
Interest-bearing loans and borrowings	–	–	–	(161.4)	(161.4)
Trade and other payables	–	–	–	(13.0)	(13.0)
Total financial liabilities	–	–	–	(174.4)	(174.4)
Net financial instruments	1.6	7.0	1,257.5	(174.4)	1,091.7

* Investments at FVTPL are split between: Level 1, JLEN, which is a listed investment fair valued at £10.3 million (31 December 2016 – £10.0 million) using a quoted market price; and Level 3 investments in project companies fair valued at £1,183.5 million (31 December 2016 – £1,165.9 million). Level 1 and Level 3 investments are fair valued in accordance with the policy and assumptions set out in note 2 f). The investments at FVTPL include other assets and liabilities as shown in note 12. Such other assets and liabilities are recorded at amortised cost which the Directors believe approximates to their fair value.

The tables in section a) provide an analysis of financial instruments that are measured subsequent to their initial recognition at fair value.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Levels 1 and 2 during either year. There were no transfers out of Level 3.

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening and closing balances of assets at FVTPL is given in note 12. Level 3 financial assets are those relating to investments in project companies. The carrying amounts of financial assets and financial liabilities in these financial statements reflect their fair values.

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16 FINANCIAL INSTRUMENTS (CONTINUED)

b) Foreign currency and interest rate profile of financial assets (excluding investments at FVTPL)

Currency	31 December 2017 Floating rate £ million	31 December 2017 Non-interest bearing £ million	31 December 2017 Total £ million	31 December 2016 Non-interest bearing £ million
Sterling	**0.5**	**6.5**	**7.0**	5.9
Euro	**–**	**0.2**	**0.2**	1.5
Canadian dollar	**–**	**0.4**	**0.4**	0.4
US dollar	**–**	**0.3**	**0.3**	0.4
New Zealand dollar	**–**	**0.7**	**0.7**	–
Australian dollar	**–**	**0.8**	**0.8**	0.4
Total	**0.5**	**8.9**	**9.4**	8.6

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2017 were £189.7 million (31 December 2016 – £174.4 million), of which £173.2 million (31 December 2016 – £161.4 million) related to short-term cash borrowings of £176.0 million (31 December 2016 – £165.0 million) net of unamortised finance costs of £2.8 million (31 December 2016 – £3.6 million).

Currency	31 December 2017 Fixed rate £ million	31 December 2017 Non-interest bearing £ million	31 December 2017 Total £ million	31 December 2016 Fixed rate £ million	31 December 2016 Non-interest bearing £ million	31 December 2016 Total £ million
Sterling	**(173.2)**	**(12.0)**	**(185.2)**	(161.4)	(9.8)	(171.2)
Euro	**–**	**(1.0)**	**(1.0)**	–	(0.5)	(0.5)
US dollar	**–**	**(1.2)**	**(1.2)**	–	(0.9)	(0.9)
Australian dollar	**–**	**(1.9)**	**(1.9)**	–	(1.4)	(1.4)
Other	**–**	**(0.4)**	**(0.4)**	–	(0.4)	(0.4)
Total	**(173.2)**	**(16.5)**	**(189.7)**	(161.4)	(13.0)	(174.4)

17 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk, interest rate risk and inflation risk), credit risk, price risk (including power price risk which impacts the fair value of the Group's investments in renewable energy projects), liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

For the parent company and its recourse subsidiaries, financial risks are managed by a central treasury operation which operates within Board approved policies. The various types of financial risk are managed as follows:

Market risk – foreign currency exchange rate risk

As at 31 December 2017 the Group held investments in 31 overseas projects (31 December 2016 – 26 overseas projects) all of which are fair valued based on the spot rate at 31 December 2017 (31 December 2016 – spot rate at 31 December 2016). The Group's foreign currency exchange rate risk policy is to determine the total Group exposure to individual currencies; it may then enter into hedges against certain individual investments. The Group's exposure to exchange rate risk on its investments is disclosed below.

In addition, the Group's policy on managing foreign currency exchange rate risk is to cover significant transactional exposures arising from receipts and payments in foreign currencies, where appropriate and cost effective. There were eight forward currency contracts open as at 31 December 2017 (31 December 2016 – 21). The fair value of these contracts was a net asset of £1.3 million (31 December 2016 – net asset of £3.5 million) and is included in investments at FVTPL.

At 31 December 2017, the Group's most significant currency exposure was to the US dollar (31 December 2016 – Euro).

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency exposure of investments at FVTPL:

	31 December 2017				31 December 2016			
	Project companies £ million	**Listed investment £ million**	**Other assets and liabilities £ million**	**Total £ million**	Project companies £ million	Listed investment £ million	Other assets and liabilities £ million	Total £ million
Sterling	**405.0**	**10.3**	**2.1**	**417.4**	500.4	10.0	41.5	551.9
Euro	**204.1**	**–**	**5.8**	**209.9**	341.2	–	10.5	351.7
Australian dollar	**269.4**	**–**	**2.7**	**272.1**	181.4	–	5.5	186.9
US dollar	**283.2**	**–**	**142.0**	**425.2**	121.0	–	23.7	144.7
New Zealand dollar	**21.8**	**–**	**–**	**21.8**	21.9	–	0.4	22.3
	1,183.5	**10.3**	**152.6**	**1,346.4**	1,165.9	10.0	81.6	1,257.5

Investments in project companies are fair valued based on the spot rate at the balance sheet date. As at 31 December 2017, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£38 million. The Group's profit before tax would be impacted by the same amounts. There would be no additional impact on equity.

Market risk – interest rate risk

The Group's interest rate risk arises due to fluctuations in interest rates which impact on the value of returns from floating rate deposits and expose the Group to variability in interest payment cash flows on variable rate borrowings. The Group has assessed its exposure to interest rate risk and considers that this exposure is low as its variable rate borrowings tend to be short term, its finance costs in relation to letters of credit issued under the corporate banking facilities are at a fixed rate and the interest earned on its cash and cash equivalents minimal.

The exposure of the Group's financial assets to interest rate risk is as follows:

	31 December 2017			31 December 2016		
	Interest bearing floating rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest bearing floating rate £ million	Non-interest bearing £ million	Total £ million
Financial assets						
Investments at FVTPL	**–**	**1,346.4**	**1,346.4**	–	1,257.5	1,257.5
Trade and other receivables	**–**	**6.9**	**6.9**	–	7.0	7.0
Cash and cash equivalents	**0.5**	**2.0**	**2.5**	–	1.6	1.6
Financial assets exposed to interest rate risk	**0.5**	**1,355.3**	**1,355.8**	–	1,266.1	1,266.1

An analysis of the movement between opening and closing balances of investments at FVTPL is given in note 12. Investments in project companies are principally valued on a discounted cash flow basis. At 31 December 2017, the weighted average discount rate was 8.8% (31 December 2016 – 8.9%). For investments in project companies, changing the discount rate used to value the underlying instruments would alter their fair value. As at 31 December 2017 a 0.25% increase in the discount rate would reduce the fair value by £40.7 million (31 December 2016 – £32.1 million) and a 0.25% reduction in the discount rate would increase the fair value by £42.6 million (31 December 2016 – £33.6 million). The Group's profit before tax would be impacted by the same amounts. There would be no additional impact on equity.

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	31 December 2017			31 December 2016		
	Interest bearing fixed rate £ million	**Non-interest bearing £ million**	**Total £ million**	Interest bearing fixed rate £ million	Non-interest bearing £ million	Total £ million
Interest-bearing loans and borrowings	**(173.2)**	**–**	**(173.2)**	(161.4)	–	(161.4)
Trade and other payables	**–**	**(16.5)**	**(16.5)**	–	(13.0)	(13.0)
Total financial liabilities	**(173.2)**	**(16.5)**	**(189.7)**	(161.4)	(13.0)	(174.4)

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk – inflation risk

The Group has limited direct exposure to inflation risk, but the fair value of investments is determined by future project revenue and costs which can be partly linked to inflation. Sensitivity to inflation can be mitigated by the project company entering into inflation swaps. Where PPP investments are positively correlated to inflation, an increase in inflation expectations will tend to increase the value of PPP investments. However, all other things being equal, an increase in inflation expectations would also tend to increase JLPF's pension liabilities.

Based on a sample of six of the larger PPP investments by value at 31 December 2017, a 0.25% increase in inflation is estimated to increase the value of PPP investments by c.£15 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investment by c.£14 million. Certain of the underlying project companies incorporate some inflation hedging.

Credit risk

Credit risk is managed on a Group basis and arises from a combination of the value and term to settlement of balances due and payable by counterparties for both financial and trade transactions.

In order to minimise credit risk, cash investments and derivative transactions are limited to financial institutions of a suitable credit quality and counterparties are carefully screened. The Group's cash balances are invested in line with a policy approved by the Board, capped with regard to counter-party credit ratings.

A significant number of the project companies in which the Group invests receive revenue from government departments, public sector or local authority clients and/or directly from the public. As a result, these projects tend not to be exposed to significant credit risk.

Price risk

The Group's investments in PPP assets have limited direct exposure to price risk. The fair value of many such project companies is dependent on the receipt of fixed fee income from government departments, public sector or local authority clients. As a result, these projects tend not to be exposed to price risk.

The Group also holds investments in renewable energy projects whose fair value may vary with forecast energy prices to the extent they are not economically hedged through short to medium-term fixed price purchase agreements with electricity suppliers, or do not benefit from governmental support mechanisms at fixed prices. At 31 December 2017, based on a sample of seven of the larger renewable energy investments by value, a 5% increase in power price forecasts is estimated to increase the value of renewable energy investments by £15 million and a 5% decrease in power price forecasts is estimated to decrease the value of renewable energy investments by £14 million. The Group's profit before tax would be impacted by the same amounts. There would be no additional impact on equity.

The Group's investment in JLEN is valued at its closing market share price at 31 December 2017.

Liquidity risk

The Group adopts a prudent approach to liquidity management by maintaining sufficient cash and available committed facilities to meet its current and upcoming obligations.

The Group's liquidity management policy involves projecting cash flows in major currencies and assessing the level of liquid assets necessary to meet these.

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial assets

The maturity profile of the Group's financial assets (excluding investments at FVTPL) is as follows:

	31 December 2017 Less than one year £ million	31 December 2016 Less than one year £ million
Trade and other receivables	**6.9**	7.0
Cash and cash equivalents	**2.5**	1.6
Financial assets (excluding investments at FVTPL)	**9.4**	8.6

Other than certain trade and other receivables, as detailed in note 13, none of the financial assets is either overdue or impaired.

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

	31 December 2017 £ million	31 December 2016 £ million
In one year or less, or on demand	**(189.7)**	(174.4)
Total	**(189.7)**	(174.4)

The following table details the remaining contractual maturity of the Group's financial liabilities. The table reflects undiscounted cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows:

	Weighted average effective interest rate %	**In one year or less £ million**	**Total £ million**
31 December 2017			
Fixed interest rate instruments – loans and borrowings	**3.00**	**(173.2)**	**(173.2)**
Non-interest bearing instruments*	**n/a**	**(16.5)**	**(16.5)**
		(189.7)	**(189.7)**
31 December 2016			
Fixed interest rate instruments – loans and borrowings	2.75	(161.4)	(161.4)
Non-interest bearing instruments*	n/a	(13.0)	(13.0)
		(174.4)	(174.4)

* Non-interest bearing instruments relate to trade payables and accruals.

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17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk

The Group seeks to adopt efficient financing structures that enable it to manage capital effectively and achieve the Group's objectives without putting shareholder value at undue risk. The Group's capital structure comprises its equity (as set out in the Group Statement of Changes in Equity) and its net borrowings. The Group monitors internally net debt and a reconciliation of net debt can be found in note 24.

At 31 December 2017, the Group had committed corporate banking facilities of £475 million, expiring in March 2020, together with additional liquidity facilities of £50 million. The liquidity facilities originally expiring in March 2018, were extended in early 2018 until February 2019.

