



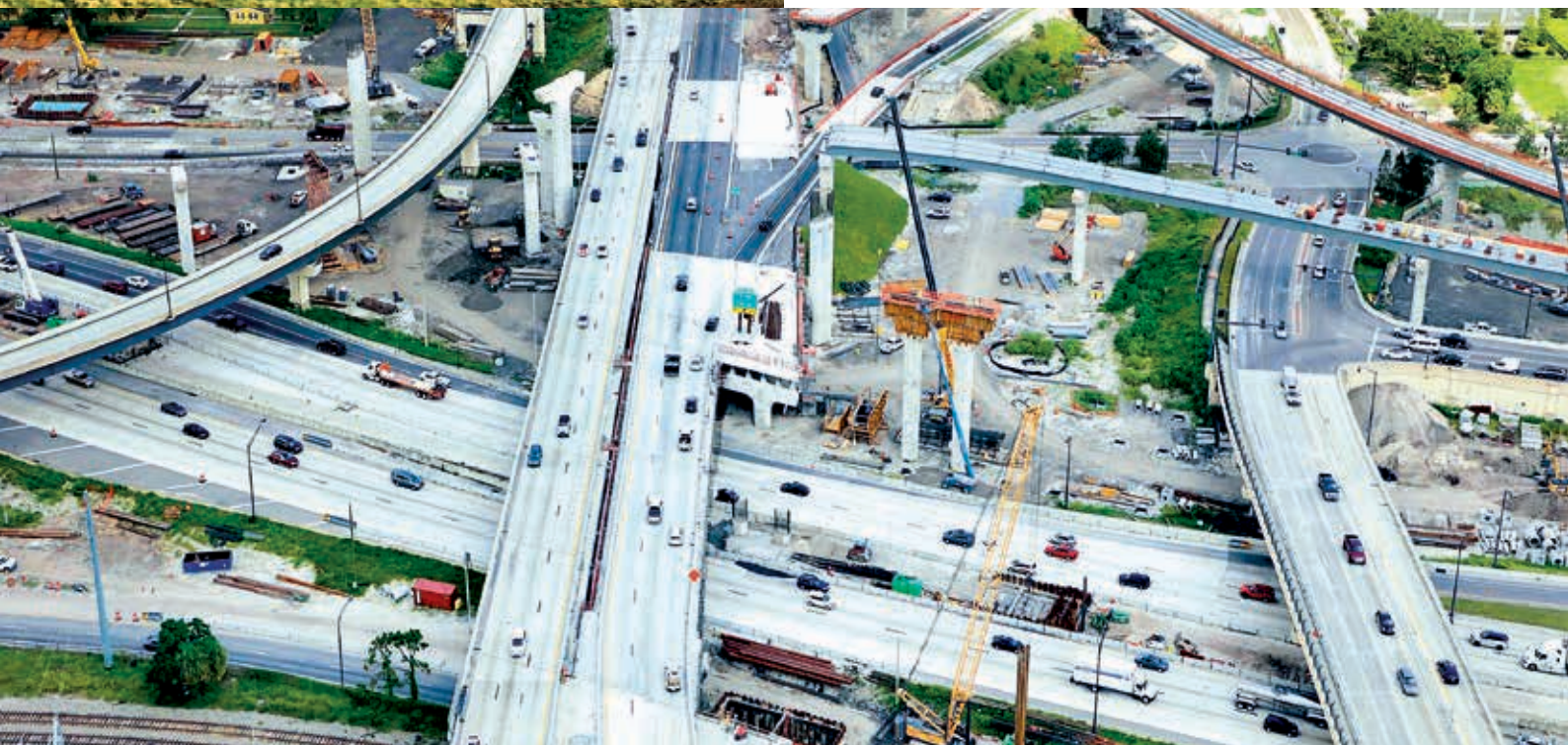
John Laing

making infrastructure happen

2018

Annual Report & Accounts

John Laing Group plc



The international
infrastructure
investor and
asset manager



John laing

making infrastructure happen



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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.**

We are one of the world's most trusted brands in the field of infrastructure thanks to our expertise and credentials, with investments in more than 140 projects.

Our business is focused on major transport, social and environmental projects awarded under public-private partnership (PPP) programmes, and renewable energy projects, across a range of international markets in Europe, Asia Pacific and North America.

We typically invest in infrastructure projects at the greenfield, pre-construction stage and apply our management, engineering and technical expertise to help guide the project through construction and into its operational phase. We invest in 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.