Issued at 31 December 2017 were letters of credit of £202.3 million (31 December 2016 – £162.6 million), related to future capital and loan commitments, and contingent commitments and performance and bid bonds of £7.5 million (31 December 2016 – £6.5 million).

The Group has requirements for both borrowings and letters of credit, which at 31 December 2017 were met by its £525.0 million committed facilities and related ancillary facilities (31 December 2016 – £450.0 million). The committed facilities are summarised below:

	31 December 2017			
	Total facilities £ million	**Loans drawn £ million**	**Letters of credit in issue/other commitments £ million**	**Total undrawn £ million**
Committed corporate banking facilities	**475.0**	**(176.0)**	**(159.8)**	**139.2**
Surety facilities backed by committed liquidity facilities	**50.0**	**–**	**(50.0)**	**–**
Total	**525.0**	**(176.0)**	**(209.8)**	**139.2**

	31 December 2016			
	Total facility £ million	Loans drawn £ million	Letters of credit in issue/other commitments £ million	Total undrawn £ million
Committed corporate banking facilities	400.0	(165.0)	(119.1)	115.9
Surety facilities backed by committed liquidity facilities	50.0	–	(50.0)	–
Total	450.0	(165.0)	(169.1)	115.9

18 DEFERRED TAX

The movements in the deferred tax asset relating to other deductible temporary differences were:

	31 December 2017 £ million	31 December 2016 £ million
Opening asset	**1.0**	1.4
Charge to income – prior year	**(0.5)**	(0.2)
Charge to income – current year	**–**	(0.2)
Closing asset	**0.5**	1.0

The Group has no tax losses within its entities which are consolidated but there are tax losses in investment entity subsidiaries which are held at FVTPL.

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19 RETIREMENT BENEFIT OBLIGATIONS

	31 December 2017 £ million	31 December 2016 £ million
Pension schemes	**(32.3)**	(61.3)
Post-retirement medical benefits	**(8.0)**	(8.0)
Retirement benefit obligations	**(40.3)**	(69.3)

a) Pension schemes

The Group operates two defined benefit pension schemes in the UK (the Schemes) – The John Laing Pension Fund (JLPF) which commenced on 31 May 1957 and The John Laing Pension Plan (the Plan) which commenced on 6 April 1975. JLPF was closed to future accrual from 1 April 2011 and the Plan was closed to future accrual from September 2003. Neither Scheme has any active members, only deferred members and pensioners. The assets of both Schemes are held in separate trustee-administered funds.

UK 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. Local defined contribution arrangements are available to overseas staff.

JLPF

An actuarial valuation of JLPF was carried out as at 31 March 2016 by a qualified independent actuary, Willis Towers Watson. At that date, JLPF was 85% funded on the technical provision funding basis. This valuation took into account the Continuous Mortality Investigation Bureau (CMI Bureau) projections of mortality.

The Group agreed to repay the actuarial deficit of £171.0 million at 31 March 2016 over seven years as follows:

By 31 March	£ million
2017	**24.5**
2018	**26.5**
2019	**29.1**
2020	**24.9**
2021	**25.7**
2022	**26.4**
2023	**24.6**

The next triennial actuarial valuation of JLPF is due as at 31 March 2019.

During the year ended 31 December 2017, John Laing made deficit reduction contributions of £24.5 million (2016 – £18.1 million) in cash. At 31 December 2017, JLPF's assets included PPP investments valued at £nil (31 December 2016 – £37.8 million).

The liability at 31 December 2017 allows for indexation of deferred pensions and post 5 April 1988 GMP pension increases based on the Consumer Price Index (CPI).

The Plan

No contributions were made to the Plan in the year ended 31 December 2017 (2016 – none). At its last actuarial valuation as at 31 March 2017, the Plan had assets of £13.1 million and liabilities of £12.0 million resulting in an actuarial surplus of £1.1 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2020.

An analysis of the members of both Schemes is shown below:

31 December 2017	Deferred	Pensioners	Total
JLPF	**4,126**	**3,960**	**8,086**
The Plan	**106**	**334**	**440**

31 December 2016	Deferred	Pensioners	Total
JLPF	4,385	3,883	8,268
The Plan	109	328	437

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19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

The financial assumptions used in the valuation of JLPF and the Plan under IAS 19 at 31 December were:

	31 December 2017 %	31 December 2016 %
Discount rate	**2.50**	2.80
Rate of increase in non-GMP pensions in payment	**3.00**	3.10
Rate of increase in non-GMP pensions in deferment	**2.00**	2.10
Inflation – RPI	**3.10**	3.20
Inflation – CPI	**2.00**	2.10

The amount of the JLPF deficit is highly dependent upon the assumptions above and may vary significantly from period to period. The impact of possible future changes to some of the assumptions is shown below, without taking into account any inter-relationship between the assumptions. In practice, there would be inter-relationships between the assumptions. The analysis has been prepared in conjunction with the Group's actuarial adviser. The Group considers that the changes below are reasonably possible based on recent experience.

	(Increase)/decrease in pension liabilities at 31 December 2017	
	Increase in assumption £ million	**Decrease in assumption £ million**
0.25% on discount rate	**45.6**	**(48.5)**
0.25% on inflation rate	**(34.2)**	**33.3**
1 year post-retirement longevity	**(50.5)**	**48.3**

Mortality

Mortality assumptions at 31 December 2017 were based on the following tables published by the CMI Bureau:

- SAPS S2 normal (S2NA) year of birth tables for staff members with mortality improvements in line with CMI 2016 core projections with a long-term improvement rate of 1.25% per annum and a smoothing parameter of 7.5; and
- SAPS S2 light (S2NA_L) year of birth tables for executive members with mortality improvements in line with CMI 2016 core projections with a long-term improvement rate of 1.25% per annum and a smoothing parameter of 7.5.

Mortality assumptions at 31 December 2016 were based on the following tables published by the CMI Bureau:

- SAPS S2 normal (S2NA) year of birth tables for staff members with mortality improvements in line with CMI 2015 core projections with a long-term trend rate of 1.25% per annum and
- SAPS S2 light (S2NA_L) year of birth tables for executive members with mortality improvements in line with CMI 2016 core projections with a long-term trend rate of 1.25% per annum.

The table below summarises the life expectancy implied by the mortality assumptions used:

	31 December 2017 Years	31 December 2016 Years
Life expectancy – of member reaching age 65 in 2017		
Males	**22.3**	22.4
Females	**24.2**	24.5
Life expectancy – of member aged 65 in 2032		
Males	**23.3**	23.6
Females	**25.4**	25.9

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of the major categories of assets held by the Schemes

	31 December 2017 £ million	31 December 2017 %	31 December 2016 £ million	31 December 2016 %
Bond and other debt instruments				
UK corporate bonds	**84.4**		80.9	
UK government gilts	**192.4**		141.6	
UK government gilts – index linked	**157.4**		192.7	
	434.2	**37.5**	415.2	37.3
Equity instruments				
UK listed equities	**140.7**		152.0	
European listed equities	**39.9**		34.3	
US listed equities	**132.6**		73.8	
Other international listed equities	**92.6**		114.6	
	405.8	**35.1**	374.7	33.8
Aviva bulk annuity buy-in agreement	**231.0**	**20.0**	234.1	21.1
Property				
Industrial property	**2.1**		1.8	
	2.1	**0.2**	1.8	0.2
Derivatives				
Inflation swaps	**–**		(6.1)	
	–	**–**	(6.1)	(0.5)
Cash and equivalents	**82.9**	**7.2**	52.4	4.7
UK PPP investments	**–**	**–**	37.8	3.4
Total market value of assets	**1,156.0**	**100.0**	1,109.9	100.0
Present value of Schemes' liabilities	**(1,188.3)**		(1,171.2)	
Net pension liability	**(32.3)**		(61.3)	

Virtually all equity and debt instruments held by JLPF have quoted prices in active markets (Level 1). Derivatives can be classified as Level 2 instruments and property and UK PPP investments as Level 3 instruments. It is the policy of JLPF to use inflation swaps to hedge its exposure to inflation risk. The JLPF Trustee invests in return seeking assets, such as equity and property, whilst balancing the risks of inflation and interest rate movements through the annuity buy-in agreement, inflation swaps and interest rate hedging.

In late 2008, the JLPF Trustee entered into a bulk annuity buy-in agreement with Aviva to mitigate JLPF's exposure to changes in liabilities. At 31 December 2017, the underlying insurance policy was valued at £231.0 million (31 December 2016 – £234.1 million), being very substantially equal to the IAS 19 valuation of the related liabilities.

The pension liability of £32.3 million at 31 December 2017 (31 December 2016 – £61.3 million) is net of a surplus under IAS 19 of £2.9 million in the Plan (31 December 2016 – £2.9 million).

Analysis of amounts charged to operating profit

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Current service cost*	**(1.3)**	(1.6)

* The Schemes no longer have any active members. Therefore, under the projected unit method of valuation the current service cost for JLPF will increase as a percentage of pensionable payroll as members approach retirement. The current service cost has been included within administrative expenses.

Analysis of amounts charged to finance costs

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Interest on Schemes' assets	**30.8**	35.3
Interest on Schemes' liabilities	**(31.9)**	(36.3)
Net charge to finance costs	**(1.1)**	(1.0)

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of amounts recognised in Group Statement of Comprehensive Income

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**55.9**	151.5
Experience loss arising on Schemes' liabilities	**(5.1)**	(5.7)
Changes in financial assumptions underlying the present value of Schemes' liabilities	**(61.1)**	(185.6)
Changes in demographic assumptions underlying the present value of Schemes' liabilities	**17.0**	(1.1)
Recognition of surplus in the Plan	**–**	2.7
Actuarial gain/(loss) recognised in Group Statement of Comprehensive Income	**6.7**	(38.2)

The cumulative gain recognised in the Group Statement of Changes in Equity is £6.7 million (31 December 2016 – £nil).

Changes in present value of defined benefit obligations

	2017 £ million	2016 £ million
Opening defined benefit obligation	**(1,171.2)**	(992.9)
Current service cost	**(1.3)**	(1.6)
Interest cost	**(31.9)**	(36.3)
Experience loss arising on Schemes' liabilities	**(5.1)**	(5.7)
Changes in financial assumptions underlying the present value of Schemes' liabilities	**(61.1)**	(185.6)
Changes in demographic assumptions underlying the present value of Schemes' liabilities	**17.0**	(1.1)
Benefits paid (including administrative costs paid)	**65.3**	52.0
Closing defined benefit obligation	**(1,188.3)**	(1,171.2)

The weighted average life of JLPF liabilities at 31 December 2017 is 16.4 years (31 December 2016 – 16.8 years).

Changes in the fair value of Schemes' assets

	31 December 2017 £ million	31 December 2016 £ million
Opening fair value of Schemes' assets	**1,109.9**	956.7
Interest on Schemes' assets	**30.8**	35.3
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	**55.9**	151.5
Contributions by employer	**24.7**	18.4
Benefits paid (including administrative costs paid)	**(65.3)**	(52.0)
Closing fair value of Schemes' assets	**1,156.0**	1,109.9

Analysis of the movement in the deficit during the year

	31 December 2017 £ million	31 December 2016 £ million
Opening deficit	**(61.3)**	(38.9)
Current service cost	**(1.3)**	(1.6)
Finance cost	**(1.1)**	(1.0)
Contributions	**24.7**	18.4
Actuarial gain/(loss)	**6.7**	(38.2)
Pension deficit	**(32.3)**	(61.3)

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

History of experience gains and losses

	Year ended 31 December 2017	Year ended 31 December 2016
Difference between actual and expected returns on assets:		
Amount (£ million)	**55.9**	151.5
% of Schemes' assets	**4.8**	13.6
Experience loss on Schemes' liabilities:		
Amount (£ million)	**(5.1)**	(5.7)
% of present value of Schemes' liabilities	**0.4**	0.5
Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax):		
Amount (£ million)	**6.7**	(38.2)
% of present value of Schemes' liabilities	**(0.6)**	3.3

b) Post-retirement medical benefits

The Company provides post-retirement medical insurance benefits to 60 former employees. This scheme, which was closed to new members in 1991, is unfunded.

The present value of the future liabilities under this arrangement has been assessed by the Company's actuarial adviser, Lane Clark & Peacock LLP, and has been included in the Group Balance Sheet under retirement benefit obligations as follows:

	31 December 2017 £ million	31 December 2016 £ million
Post-retirement medical benefits liability – opening	**(8.0)**	(7.3)
Other finance costs	**(0.2)**	(0.3)
Contributions	**0.5**	0.5
Experience loss*	**(0.2)**	(0.2)
Changes in financial assumptions underlying the present value of scheme's liabilities*	**(0.2)**	(0.9)
Changes in demographic assumptions underlying the present value of liabilities*	**0.1**	0.1
Curtailment and settlements	**–**	0.1
Post-retirement medical benefits liability – closing	**(8.0)**	(8.0)

* These amounts are actuarial (losses)/gains that go through the Group Statement of Comprehensive Income.

The annual rate of increase in the per capita cost of medical benefits was assumed to be 5.1% in 2017 (2016 – 5.2%). It is expected to increase in 2018 and thereafter at RPI plus 2.0% per annum (2016 – at RPI plus 2.0% per annum).

Medical cost inflation has a significant effect on the liability reported. A 1% change in assumed medical cost inflation would result in the following liability at 31 December 2017:

	1% increase £ million	**1% decrease £ million**
Post-retirement medical liability	**(8.9)**	**(7.3)**

Life expectancy also has a significant effect on the liability reported. A one-year increase or decrease in life expectancy would result in the following liability at 31 December 2017:

	1 year increase £ million	**1 year decrease £ million**
Life expectancy	**(8.7)**	**(7.4)**

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NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

20 PROVISIONS

Non-current provisions	At 1 January 2017 £ million	Reclassification £ million	Credit to Group Income Statement £ million	Utilised £ million	At 31 December 2017 £ million
Retained liabilities	**(1.5)**	**–**	**0.5**	**–**	**(1.0)**
Total provisions	**(1.5)**	**–**	**0.5**	**–**	**(1.0)**

	At 1 January 2016 £ million	Reclassification £ million	Credit/(charge) to Group Income Statement £ million	Utilised £ million	At 31 December 2016 £ million
Retained liabilities	(4.2)	–	(0.7)	3.4	(1.5)
Employee related liabilities	(0.1)	–	0.1	–	–
Total provisions	(4.3)	–	(0.6)	3.4	(1.5)
Classified as:					
Continuing operations	(0.1)	(4.2)	(0.6)	3.4	(1.5)
Discontinued operations	(4.2)	4.2	–	–	–
Provisions on continuing operations are analysed as:					
Non-current provisions	(0.1)				(1.5)
	(0.1)				(1.5)

In 2016, provisions relating to retained liabilities were reclassified from discontinued operations to continuing operations as they were no longer sufficiently material to show separately as discontinued operations.

Provisions of £1.0 million as at 31 December 2017 (31 December 2016 – £1.5 million) relate to retained liabilities from the sale of the Laing Construction business in 2001.

21 SHARE CAPITAL

	31 December 2017 No.	31 December 2016 No.
Authorised:		
Ordinary shares of £0.10 each	**366,960,134**	366,923,076
Total	**366,960,134**	366,923,076

	31 December 2017		31 December 2016	
	No.	£ million	No.	£ million
Allotted, called up and fully paid:				
At 1 January	**366,923,076**	**36.7**	366,923,076	36.7
Issue of 37,058 ordinary shares of £0.10 each	**37,058**	**–**	–	–
At 31 December	**366,960,134**	**36.7**	366,923,076	36.7

37,058 shares were issued in the year ended 31 December 2017 (2016 – nil) in relation to share awards vesting under the Group's Deferred Share Bonus Plan (see note 6 for further details).

The Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

22 SHARE PREMIUM

	31 December 2017 £ million	31 December 2016 £ million
Opening balance	218.0	218.0
Closing balance	218.0	218.0

23 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Profit before tax	126.0	192.1
Adjustments for:		
Finance costs	11.8	10.3
Unrealised profit arising on changes in fair value of investments (note 12)	(166.3)	(218.8)
Depreciation of plant and equipment	0.3	0.6
Amortisation of intangible assets	–	0.2
Share-based incentives	3.2	2.0
IAS 19 service cost	1.3	1.6
Contribution to JLPF	(24.7)	(18.4)
Decrease in provisions	(0.5)	(2.8)
Operating cash outflow before movements in working capital	(48.9)	(33.2)
Decrease in trade and other receivables	0.6	1.2
Increase/(decrease) in trade and other payables	1.0	(5.1)
Net cash outflow from operating activities	(47.3)	(37.1)

24 RECONCILIATION OF NET DEBT

	At 1 January 2017 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2017 £ million
Cash and cash equivalents	1.6	0.9	–	2.5
Borrowings	(161.4)	(11.0)	(0.8)	(173.2)
Net debt	(159.8)	(10.1)	(0.8)	(170.7)

	At 1 January 2016 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2016 £ million
Cash and cash equivalents	1.1	0.5	–	1.6
Borrowings	(14.9)	(146.0)	(0.5)	(161.4)
Net debt	(13.8)	(145.5)	(0.5)	(159.8)

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2017

25 GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

At 31 December 2017, the Group had future equity and loan commitments in PPP and renewable energy projects of £335.4 million (31 December 2016 – £186.3 million) backed by letters of credit of £202.3 million (31 December 2016 – £162.6 million) and cash collateral of £133.1 million (31 December 2016 – £23.7 million). There were also contingent commitments, performance and bid bonds of £7.5 million (31 December 2016 – £6.5 million).

The Group has given guarantees to lenders of a normal trading nature, including performance bonds, some of which may be payable on demand.

Claims arise in the normal course of trading which in some cases involve or may involve litigation. Full provision has been made for all amounts which the Directors consider are likely to become payable on account of such claims.

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, falling due as follows:

	31 December 2017			31 December 2016
	Land and buildings £ million	**Other £ million**	**Total £ million**	Total £ million
Within one year	**1.0**	**0.1**	**1.1**	1.0
In the second to fifth years inclusive	**3.0**	**0.1**	**3.1**	3.0
After five years	**2.2**	**–**	**2.2**	2.8
	6.2	**0.2**	**6.4**	6.8

26 TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and its related parties are disclosed below.

Transactions with non-recourse entities

The Group entered into the following trading transactions with non-recourse project companies in which the Group holds interests:

	31 December 2017 £ million	31 December 2016 £ million
For the year ended:		
Services income*	**3.1**	18.0
Balances as at:		
Amounts owed by project companies	**3.0**	1.6
Amounts owed to project companies	**(0.6)**	(0.6)

* Services income is generated from project companies through management services agreements and recoveries of bid costs on financial close.

Transactions with recourse subsidiary entities held at FVTPL

The Group had the following transactions and balances with recourse subsidiary entities held at FVTPL that are eliminated in the Group financial statements:

	31 December 2017 £ million	31 December 2016 £ million
For the year ended:		
Management charge payable to the Group by recourse subsidiary entities held at FVTPL	**27.1**	26.4
Net interest receivable by the Group from recourse subsidiary entities held at FVTPL	**0.7**	1.4
Net cash transferred from/(to) investments at FVTPL (note 12)	**77.4**	(73.4)
Balances as at:		
Net amounts owed to the Group by recourse subsidiary entities held at FVTPL	**48.9**	77.9

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

26 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with other related parties

There were no transactions with other related parties during the year ended 31 December 2017.

Remuneration of key management personnel

The remuneration of the Directors of John Laing Group plc together with other members of the Executive Committee, who were the key management personnel of the Group for the period of the financial statements, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Cash basis		
Short-term employee benefits	**2.9**	2.8
Post-employment benefits	**0.2**	0.2
Cash payments under long-term incentive plan	**–**	1.9
Social security costs	**0.4**	0.7
	3.5	5.6
Award basis		
Short-term employee benefits	**2.9**	2.8
Post-employment benefits	**0.2**	0.2
Awards under long-term incentive plan	**1.2**	1.0
Social security costs	**0.4**	0.4
	4.7	4.4

In addition to the above amounts, in 2016 £44,231 was paid to Nalon Management Services Limited, of which Phil Nolan is a director, for services in the period prior to the Company's IPO in February 2015. No amounts were paid in 2017.

27 EVENTS AFTER BALANCE SHEET DATE

On 8 March 2018, the Group launched a 1 for 3 rights issue to raise £210 million, net of costs.

COMPANY BALANCE SHEET

as at 31 December 2017

	Notes	**31 December 2017 £ million**	31 December 2016 £ million
Non-current assets			
Investments at fair value through profit or loss	4	**1,094.9**	952.7
Total non-current assets		**1,094.9**	952.7
Current assets			
Trade and other receivables	5	**245.6**	272.4
Cash and cash equivalents		**1.1**	–
Total current assets		**246.7**	272.4
Total assets		**1,341.6**	1,225.1
Current liabilities			
Borrowings	6	**(173.2)**	(161.4)
Trade and other payables	7	**(21.5)**	(29.3)
Total current liabilities		**(194.7)**	(190.7)
Total liabilities		**(194.7)**	(190.7)
Net assets		**1,146.9**	1,034.4
Equity			
Share capital	8	**36.7**	36.7
Share premium	9	**218.0**	218.0
Other reserves		**5.9**	2.7
Retained earnings		**886.3**	777.0
Total equity		**1,146.9**	1,034.4

As permitted by Section 408(2) of the Companies Act 2006, the Company's income statement is not presented in these financial statements. The amount of profit after tax of the Company for the year ended 31 December 2017 was £139.4 million (2016 – £138.4 million).

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 7 March 2018. They were signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
7 March 2018

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
7 March 2018

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2017	**36.7**	**218.0**	**2.7**	**777.0**	**1,034.4**
Profit for the year	**–**	**–**	**–**	**139.4**	**139.4**
Total comprehensive income for the year	**–**	**–**	**–**	**139.4**	**139.4**
Share-based incentives	**–**	**–**	**3.2**	**–**	**3.2**
Dividends paid	**–**	**–**	**–**	**(30.1)**	**(30.1)**
Balance at 31 December 2017	**36.7**	**218.0**	**5.9**	**886.3**	**1,146.9**

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016	36.7	218.0	0.7	664.8	920.2
Profit for the year	–	–	–	138.4	138.4
Total comprehensive income for the year	–	–	–	138.4	138.4
Share-based incentives	–	–	2.0	–	2.0
Dividends paid	–	–	–	(26.2)	(26.2)
Balance at 31 December 2016	36.7	218.0	2.7	777.0	1,034.4

The Company has sufficient distributable reserves at 31 December 2017 to continue to pay dividends at the current level for the foreseeable future. It also has the ability to increase its distributable reserves through payment of dividends by its subsidiaries.

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2017

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Operating activities		
Profit from operations	**138.9**	134.7
Unrealised profit on changes in fair value of investments at FVTPL	**(142.2)**	(136.6)
Share-based incentives	**3.2**	2.0
Decrease/(increase) in trade and other receivables	**0.8**	(0.1)
(Decrease)/increase in trade and other payables	**(0.1)**	0.2
Net cash inflow from operating activities	**0.6**	0.2
Investing activities		
Interest received	**3.5**	3.6
Dividends received	**1.9**	4.0
Net cash inflow from investing activities	**5.4**	7.6
Financing activities		
Interest paid	**(3.8)**	(2.9)
Dividends paid	**(30.1)**	(26.2)
Proceeds from borrowings	**11.0**	165.0
Repayment of borrowings	**–**	(19.0)
Decrease/(increase) in intercompany loans	**18.0**	(124.7)
Net cash outflow from financing activities	**(4.9)**	(7.8)
Net increase in cash and cash equivalents	**1.1**	–
Cash and cash equivalents at beginning of the year	**–**	–
Cash and cash equivalents at end of the year	**1.1**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2017

1 GENERAL INFORMATION

John Laing Group plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the London Stock Exchange. The principal activity of the Company is that of a holding company.

The remuneration of the Directors of the Company is shown in the Directors' Remuneration Report on pages 58 to 73.

2 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with IFRS as adopted by the EU.

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, except for investments at fair value through profit or loss (FVTPL) which are stated at fair value.

For the reasons set out on page 89, the Company's financial statements are prepared on a going concern basis.

A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding years, is shown below.

b) Investments

The Company meets the definition of an Investment Entity under IFRS 10 Consolidated Financial Statements and as such has adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). See note 2a) to the Group financial statements for details on how the Company has concluded that it meets the definition of an investment entity. In accordance with IAS 27 Consolidated and Separate Financial Statements and the Investment Entities standard, the Company has accounted for its investments as follows:

Investments at fair value through profit or loss

The Company has accounted for its investment in John Laing Holdco Limited at FVTPL, consistent with the Group financial statements.

Investments at cost

Under IAS 27, the Company has elected to account for its interest in directly owned subsidiaries that provide investment related services or engage in permitted investment related activities (Service Companies) at cost less provision for impairment. In the Group financial statements, these interests are consolidated.

c) Taxation

Current tax

The tax charge or credit represents the sum of tax currently payable or receivable.

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes both items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax

Deferred tax liabilities are recognised in full for taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

2 ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

Financial assets and financial liabilities are recognised on the Company Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement.

(i) Financial assets

The Company classifies its financial assets in the following categories: investments at FVTPL, loans and receivables, cash and cash equivalents and investments at cost. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition.

a) Investments at FVTPL

The Company's accounting policy in respect of investments at FVTPL is set out in section 2(b) above.

b) Loans and receivables

The Company's loans and receivables comprise cash and cash equivalents and amounts owed by subsidiary undertakings and are recorded at amortised cost.

c) Cash and cash equivalents

Cash and cash equivalents in the Company Balance Sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less.

d) Investments at cost

The Company's investments at cost comprise its investments in Service Companies (see note 2 (b) for further details) which are held at cost less impairments.

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments – share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written off against the balance of the share premium account.

b) Financial liabilities

Financial liabilities are classified as other financial liabilities, comprising loans and borrowings which are initially recognised at the fair value of the consideration received and subsequently at amortised cost using the effective interest rate method.

e) Dividend payments

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's AGM. Dividends are recognised as an appropriation of shareholders' funds.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key area of the financial statements where the Company is required to make critical judgements and material accounting estimates is in respect of the fair value of investments held by the Company. The methodology for determining the fair value of investments and the critical accounting judgements and key sources of estimation uncertainty therein are set out in note 3 to the Group financial statements.

4 INVESTMENTS

	31 December 2017 £ million	31 December 2016 £ million
At 1 January	**952.7**	816.1
Fair value movement	**142.2**	136.6
At 31 December	**1,094.9**	952.7
Investments at FVTPL*	**1,079.9**	937.7
Investments at cost less impairment	**15.0**	15.0
	1,094.9	952.7

* Net gain on investments at FVTPL for the year ended 31 December 2017 is £142.2 million (2016 – £136.6 million).

Details of Company's investments and how they are recognised in the accounts are as follows:

Investments	**Treatment**	**2017**	2016
John Laing Holdco Limited	Fair valued	**100%**	100%
John Laing (USA) Limited	Cost less impairment	**100%**	100%
John Laing Capital Management Limited	Cost less impairment	**100%**	100%
John Laing Projects & Developments Limited	Cost less impairment	**100%**	100%
John Laing Services Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Australia) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Canada) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Germany) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Netherlands) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (New Zealand) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services (Singapore) Limited	Cost less impairment	**100%**	100%
Laing Investments Management Services Limited	Cost less impairment	**100%**	100%

All entities are incorporated in the United Kingdom.

As set out in note 2a) of the Group financial statements, the Company holds its investments in non-recourse project companies through intermediate holding company subsidiaries with its investment in its directly-held intermediate holding company subsidiary (John Laing Holdco Limited) recorded at FVTPL in the Group and Company accounts.

The Company also has investments in directly-owned subsidiaries that provide investment-related services or engage in permitted investment-related activities with investees. These subsidiaries, referred to as "service companies", are consolidated in the Group accounts rather than recorded at FVTPL. In the Company accounts, these investments are held at cost less provision for impairment.

Inter-company transactions occur between subsidiaries in which investments are recorded at FVTPL and subsidiaries that are consolidated in the Group accounts.

The differences in the amounts of (i) investments at FVTPL and (ii) fair value movements in the year between the Company Financial Statements (as stated above) and the Group financial statements occur because in the latter inter-company balances arising from the transactions referred to above are eliminated under the normal basis of consolidation, whereas in the Company accounts these inter-company balances are not eliminated.

The differences do not relate to any items that might have an effect on the tax recognised in the Group accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2017

5 TRADE AND OTHER RECEIVABLES

	31 December 2017 £ million	31 December 2016 £ million
Due within one year:		
Amounts owed by subsidiary undertakings	**245.6**	272.4

The amounts owed by subsidiary undertakings at 31 December 2017 and 2016 are repayable on demand and interest is charged at arm's length interest rates.

6 BORROWINGS

	31 December 2017 £ million	31 December 2016 £ million
Interest bearing loans and borrowings net of unamortised financing costs	**(173.2)**	(161.4)

Reconciliation of net debt:

	At 1 January 2017 £ million	**Cash movements £ million**	**Non-cash movements £ million**	**At 31 December 2017 £ million**
Cash and cash equivalents	**–**	**1.1**	**–**	**1.1**
Borrowings	**(161.4)**	**(11.0)**	**(0.8)**	**(173.2)**
Net debt	**(161.4)**	**(9.9)**	**(0.8)**	**(172.1)**

	At 1 January 2016 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2016 £ million
Cash and cash equivalents	–	–	–	–
Borrowings	(14.9)	(146.0)	(0.5)	(161.4)
Net debt	(14.9)	(146.0)	(0.5)	(161.4)

7 TRADE AND OTHER PAYABLES

	31 December 2017 £ million	31 December 2016 £ million
Amounts owed to subsidiary undertakings	**(20.3)**	(28.4)
Accruals and deferred income	**(1.2)**	(0.9)
	(21.5)	(29.3)

8 SHARE CAPITAL

	31 December 2017 No.	31 December 2016 No.
Authorised:		
Ordinary shares of £0.10 each	**366,960,134**	366,923,076
	366,960,134	366,923,076

	£ million	£ million
Allotted, called up and fully paid:		
366,960,134 ordinary shares of £0.10 (31 December 2016 – 366,923,076 of £0.10) each	**36.7**	36.7
	36.7	36.7

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

8 SHARE CAPITAL (CONTINUED)

The Company has one class of ordinary shares which carry no right to fixed income.

	31 December 2017 No.	31 December 2017 £ million	31 December 2016 No.	31 December 2016 £ million
Allotted, called up and fully paid:				
At 1 January	**366,923,076**	**36.7**	366,923,076	36.7
Issue of 37,058 ordinary shares of £0.10 each	**37,058**	**–**	–	–
At 31 December	**366,960,134**	**36.7**	366,923,076	36.7

9 SHARE PREMIUM

	31 December 2017 £ million	31 December 2016 £ million
Opening balance	**218.0**	218.0
Closing balance	**218.0**	218.0

10 FINANCIAL INSTRUMENTS

Financial risk exposure is addressed on a Group basis rather than a company only basis. The Company's risk management programme is disclosed in detail in the Group financial statements in note 17 and in the Financial Review section. The Company's valuation methods are disclosed in note 16 to the Group financial statements.

31 December 2017	Cash and cash equivalents £ million	Loans and receivables £ million	Assets at FVTPL £ million	Investments at cost less impairments £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	**n/a**	**n/a**	**Level 3**	**n/a**	**n/a**	
Non-current assets						
Investments	**–**	**–**	**1,079.9**	**15.0**	**–**	**1,094.9**
Current assets						
Trade and other receivables	**–**	**245.6**	**–**	**–**	**–**	**245.6**
Cash and cash equivalents	**1.1**	**–**	**–**	**–**	**–**	**1.1**
Total financial assets	**1.1**	**245.6**	**1,079.9**	**15.0**	**–**	**1,341.6**
Current liabilities						
Interest-bearing loans and borrowings	**–**	**–**	**–**	**–**	**(173.2)**	**(173.2)**
Trade and other payables	**–**	**–**	**–**	**–**	**(21.5)**	**(21.5)**
Total financial liabilities	**–**	**–**	**–**	**–**	**(194.7)**	**(194.7)**
Net financial instruments	**1.1**	**245.6**	**1,079.9**	**15.0**	**(194.7)**	**1,146.9**

31 December 2016	Loans and receivables £ million	Assets at FVTPL £ million	Investments at cost less impairments £ million	Financial liabilities at amortised cost £ million	Total £ million
Fair value measurement method	n/a	Level 3	n/a	n/a	
Non-current assets					
Investments	–	937.7	15.0	–	952.7
Current assets					
Trade and other receivables	272.4	–	–	–	272.4
Total financial assets	272.4	937.7	15.0	–	1,225.1
Current liabilities					
Interest-bearing loans and borrowings	–	–	–	(161.4)	(161.4)
Trade and other payables	–	–	–	(29.3)	(29.3)
Total financial liabilities	–	–	–	(190.7)	(190.7)
Net financial instruments	272.4	937.7	15.0	(190.7)	1,034.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

11 TRANSACTIONS WITH RELATED PARTIES

Trading transactions

The Company has entered into loans with its subsidiaries, with interest being charged at arm's length rates.

	Year ended 31 December 2017 £ million	Year ended 31 December 2016 £ million
Amounts owed by subsidiary undertakings	**245.6**	272.4
Amounts owed to subsidiary undertakings	**(20.3)**	(28.4)
Dividends received	**1.9**	4.0
Interest income received	**2.5**	3.5
Interest paid	**(0.8)**	(0.9)

12 GUARANTEES AND OTHER COMMITMENTS

At 31 December 2017, the Company was a guarantor under the Group's £475 million syndicated, committed, revolving credit facility and associated credit facilities dated 6 October 2017. At 31 December 2017, the total amount utilised under these facilities, and hence guaranteed by the Company, was £335.8 million (2016 – £284.1 million).

On 8 April 2016, the Company became an indemnitor under each of two uncommitted surety facilities, one from Euler Hermes UK and the other from QBE Insurance Limited. These were each utilised to the sum of £25 million at 31 December 2017 and were guaranteed by the Company.

On 24 November 2016, the Company became a guarantor under each of two committed £25 million term liquidity facilities backing the surety facilities entered into with Euler Hermes UK and QBE Insurance Limited. One facility was provided by Barclays Bank PLC and the other by HSBC Bank plc. Both of these facilities were undrawn at 31 December 2017 and were due to mature in March 2018.

On 9 February 2018, the HSBC facility was extended until February 2019 and was amended and made available for general corporate purposes.

On 23 February 2018, the Barclays facility was extended to February 2019 and was made available for a surety facility provided by Tokio Marine HCC.

13 SUBSIDIARIES AND OTHER INVESTMENTS

Subsidiaries through which the Company holds its investments in project companies, which are held at FVTPL, and subsidiaries that are Service Companies, which are consolidated, are described as "recourse". Project companies in which the Group invests are described as "non-recourse" which means that providers of debt to such project companies do not have recourse beyond John Laing's equity commitments in the underlying projects.

Details of the Company's subsidiaries at 31 December 2017 were as follows:

Name		Country of incorporation	Ownership interest	Registered office
RECOURSE SUBSIDIARIES				
Service Companies (consolidated)				
John Laing (USA) Limited	*	United Kingdom	100%	Note 1
John Laing and Son BV	**	Netherlands	100%	Note 3
John Laing Capital Management Limited	*	United Kingdom	100%	Note 1
John Laing Projects & Developments Limited	*	United Kingdom	100%	Note 1
John Laing Services Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Australia) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Canada) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Germany) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Netherlands) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (New Zealand) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Singapore) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services Limited	*	United Kingdom	100%	Note 1
RL Design Solutions Limited	**	United Kingdom	100%	Note 1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Investment Entity subsidiaries (measured at fair value)				
Argon Ventures Limited	**	United Kingdom	100%	Note 1
Croydon PSDH Holdco 2 Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
Croydon PSDH Holdco Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
Denver Rail (Eagle) Holdings Inc.	**	United States	100%	Note 8
Forum Cambridge Holdco Limited	**	United Kingdom	100%	Note 1
Hungary M6 Limited	**	United Kingdom	100%	Note 1
Hyder Investments Limited	**	United Kingdom	100%	Note 1
John Laing Buckthorn Wind HoldCo Corp	**	United States	100%	Note 8
John Laing Cambridge Limited	**	United Kingdom	100%	Note 1
John Laing Funding Limited	**	United Kingdom	100%	Note 1
John Laing Holdco Limited	*	United Kingdom	100%	Note 1
John Laing Homes Limited	**	United Kingdom	100%	Note 1
John Laing I-4 Holdco Corp	**	United States	100%	Note 8
John Laing I-66 Holdco Corp	**	United States	100%	Note 8
John Laing I-77 Holdco Corp	**	United States	100%	Note 8
John Laing Infrastructure Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure (A1 Mobil Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure (German Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Infrastructure Management Services India Private Limited	**	India	100%	Delhi Rectangle, 4th Floor Rectangle No. 1, Saket Commercial Complex, D4 Saket, New Delhi, India
John Laing Investments (SLR) BV	**	Netherlands	100%	Note 3
John Laing Investments Limited	**	United Kingdom	100%	Note 1
John Laing Investments (Grafton) BV	**	Netherlands	100%	Note 3
John Laing Investments (Hornsdale) Pty Limited	**	Australia	100%	Note 4
John Laing Investments (Hornsdale 2) Pty Limited	**	Australia	100%	Note 4
John Laing Investments Netherlands Holdings BV	**	Netherlands	100%	Note 3
John Laing Investments (LBAJQ) BV	**	Netherlands	100%	Note 3
John Laing Investments (Melbourne Metro) BV	**	Netherlands	100%	Note 3
John Laing Investments (NGR) BV	**	Netherlands	100%	Note 3
John Laing Investments (NRAH) BV	**	Netherlands	100%	Note 3
John Laing Investments NZ Holdings Limited	**	United Kingdom	100%	Note 1
John Laing Investments Overseas Holdings Limited	**	United Kingdom	100%	Note 1
John Laing Investments (Perth Stadium) BV	**	Netherlands	100%	Note 3
John Laing Limited	**	United Kingdom	100%	Note 1
John Laing Projects & Developments (Croydon) Limited	**	United Kingdom	100%	15 Canada Square, London, E14 5GL
John Laing Projects & Developments (Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Rocksprings Wind Holdco Corp	**	United States	100%	Note 8
John Laing Social Infrastructure Limited	**	United Kingdom	100%	Note 1
John Laing Sterling Wind Holdco Corp	**	United States	100%	Note 8
Laing Infrastructure Holdings Limited	**	United Kingdom	100%	Note 1
Laing Investment Company Limited	**	United Kingdom	100%	Note 1
Laing Investments Greenwich Limited	**	United Kingdom	100%	Note 1
Laing Property Limited	**	United Kingdom	100%	Note 1
Laing Property Holdings Limited	**	United Kingdom	100%	Note 1
Rail Investments (Great Western) Limited	**	United Kingdom	50%	Note 1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
NON-RECOURSE SUBSIDIARIES				
Subsidiary project companies (measured at fair value)				
AEM Holdco LLC	**	United States	92.5%	645 N. Michigan, Suite 980, Chicago, IL 60611 United States of America
AEM Wind LLC	**	United States	92.5%	645 N. Michigan, Suite 980, Chicago, IL 60611 United States of America
ALTRAC Light Rail Holdings 3 Pty Limited	**	Australia	100%	Note 4
ALTRAC Light Rail Holdings Trust 3	**	Australia	100%	Note 4
ALTRAC Light Rail 3 Pty Limited	**	Australia	100%	Note 4
ALTRAC Light Rail 3 Trust	**	Australia	100%	Note 4
Buckthorn Wind John Laing OpCo LLC	**	United States	90.05%	Note 8
Buckthorn Wind Class B Holdco LLC	**	United States	90.05%	Note 8
Buckthorn Wind Project LLC	**	United States	90.05%	Note 8
Buckthorn Wind Tax Equity Holdco LLC	**	United States	90.05%	Note 8
CountyRoute (A130) Plc	**	United Kingdom	100%	Note 2
CountyRoute 2 Limited	**	United Kingdom	100%	Note 2
CountyRoute Limited	**	United Kingdom	100%	Note 2
Courtibeaux (Holding) Limited	**	United Kingdom	100%	Note 1
CY Holdings 3 Pty Limited	**	Australia	100%	Note 4
Cross Yarra Holding Trust 3	**	Australia	100%	Note 4
Cross Yarra Trust 3	**	Australia	100%	Note 4
Defence Support (St Athan) Holdings Limited	**	United Kingdom	100%	Note 2
Defence Support (St Athan) Limited	**	United Kingdom	100%	Note 2
Dritte Nordergründe Beteiligungs GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany
Education Support (Southend) Limited	**	United Kingdom	100%	Note 1
Glencarbry (Holdings) Limited	**	Ireland	100%	Note 1
Glencarbry Supply Company Limited	**	Ireland	100%	Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland
Glencarbry Windfarm Limited	**	Ireland	100%	Arthur Cox Building, Earlsfort Terrace, Dublin 2, Ireland
Kabeltrasse Morbach GmbH & Co KG	**	Germany	81.82%	Oberdorfstraße 10, 55262 Heidesheim am Rhein, Germany
KGE Windpark Schipkau-Nord GmbH & Co. KG	**	Germany	100%	Am Nesseufer 40, 26789 Leer, Germany
KGE Schipkau-Nord Infrastruktur GmbH & Co. KG	**	Germany	85%	Am Nesseufer 40, 26789 Leer, Germany
Kiata Wind Farm Holdings Pty Limited	**	Australia	72.3%	Level 4, 30 Marcus Clarke Street, Canberra City ACT 2601, Australia
Kiata Wind Farm Pty Limited	**	Australia	72.3%	Level 4, 30 Marcus Clarke Street, Canberra City ACT 2601, Australia

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2017

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Klettwitz Schipkau Nord Beteiligungs GmbH	**	Germany	100%	Note 7
Klettwitz SN Holdings GmbH	**	Germany	100%	Note 7
Klettwitz SN Verwaltungs GmbH	**	Germany	100%	Note 7
LBAJQ Holding 4 Pty Limited	**	Australia	100%	Note 4
LBAJQ Holding Trust 4	**	Australia	100%	Note 4
LBAJQ 4 Pty Limited	**	Australia	100%	Note 4
LBAJQ Trust 4	**	Australia	100%	Note 4
Nordergrunde Holdco GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany
Parc Eolien des Courtibeaux SAS	**	France	100%	20 Av de la Paix, Strasbourg 67000, France
Parc Eolien des Tournevents du Cos SAS	**	France	100%	20 Av de la Paix, Strasbourg 67000, France
Parkway 6 BV	**	Netherlands	85%	Taurusavenue 100, Hoofddorp, Netherlands
Parkway 6 Holding BV	**	Netherlands	85%	Taurusavenue 100, Hoofddorp, Netherlands
Rammeldalsberget Vindkraft AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Rammeldalsberget Holding AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Rocksprings Wind John Laing OpCo LLC	**	United States	100%	Note 8
Rocksprings Val Verde Wind LLC	**	United States	95.3%	Note 8
Services Support (Surrey) Holdings Limited	**	United Kingdom	100%	Note 1
Services Support (Surrey) Limited	**	United Kingdom	100%	Note 1
Société d'Exploitation du Parc Eolien Du Tonnerois	**	France	100%	Pasilly Nord les Points, 89310 Pasilly, France
Sterling Wind John Laing Op Co. LLC	**	United States	100%	Note 8
Svartvallsberget SPW AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Svartvallsberget Holding AB	**	Sweden	100%	Sveavagen 17, 111 57 Stockholm, Sweden
Tonnerois (Holdings) Limited	**	United Kingdom	100%	Note 1
Tournevents (Holding) Limited	**	United Kingdom	100%	Note 1
Val Verde Wind HoldCo III LLC	**	United States	95.3%	Note 8
Vierte Nordergründe Beteiligungs GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany
Wind Hold Co 1 Limited	**	United Kingdom	100%	Note 1
Wind Project Co 1 Limited	**	United Kingdom	100%	Note 1
Windpark Horath Holding GmbH	**	Germany	100%	Note 7
Windpark Horath Verwaltungs GmbH	**	Germany	100%	Note 7
WP Horath GmbH & Co KG	**	Germany	100%	Note 7
Zweite Nordergründe Beteiligungs GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Details of the Company's joint ventures and other investments at 31 December 2017 were as follows:

Name		Country of incorporation	Ownership interest	Registered office
NON-RECOURSE				
Joint venture project companies (measured at fair value)				
A Mobil Services GmbH	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A1 Mobil GmbH & Co. KG	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A1 Mobil Verwaltungs GmbH	**	Germany	42.5%	Stader Strasse 36, 27419 Sittensen, Germany
A-Lanes A15 Holding BV	**	Netherlands	28%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
A-Lanes A15 BV	**	Netherlands	28%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
A-Lanes Management Services BV	**	Netherlands	25%	Venkelweg 64, Hoogvliet Rotterdam, Netherlands
Agility Trains West (Holdings) Limited	**	United Kingdom	15%	Note 6
Agility Trains West (Midco) Limited	**	United Kingdom	15%	Note 6
Agility Trains West Limited	**	United Kingdom	15%	Note 6
Agility Trains East (Holdings) Limited	**	United Kingdom	30%	Note 6
Agility Trains East (Midco) Limited	**	United Kingdom	30%	Note 6
Agility Trains East Limited	**	United Kingdom	30%	Note 6
Alder Hey Holdco 3 Limited	**	United Kingdom	40%	Note 2
Alder Hey Holdco 2 Limited	**	United Kingdom	40%	Note 2
Alder Hey (Holdco 1 Limited	**	United Kingdom	40%	Note 2
Alder Hey (Special Purpose Vehicle) Limited	**	United Kingdom	40%	Note 2
ALTRAC Light Rail Partnership	**	Australia	32.5%	Level 7, 280 Elizabeth St Surry Hills, NSW 2010, Australia
Celsus Holding Pty Limited	**	Australia	17.26%	c/- Royal Adelaide Hospital, Port road, Adelaide SA 5000, Australia
Celsus Pty Limited	**	Australia	17.26%	c/- Royal Adelaide Hospital, Port road, Adelaide SA 5000, Australia
Cramlington Renewable Energy Developments Hold Co Limited	**	United Kingdom	44.72%***	Note 1
Cramlington Renewable Energy Developments Limited	**	United Kingdom	44.72%***	Note 1
Cross Yarra Partnership Pty Limited	**	Australia	30%	Level 8, 136 Exhibition St, Melbourne VIC 3000, Australia
Denver Transit Holdings LLC	**	United States	45%	Note 8
Denver Transit Partners LLC	**	United States	45%	Note 8
Forum Cambridge LLP	**	United Kingdom	50%	Note 1
Hornsdale Asset Co Pty Limited	**	Australia	15%	Note 5
HWF Holdco 1 Pty Limited	**	Australia	30%	Note 5
HWF FinCo 1 Pty Limited	**	Australia	30%	Note 5
HWF 1 Pty Limited	**	Australia	30%	Note 5
HWF Holdco 2 Pty Limited	**	Australia	20%	Note 5
HWF FinCo 2 Pty Limited	**	Australia	20%	Note 5
HWF 2 Pty Limited	**	Australia	20%	Note 5
I-4 Mobility Partners HoldCo LLC	**	United States	50%	Note 8
I-4 Mobility Partners Midstream LLC	**	United States	50%	Note 8
I-4 Mobility Partners Op Co LLC	**	United States	50%	Note 8
I-66 Express Mobility Partners Holding LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
I-66 Mobility Partners Midstream LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA
I-66 Mobility Partners OpCo LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA
I-77 Mobility Partners Holding LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA
I-77 Mobility Partners LLC	**	United States	10%	1209 Orange St, Wilmington, Delaware 19801, USA
INEOS Runcorn (TPS) Holding Limited	**	United Kingdom	37.43%	PO BOX 9 Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE
INEOS Runcorn (TPS) Limited	**	United Kingdom	37.43%	PO BOX 9 Runcorn Site Hq, South Parade, Runcorn, Cheshire, WA7 4JE
Laing/Gladedale (Hastings) Holdings Limited	**	United Kingdom	50%	Note 1
Laing/Gladedale (Hastings) Limited	**	United Kingdom	50%	Note 1
Laing/Gladedale (St Saviours) Limited	**	United Kingdom	50%	Note 1
Laing Wimpey Alireza Limited	**	Saudi Arabia	33%	P.O. Box 2059 Jeddah, Saudi Arabia
NGR Holding Company Pty Limited	**	Australia	40%	c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia
NGR Project Company Pty Limited	**	Australia	40%	c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia
OWP Nordergründe GmbH & Co. KG	**	Germany	30%	Stephanitorsbollwerk 3, 28217 Bremen, Germany
Regenter Myatts Field North Holdings Company Limited	**	United Kingdom	50%	Note 2
Regenter Myatts Field North Limited	**	United Kingdom	50%	Note 2
Securefuture Wiri Holdings Limited	**	New Zealand	30%	Level 3, 37 Galway Street, Britomart, Auckland 1010, New Zealand
Securefuture Wiri Limited	**	New Zealand	30%	Level 3, 37 Galway Street, Britomart, Auckland 1010, New Zealand
Severn River Crossing Plc	**	United Kingdom	35%	Bridge Access Road, Aust, South Gloucestershire, BS35 4BD
SPC Management Services BV	**	Netherlands	33.3%	Westkanaaldijk 2 Utrecht, Netherlands
Speyside Renewable Energy Partnership Hold Co Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Speyside Renewable Energy Finance Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Speyside Renewable Energy Partnership Limited	**	United Kingdom	43.35%****	13 Queens Road, Aberdeen, Scotland, AB15 4YL

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Transcend Property Limited	**	United Kingdom	50%	Note 1
Westadium Project Holdco Pty Limited	**	Australia	50%	Note 4
Westadium Project Co Pty Limited	**	Australia	50%	Note 4
Wimpey Laing Iran Limited	**	United Kingdom	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Wimpey Laing Limited	**	United Kingdom	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Other investments				
John Laing Environmental Assets Group Limited	**	Guernsey	2.5%	Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR Channel Islands

* Entities owned directly by the Company

** Entities owned indirectly by the Company

*** 44.72% of share capital ownership and 55.9% investment in subordinated debt loan

**** 43.35% of share capital ownership and 51% investment in subordinated debt loan

Notes:

1. The registered office of these companies is: 1 Kingsway, London, WC2B 6AN
2. The registered office of these companies is: 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
3. The registered office of these companies is: Schiphol Boulevard 253 D-building, Schiphol, 1118 BH, The Netherlands
4. The registered office of these companies is: Level 16, 15 Castlereagh Street, Sydney NSW 2000, Australia
5. The registered office of these companies is: Suite 3 Level 14, 219-227 Elizabeth Street, Sydney NSW 2000, Australia
6. The registered office of these companies is: 4th Floor 4 Copthall Avenue, London, EC2R 7DA
7. The registered office of these companies is: Münzstraße 21, 10178 Berlin, Germany
8. The registered office of these companies is: 251 Little Falls Drive, Wilmington, Delaware 19808, USA

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED)

DETAILS OF INVESTMENTS IN PROJECT COMPANIES

Details of the Group's investments in project companies as at 31 December 2017 broken down by infrastructure sector are as follows:

Sector	Company name	Project name	% owned	Description	Period of concession or estimated operating life: Start date	No. of years	Equity committed / invested (par value)
Social Infrastructure							
Health	Alder Hey (Special Purpose Vehicle) Limited	Alder Hey Children's Hospital	40%	Design, build, finance and operate new hospital in Liverpool costing £167 million.	July 2015	30	<£10 million
	Celsus Pty Limited	New Royal Adelaide Hospital	17.26%	Design, build, finance and operate new hospital in Adelaide, South Australia costing AUD $1,850 million.	Nov 2011	35	£25 – £50 million
Justice and Emergency Services	Securefuture Wiri Limited	Auckland South Corrections Facility	30%	Design, build, finance and operate a 960 place prison at Wiri, South Auckland, New Zealand costing NZD $270 million.	Sept 2012	28	£10 – £25 million
	NorthernPathways Holding Pty Limited	New Grafton Correctional Centre	80%	Design, build, finance and operate a 1,700 place prison at Grafton, New South Wales, Australia costing AUD $719 million.	June 2017	23	£50 – £100 million
Defence	Defence Support (St Athan) Limited	DARA Red Dragon	100%	Design, build and finance aircraft maintenance facilities at RAF St. Athan costing £89 million.	Aug 2003	16	<£10 million
Other accommodation	Westadium Project Co Pty Limited	New Perth Stadium	50%	Design, build, finance, maintenance and operation of new Perth Stadium in Western Australia comprising total expenditure of AUD $1.0 billion.	Aug 2014	28	£25 – £50 million
	Regenter Myatts Field North Limited	Lambeth Housing	50%	Build and refurbish, finance and operate social housing in Lambeth costing £72.6 million.	May 2012	25	<£10 million
Environmental							
Waste and biomass	INEOS Runcorn (TPS) Limited	Manchester Waste TPS Co	37.43%	Design, build, finance and operate a waste CHP plant in Runcorn costing £233 million.	Apr 2009	25	£10 – £25 million
	Speyside Renewable Energy Partnership Limited	Speyside Biomass	43.35%	Design, build, finance and operate a 14 MWe biomass CHP plant in Speyside.	Aug 2014	33	£10 – £25 million
	Cramlington Renewable Energy Developments Limited	Cramlington Biomass	44.7%	Design, build, finance and operate a 28 MW biomass CHP plant in Cramlington.	Sept 2015	22	£25 – £50 million
Wind and solar	Rammeldalsberget Vindkraft AB	Rammeldalsberget Wind Farm	100%	Design, build, finance and operate six 2.5 MW turbines in Sweden	Nov 2014	24	£10 – £25 million
	Glencarbry Windfarm Limited	Glencarbry Wind Farm	100%	Design, build, finance and operate seven 3.3 MW and five 2.5 MW turbines in Ireland.	Jan 2016	26	£10 – £25 million
	Kabeltrasse Morbach GmbH & Co. KG	Horath Wind Farm	81.82%	Design, build, finance and operate nine 3.3 MW turbines in Germany.	Nov 2016	24	£10 – £25 million
	HWF 1 Pty Limited	Hornsdale Wind Farm (Phase 1)	30%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	Aug 2015	26	£10 – £25 million
	HWF 2 Pty Limited	Hornsdale Wind Farm (Phase 2)	20%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	June 2016	26	<£10 million
	HWF 3 Pty Limited	Hornsdale Wind Farm (Phase 3)	20%	Design, build, finance and operate 35 turbines to give 109 MW total installed capacity in Australia.	Feb 2017	22	<£10 million
	Solar House 1 Limited	Solar House	80%	Design, build, finance and operate 10,000 solar panels to give 90 MW totalled installed capacity in France.	Jul 2017	26	£10 – £25 million

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

Sector	Company name	Project name	% owned	Description	Period of concession or estimated operating life: Start	No. of years	Equity committed / invested (par value)
Wind and solar (continued)	Kiata Wind Farm Pty Limited	Kiata Wind Farm	72.3%	Design, build, finance and operate a nine turbine 30 MW windfarm in Australia.	Nov 2016	26	£10 – £25 million
	Société d'Exploitation du Parc Eolien du Tonnerois	Pasilly Wind Farm	100%	Design, build, finance and operate ten 2 MW turbines in France.	Dec 2015	26	<£10 million
	Svartvallsberget SPW AB	Svartvallsberget Wind Farm	100%	Design, build, finance and operate ten 2 MW turbines in Sweden.	Mar 2013	26	£10 – £25 million
	Klettwitz Shipkau Nord Beteiligungs GmbH	Klettwitz Wind Farm	100%	Design, build, finance and operate the re-powering of a windfarm with 27 turbines to give 89 MW total installed capacity in Germany.	Oct 2015	25	£25 – £50 million
	AEM Wind LLC	Sterling Wind Farm	92.5%	Design, build, finance and operate 13 2.3 MW turbines in New Mexico, USA.	Oct 2016	31	£10 – £25 million
	Parc Eolien des Courtibeaux SAS	St. Martin Wind Farm	100%	Design, build, finance and operate five 2.05 MW turbines in France.	Nov 2016	27	<£10 million
	Parc Eolien des Tournevents du Cos SAS	Sommette Wind Farm	100%	Design, build, finance and operate nine 2.4 MW turbines in France.	Sept 2016	27	£10 – £25 million
	OWP Nordergründe GmbH & Co. KG	Nordergründe Offshore Wind Farm	30%	Design, build, finance and operate 18 offshore 6.15 MW turbines in the German North Sea.	Aug 2016	26	£25 – £50 million
	Rocksprings Wind John Laing OpCo LLC	Rocksprings Wind Farm	95.3%	Installation of 53 General Electric 2.3 MW wind turbines and 16 1.72 MW turbines in Val Verde County, Texas, US.	Sept 2017	30	£50 – £100 million
	Buckthorn Wind John Laing OpCo LLC	Buckthorn Wind Farm	90.05%	Design, build, finance and operate 29 turbines to produce a 100 MW in Erath County, Texas, US.	Oct 2017	30	£25 – £50 million
Transport							
Other	CountyRoute (A130) plc	A130	100%	Design, build, finance and operate the A130 bypass linking the A12 and A127 in Essex at a cost of £76 million.	Feb 2000	30	<£10 million
	I-4 Mobility Partners Op Co LLC	I-4 Ultimate	50%	Design, build, finance and operate 21 miles of the I-4 Interstate in Florida, US at a cost of USD $2.32 billion.	Sept 2014	40	£10 – £25 million
	I-77 Mobility Partners LLC	I-77 Managed Lanes	10%	Design, build, finance and operate 25.9 miles of the I-77 Interstate in Charlotte, North Carolina, US at a cost of USD $665 million.	May 2015	53	£10 – £25 million
	I-66 Mobility Partners OpCo LLC	I-66 Managed Lanes	10%	Design, build, finance, operate and maintain 22.5 miles of managed lanes along the I-66 corridor in Northern Virginia, US.	Nov 2017	50	>£100 million
	Severn River Crossing Plc	Severn River Crossing	35%	Design, build, finance and operate a second crossing over the Severn River plus operate and maintain existing crossing. Construction cost approximately £320 million.	Apr 1992	The earlier of 30 years or until a pre-determined level of revenue achieved	£10 – £25 million
	Parkway 6 BV	A6 Parkway Netherlands	85%	Design, build, finance, manage and maintain for a 20 year operational period the A6 Almere highway in the greater Amsterdam region.	Nov 2016	23	<£10 million
	A1 Mobil GmbH & Co. KG	A1 Germany	42.5%	Construct and operate the A1 Autobahn between Bremen and Hamburg in Germany at a cost of €417.1 million.	Aug 2008	30	£25 – £50 million

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

Sector	Company name	Project name	% owned	Description	Period of concession or estimated operating life: Start date	No. of years	Equity committed / invested (par value)
Other (continued)	A-Lanes A15 BV	A15 Netherlands	28%	Design, build, finance and maintain the A15 highway south of Rotterdam (about 40 kilometres) at a construction cost of €727 million.	Dec 2010	25	£10 – £25 million
	Denver Transit Partners LLC	Denver Eagle P3	45%	Design, build, finance, maintenance and operation of passenger rail systems in Denver, Colorado. Construction cost USD $1.27 billion.	Aug 2010	34	£10 – £25 million
	ALTRAC Light Rail Partnership	Sydney Light Rail	32.5%	Design, build, finance, operate and maintain both the Central Business District and South East Light Rail and to operate and maintain the Inner West Light Rail in Sydney, Australia.	Feb 2015	19	£50 – £100 million
	Cross Yarra Partnership Pty Limited	Melbourne Metro	30%	Design, build, finance, operate and maintain twin nine-kilometre tunnels and five new underground stations in Melbourne, Australia.	Dec 2017	25	£25 – £50 million
Rail rolling stock	Agility Trains West Limited	IEP (Phase 1)	15%	Delivery and maintenance of intercity train services on the Great Western Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities. Construction cost £1.8 billion.	May 2012	41	£50 – £100 million
	Agility Trains East Limited	IEP (Phase 2)	30%	Delivery and maintenance of intercity train services on the East Coast Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities. Construction cost £1.6 billion.	Apr 2014	41	£50 – £100 million
	NGR Project Company Pty Limited	New Generation Rollingstock	40%	Provision and maintenance of 75 new six-car trains for Queensland Rail, Australia. Construction cost AUD $1.8 billion.	Jan 2014	32	£10 – £25 million

NOTICE OF ANNUAL GENERAL MEETING

to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 10 May 2018 at 11.00 am.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from an independent stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your ordinary shares in John Laing Group plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, so they can pass these documents to the person who now holds the shares.

A form of proxy for the annual general meeting (AGM) is enclosed and should be completed and returned as soon as possible in accordance with the instructions printed on the form of proxy. To be valid, it must reach the Company's registrar, Equiniti, no later than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk.

In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, the electronic settlement system for UK securities, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the notes to the notice of AGM (see pages 143 and 144 of this document) and in the form of proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 11.00am on 8 May 2018. Completion of a form of proxy or the appointment of a proxy electronically will not stop you from attending the AGM and voting in person should you so wish.

CHAIRMAN'S LETTER

Dear Shareholder,

I am writing to you with details of the annual general meeting (AGM) of John Laing Group plc (John Laing or the Company) which we are holding at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 10 May 2018 at 11.00am. We very much hope that as many shareholders as possible will be able to attend.

Voting on all the proposed resolutions at the AGM will be conducted on a poll rather than on a show of hands. Voting on a poll is more transparent and equitable because it includes a vote in respect of every share held by each shareholder (present and voting in person or by proxy), rather than a single vote for each shareholder or proxy who attends the AGM.

NOTICE OF AGM

The formal notice of the AGM is set out on page 141 of this document.

Shareholders of the Company will be asked to consider and, if thought fit, approve resolutions in respect of the following matters:

ORDINARY RESOLUTIONS

Consideration of the Company's accounts and the reports of the Directors of the Company (the Directors) and the auditor of the Company (the external auditor);

Approval of the final dividend for the year ended 31 December 2017;

Re-election and election of Directors;

Approval of the Directors' remuneration report for the year ended 31 December 2017;

Reappointment of Deloitte LLP as auditor for the ensuing year;

Authority to determine the remuneration of the auditor;

Authority to allot shares; and

Authority to make political donations.

SPECIAL RESOLUTIONS

Waiver of pre-emption rights in certain circumstances;

Authority for the Company to purchase its own shares; and

Approval to reduce the notice period for a general meeting, other than an annual general meeting.

A brief description of these matters is set out below.

Report and accounts and final dividend

(resolutions 1 and 2)

The first resolution at the AGM relates to the receipt and consideration of the Company's accounts and the reports of the Directors and the external auditor for the financial year ended 31 December 2017.

Separately, shareholders will be asked to approve the payment of a final dividend of 7.17 pence per ordinary share in respect of the year ended 31 December 2017, as recommended by the Directors.

If the recommended final dividend is approved, it is proposed that it will be paid on 18 May 2018 to shareholders on the Company's register of members at the close of business on 20 April 2018 (the record date).

Re-election and election of Directors

(resolutions 3 to 9)

Resolutions 3 to 9 propose the re-election of six out of the seven current Directors of the Company in accordance with the articles of association of the Company and the UK Corporate Governance Code (the Code). The re-election of these Directors will take effect from the conclusion of the AGM.

Having announced my retirement on 7 December 2017, I will not stand for re-election as a Director of the Company. Accordingly, I will retire as Chairman of the Company from the Board with effect from the conclusion of the AGM.

Shareholders' approval is sought for the election of Will Samuel as a Director of the Company. He was first appointed by the Board as a Director on 7 December 2017 and now stands for election by shareholders in accordance with the Code. If so elected, he will succeed me as Chairman with effect from the conclusion of the AGM.

CHAIRMAN'S LETTER (CONTINUED)

Biographical details for each of the Directors offering themselves for re-election or election are set out on pages 46 to 47 of the Annual Report. The Board believes this information is sufficient to enable shareholders to make an informed decision on the proposed re-election or election of these Directors.

Following the annual evaluation exercise conducted in 2017, the Board considers that the contribution, commitment and performance of each of the Directors proposed for re-election and election continues to be valuable and effective and that it is appropriate for them to continue to serve as Directors of the Company.

In accordance with the Code, the Board has reviewed the independence of its non-executive Directors and has determined that they remain fully independent of management and that there are no relationships or circumstances likely to affect their character or judgement.

Directors' remuneration report

(resolution 10)

The Company believes that the Directors' remuneration report, which may be found on pages 58 to 73 of the Annual Report, demonstrates the link between our remuneration policy and practice, and the Company's strategy and performance.

The Directors' remuneration policy, a summary of which may be found on pages 67 to 73 of the Annual Report, sets out the Company's forward-looking policy on directors' remuneration and describes the components of the Executive and non-executive Directors' remuneration.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives and, accordingly, and in compliance with the relevant legislation, shareholders will be invited to approve the Directors' remuneration report.

The Directors' remuneration report is included in the Annual Report and provides details of the remuneration paid to the Directors during the year ended 31 December 2017, including share awards. Shareholders are invited to approve the Directors' remuneration report under resolution 10. This vote is advisory in nature in that payments made or promised to Directors will not have to be repaid, reduced or withheld in the event that the resolution is not passed. This vote will be in respect of the content of the Directors' remuneration report and not specific to any Director's level or terms of remuneration.

The Company is required to seek shareholder approval of the Directors' remuneration policy every three years, except in the event that a change to the policy is proposed or the advisory vote on the Directors' remuneration report is not passed at the preceding AGM. The Directors' remuneration policy was approved at the 2016 AGM and there have been no changes since it was approved. It is expected that a resolution approving the Directors' remuneration policy will next be put to shareholders at the 2019 AGM.

External Auditor

(resolutions 11 and 12)

Resolutions will be proposed to reappoint Deloitte LLP as external auditor until the conclusion of the AGM in 2019 and to authorise the Directors to determine their remuneration.

Directors' authority to allot shares

(resolution 13)

Further to the provisions of section 551 of the Companies Act 2006 (the Act), shareholders will be asked to grant the Board the authority to allot shares, grant rights to subscribe for shares, or convert any security into shares in the Company (the new authority). The new authority would be valid until the close of the AGM in 2019 or, if earlier, the close of business on 10 August 2019.

If passed, the new authority would be limited to an aggregate nominal value of £16,309,339.20, or 163,093,392 ordinary shares, representing approximately one third of the Company's issued ordinary share capital as at 27 March 2018 being the latest practicable date prior to the publication of this notice save that, if the new authority were used in connection with a rights issue, it would be limited to an aggregate nominal value of £32,618,678.50 ordinary shares, or 326,186,785 ordinary shares, representing approximately two thirds of the Company's issued share capital as at 27 March 2018.

In each case the number of shares to which the new authority applies is in addition to those committed to employee share plans. At the date this document was despatched to shareholders, the Directors had no intention to exercise this new authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to seek the approval of shareholders to renew this authority annually.

Political donations
(resolution 14)

The Act restricts companies from making donations to political parties, other political organisations or independent election candidates and from incurring political expenditure, in each case without shareholders' consent. It is not proposed or intended to alter the Company's policy of not making such donations or incurring such expenditure. However, the Act contains some potentially broad definitions and it may be that some of the activities of the Company and its subsidiaries fall within these definitions and, without the necessary authorisation, this could inhibit the Company's ability to communicate its views effectively to political audiences and to relevant interest groups. Accordingly, the Company believes that the authority contained in this resolution is necessary to allow it and its subsidiaries to fund activities which it is in the interests of shareholders that the John Laing group of companies should support. Such authority will enable the Company and its subsidiaries to be sure that they do not unintentionally commit a technical breach of the Act. Any expenditure which may be incurred under authority of this resolution will be disclosed in next year's Annual Report. It is the Company's intention to seek renewal of this resolution on an annual basis.

Waiver of pre-emption rights
(resolutions 15 and 16)

Under section 561(1) of the Act, if the Directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the allotment of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights, so two resolutions will be proposed to waive these statutory pre-emption provisions for a period ending at the close of the AGM in 2019 or, if earlier, at the close of business on 10 August 2019.

In line with the Pre-Emption Group's Statement of Principles, the first resolution will empower the Board to allot equity securities for cash consideration either on a non-pre-emptive basis: (i) by way of a rights or other pre-emptive issue in order to allow the Directors to make appropriate exclusions and other arrangements to resolve legal or practical problems which might, for example, arise in relation to overseas shareholders; or (ii) by way of a non-pre-emptive issue, in the latter case limited to an aggregate nominal value of £2,446,400.80, or a total of 24,464,008 ordinary shares, representing approximately 5% of the Company's issued share capital as at 27 March 2018. The second resolution will empower the Board to allot equity securities representing a further 24,464,008 ordinary shares or 5% of the Company's issued share capital to be used only for the purposes of financing (or refinancing, if the power is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights in March 2015. Both of these resolutions are conditional on resolution 13 being passed.

At the date this document was approved by the Board, the Directors had no intention to exercise these authorities, although they considered their grants to be appropriate in order to preserve maximum flexibility for the future. The Directors intend to seek the approval of shareholders to renew these authorities annually.

Authority to purchase own shares
(resolution 17)

Shareholders will be asked to authorise the market purchase by John Laing of a proportion of its issued ordinary share capital, subject to the limits referred to below.

The Directors consider it prudent to be able to act at short notice if circumstances warrant. In considering the purchase of ordinary shares, the Directors will follow the procedures laid down in the Act and will take into account cash resources, capital requirements and the effect of any purchase on gearing levels and on NAV and earnings per share. They will only consider exercising the authority when satisfied that it would be in the best interests of the Company and its shareholders as a whole to do so, having first considered any other investment opportunities open to the Company.

Any purchase by the Company of its own shares pursuant to this authority will be paid for out of distributable profits. Any shares which are repurchased will be dealt with in accordance with section 724 of the Act. The Company is entitled to hold the shares as treasury shares, sell them for cash, cancel them or transfer them pursuant to an employee share plan. The authority, which will expire at the close of the AGM in 2019 or, if earlier, at the close of business on 10 November 2019, will be limited to the purchase of 48,928,017 ordinary shares, representing approximately 10% of John Laing's issued ordinary share capital as at 27 March 2018. The maximum price (excluding expenses) to be paid per ordinary share on any occasion will be restricted to the higher of (i) 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System. The minimum price will be 10p per ordinary share, which is the nominal value of the shares.

Shareholders should understand that the maximum number of shares and the price range are stated merely for the purposes of compliance with statutory requirements in seeking this authority and should not be taken as any indication of the terms upon which the Company intends to make such purchases. At the date this document was approved by the Board, the Directors had no intention to exercise this authority.

CHAIRMAN'S LETTER (CONTINUED)

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. Any shares purchased under this authority may either be cancelled or held as treasury shares. Treasury shares may subsequently be cancelled, sold for cash or used to satisfy options issued to employees pursuant to the Company's employee share schemes.

The Company's issued share capital as at 27 March 2018 (the latest practicable date prior to the publication of this document) was 489,280,178 ordinary shares of 10p each. The total number of awards over ordinary shares which were outstanding as at 27 March 2018 was approximately 5,031,360 (before any adjustment for the recent rights issue) which represents approximately 1.03% of the issued share capital of the Company at that date. If the maximum number of 48,928,017 shares were to be purchased by the Company (under resolution 17), the adjusted issued share capital would be 440,352,161 and the awards outstanding would represent approximately 1.14% of the adjusted issued share capital.

Notice of general meetings

(resolution 18)

The Act sets the notice period required for general meetings of the Company at 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. This resolution seeks such approval. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Company undertakes to meet the requirements for electronic voting in the Act before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next AGM, when it is intended that a renewal of the approval will be proposed.

ANNUAL GENERAL MEETING

The resolutions referred to in this letter are included in the notice of AGM set out on page 141 of this document. The AGM is to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS at 11.00am on 10 May 2018. If you are unable to attend the AGM, please complete and return the enclosed form of proxy in the prepaid envelope provided so as to reach the Company's registrar, Equiniti, not less than 48 hours before the time of the AGM. Alternatively, you may register your vote online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy. If you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

Further details are contained in the notes to the notice of AGM and in the form of proxy.

Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish. If you are unable to attend the AGM but would like to ask a question, please e-mail carolyn.cattermole@laing.com or philip.naylor@laing.com.

RECOMMENDATION

The Directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Your Board will be voting in favour of all the proposed resolutions and unanimously recommends that you do so as well.

Yours sincerely,

Phil Nolan
CHAIRMAN

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 05975300

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 10 May 2018 at 11.00am. You will be asked to consider and vote on the resolutions below. Resolutions 15 to 18 (inclusive) will be proposed as special resolutions and will be passed if at least three-quarters of the votes cast (in person or by proxy) are in favour. All other resolutions will be proposed as ordinary resolutions and will be passed if a majority of the votes cast (in person or by proxy) are in favour.

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions

1. To receive and consider the audited accounts of the Company for the year ended 31 December 2017 and the report of the Directors and external auditor thereon.
2. To declare a final dividend of 7.17 pence per ordinary share for the year ended 31 December 2017 recommended by the Directors.
3. To re elect Olivier Brousse as Director of the Company with effect from the end of the AGM.
4. To re elect Patrick O'Donnell Bourke as Director of the Company with effect from the end of the AGM.
5. To re elect David Rough as Director of the Company with effect from the end of the AGM.
6. To re elect Jeremy Beeton as Director of the Company with effect from the end of the AGM.
7. To re elect Toby Hiscock as Director of the Company with effect from the end of the AGM.
8. To re elect Anne Wade as Director of the Company with effect from the end of the AGM.
9. To elect Will Samuel as Director of the Company with effect from the end of the AGM.
10. To receive and approve the Directors' Remuneration Report contained within the Annual Report for the year ended 31 December 2017, in accordance with section 439 of the Companies Act 2006 (the Act).
11. To re-appoint Deloitte LLP as the Company's auditor to hold office until the conclusion of the next general meeting of the Company at which accounts are laid.
12. To authorise the Directors to agree the auditor's remuneration.
13. THAT, pursuant to section 551 of the Act, the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

    (i) up to an aggregate nominal amount of £16,309,339.20; and

    (ii) comprising equity securities, as defined in section 560 of the Act, up to an aggregate nominal amount of £32,618,678.50 (including within such limit any shares or rights issued or granted under (i) above) in connection with an offer by way of a rights issue:

    (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (B) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to expire (unless previously reviewed, varied or revoked by the Company in general meeting) at the close of the AGM in 2019 (or, if earlier, at the close of business on 10 August 2019) provided that, in each case, the Company may make offers and enter into agreements during the relevant period which would or might require shares in the Company to be allotted, or rights to subscribe for or convert any security into shares to be granted, after the authority expires and the Board may allot shares in the Company and grant rights under any such offer or agreement as if the authority had not expired.
14. THAT the Company, and any company which is or becomes a subsidiary of the Company, at any time up to the end of the AGM in 2019, be generally authorised, in aggregate, to:

    (i) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £100,000 in total; and

    (iii) incur political expenditure not exceeding £50,000 in total.

    For the purposes of this authority the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Act.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

15. THAT, subject to resolution 13 being passed, the Board be generally empowered, pursuant to section 570 and section 573 of the Act, to allot equity securities (as defined in the Act) for cash under the authority given by resolution 13 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

    (i) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 13(ii), by way of a rights issue only):

    (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (B) to people who are holders of other equity securities, if this is required by the rights of those securities or, if the Board considers it necessary, as permitted by the rights of those securities;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

    (ii) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (i) above) up to a nominal amount of £2,446,400.80, being approximately 5 per cent of the issued ordinary share capital of the Company as at 27 March 2018,

    such power to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 10 August 2019) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

16. THAT, subject to resolution 13 being passed, the Board be generally empowered, pursuant to section 570 and section 573 of the Act, and in addition to any authority granted under resolution 15, to allot equity securities (as defined in the Act) for cash under the authority given by resolution 13 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

    (i) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £2,446,400.80, being approximately 5 per cent of the issued ordinary share capital of the Company as at 27 March 2018; and

    (ii) used only for the purposes of financing (or refinancing, if the power is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such power to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 10 August 2019) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

17. THAT the Company is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company provided that: (i) the maximum number of ordinary shares hereby authorised to be purchased is 48,928,017; (ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p per share; (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (a) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; (iv) the authority hereby conferred shall expire at the close of the AGM in 2019 (or, if earlier, at the close of business on 10 November 2019); and (v) during the relevant period the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority had not expired.

18. THAT a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Carolyn Cattermole
COMPANY SECRETARY
27 March 2018

Registered Office:
1 Kingsway
London WC2B 6AN
United Kingdom

John Laing Group plc
Registered in England and Wales No. 05975300

Notes

1. The right to attend and vote at the AGM is determined by reference to the Company's register of members. Only a member entered in the register of members at 6.00 p.m. on 8 May 2018 (or, if this AGM is adjourned, in the register of members at 6.00p.m. two business days before the time of any adjourned meeting) is entitled to attend and vote at the AGM and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

2. Any shareholder or nominee shareholder may appoint one or more persons (whether shareholders of the Company or not) to act as his/her proxy or proxies to attend, speak and vote instead of him/her (provided that each such proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder). The form of proxy for use at the AGM must be deposited, together with any power of attorney or authority under which it is signed, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time appointed for the AGM or any adjournment thereof. An appropriate form of proxy is enclosed. Alternatively, you may register your vote online by visiting www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are on the enclosed form of proxy.

3. CREST members who wish to appoint a proxy or proxies, or amend an instruction to a previously appointed proxy, through the CREST electronic proxy appointment service may do so for the AGM to be held at 11.00am on 10 May 2018 and any adjournment(s) thereof, by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an instruction to a previously appointed proxy, must be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 11.00am on 8 May 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

4. Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish.

   Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

   Shareholders may revoke a proxy instruction delivered pursuant to note 2, but to do so must inform the Company in writing by sending a signed hard copy notice clearly stating their intention to revoke the proxy appointment to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than the cut-off time (48 hours before the time appointed for the AGM) set out above. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified, such shareholder's original proxy appointment will remain valid unless the shareholder attends the AGM and votes in person.

   The 2018 AGM will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS on 10 May 2018 at 11.00am.

   In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. For this purpose seniority is determined by the order in which the names of the joint holders appear in the Company's register of members (the first-named being the most senior).

5. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a shareholder, provided that no more than one corporate representative exercises powers over the same share.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

7. As at 27 March 2018 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 489,280,178 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 27 March 2018 are 489,280,178 votes.

8. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to:
   - the audit of the Company's accounts (including the external auditor's report and the conduct of the audit) that are to be laid before the AGM; or
   - any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid.

   The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's external auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

9. Any shareholder, proxy or corporate representative attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if:
   - to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;
   - the answer has already been given on a website in the form of an answer to a question; or
   - it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

10. The following documents will be available for inspection during normal business hours on any business day at the Company's registered office and will also be available during the AGM and for 15 minutes beforehand:
    - copies of the Directors' service contracts with, or letters of appointment by, the Company; and
    - the articles of association of the Company.

11. A copy of this notice, and other information required by section 311A of the Act, can be found at www.laing.com.

12. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

    The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on the Company's website (www.laing.com/investor-relations/regulatory-news.html) as soon as possible following the AGM.

SHAREHOLDER INFORMATION

FINANCIAL DIARY

8 March 2018	Full year results presentation
19 April 2018	Ex-dividend date for final dividend
20 April 2018	Record date for final dividend
10 May 2018	Annual General Meeting
18 May 2018	Payment of final dividend
August 2018	Announcement of half year results
October 2018	Interim dividend expected to be paid

REGISTERED OFFICE AND ADVISERS

Secretary and Registered Office
C Cattermole
1 Kingsway
London WC2B 6AN
Registered No: 05975300

AUDITOR

Deloitte LLP
2 New Street Square
London EC4A 3BZ

SOLICITORS

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

PRINCIPAL GROUP BANKS

Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank plc
71 Queen Victoria Street
London EC4V 4AY

Australia and New Zealand Banking Group Limited
40 Bank Street
London E14 5EJ

The Bank of Tokyo-Mitsubishi UFJ, Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

Sumitomo Mitsui Banking Corporation
99 Queen Victoria Street
London EC4V 4EH

Crédit Agricole Corporate and Investment Bank
Broadwalk House
5 Appold Street
London EC2A 2DA

ABN AMRO Bank NV
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

JOINT STOCKBROKERS

Barclays Bank PLC
5 The North Colonnade
London E14 4BB

HSBC Bank plc
8 Canada Square
London E14 5HQ

INDEPENDENT VALUERS

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

REGISTRARS

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Please contact the Registrars at the address above to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrars provide on-line facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your John Laing Group plc shareholding, update your personal details and amend your dividend payment instructions on-line without having to call or write to the Registrars.

REGISTRARS QUERIES

Information on how to manage your shareholdings can be found at https://help.shareview.co.uk. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes.

If your question is not answered by the information provided, you can send your enquiry via secure email from the pages at https://help.shareview.co.uk. You will be asked to complete a structured form and to provide your Shareholder Reference, name and address. You will also need to provide your email address if this is how you would like to receive your response.

Alternatively you can telephone: 0371 384 2030. Lines are open from 8.30am to 5.30pm (UK time) Monday to Friday, excluding public holidays in England and Wales.

Calls from overseas: +44 121 415 7047.

COMPANY WEBSITE

The Company's website at www.laing.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest news, press releases and financial reports about John Laing Group plc may be obtained by registering for the email news alert service on the website.

SHARE PRICE INFORMATION

The latest price of the Company's ordinary shares is available on www.laing.com. Alternatively click on www.londonstockexchange.com. John Laing's ticker symbol is JLG. John Laing is classified in the Speciality Finance Sector of Financial Services on The London Stock Exchange. It is recommended that you consult your financial adviser and verify information obtained from these services before making any investment decision.

DIVIDENDS

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrars.

SHARE DEALING SERVICES

The Registrars offer a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 03456 037 037. Lines are open from 8:00am to 4:30pm (UK time) for dealing, and until 6:00pm (UK time) for enquiries Monday – Friday, excluding public holidays in England and Wales.

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www.laing.com

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