AT A GLANCE

SUMMARY FINANCIAL INFORMATION

| £ million (unless otherwise stated) | Year ended or as at 31 December 2018 | Year ended or as at 31 December 2017 |
|------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Net asset value (NAV) | 1,586.5 | 1,123.9 |
| NAV per share ^{1,2} | 323p | 281p |
| Retirement benefit obligations | (40.1) | (40.3) |
| Profit before tax | 296.6 | 126.0 |
| Earnings per share (EPS) ³ | 63.1p | 31.9p |
| Dividends per share ⁴ | 9.50p | 8.92p |
| Primary Investment portfolio | 868.6 | 580.3 |
| Secondary Investment portfolio | 691.6 | 613.5 |
| Total investment portfolio | 1,560.2 | 1,193.8 |
| Future investment commitments backed by letters of credit or cash collateral | 295.6 | 335.4 |
| Gross investment portfolio | 1,855.8 | 1,529.2 |
| New investment committed during the period ⁵ | 302.0 | 382.9 |
| Proceeds from investment realisations | 296.1 | 289.0 |
| Cash yield from investments | 33.8 | 40.2 |
| PPP pipeline ⁵ | 1,543 | 1,585 |
| Renewable energy pipeline ⁵ | 830 | 565 |

1. Calculated as NAV at 31 December 2018 of £1,586.5 million divided by the number of shares in issue at 31 December 2018 of 490.78 million
2. NAV per share at 31 December 2017 of 281p is the previously reported NAV per share of 306p multiplied by the Rights Issue bonus factor⁶
3. Basic EPS (adjusted for the Rights Issue; see note 6 to the Group financial statements)
4. Total dividend per share for the year ended 31 December 2017 of 8.92p is after adjustment for the Rights Issue
5. For further details, see the Primary Investment section of the Strategic Report
6. For details of the Rights Issue bonus factor, see note 6 to the Group financial statements
7. Rebased portfolio value is described in the Portfolio Valuation section on page 27

NAV per share at
31 December 2018

323p

(31 December 2017 – 281p²)

NAV at
31 December 2018

£1,586.5m

(31 December 2017 – £1,123.9m)

Increase in NAV per share
since 31 December 2017

15.0%

Increase in NAV per share
since 31 December 2017
including dividends
paid in 2018

18.2%

Investment commitments

£302.0m

(2017 – £382.9m)

Portfolio value
at 31 December 2018

£1,560.2m

representing 29.4% increase
on rebased portfolio value⁷ at
31 December 2017

Proceeds from
investment realisations

£296.1m

(2017 – £289.0m)

Profit before tax

£296.6m

(2017 – £126.0m)

Final dividend per share

7.7p

in line with policy (including a
special dividend of 4.1p per share)

Total dividend per share

9.5p

(2017 – 8.92p⁴), an increase
of 6.5% from 2017

Strong pipeline of
investment opportunities

£2.4bn

at 31 December 2018

1 for 3 rights issue in
March 2018 raising

£210.5m

net of costs
(the Rights Issue)



CHAIRMAN'S STATEMENT

2018 was a significant year for John Laing. As well as undertaking a successful rights issue in March, we continued to increase our international footprint. Consistent with this expansion, we moved to a regional management structure to enable us to focus more effectively on value creation in each region; and we are already seeing some benefits of this.

Through our regional teams, we work hard on developing our key relationships with international partners, the results of which can be seen in our strong pipeline of investment opportunities. And because of the rights issue, we are well positioned to bid for a higher proportion of these opportunities.

John Laing is clearly differentiated from other participants in the infrastructure sector; we focus on greenfield infrastructure and we invest our own capital. Our purpose is to create value for all our stakeholders by investing in, developing and managing infrastructure projects, including renewable energy, which respond to public needs, foster sustainable growth and improve the lives of communities around the world.

To achieve our purpose, we continued to operate our tried and tested business model during 2018, namely: origination of greenfield investments; active management of construction and operational risk; and either hold to maturity or if appropriate divest in order to realise the value of our investments and redeploy the proceeds in new investment. Our focus remains on investments in public private partnership (PPP) and renewable energy projects, but our business model is nimble and flexible enough to respond to opportunities in other sectors and geographies, as and when they arise.

While we committed capital in each of our three core regions – Asia Pacific, Europe and North America – the lion's share of investment commitment took place in Australia and the US. Looking forward, we expect this to continue, as markets in Europe remain relatively subdued.

Since our IPO in early 2015, we have grown net asset value (NAV) per share (including dividends paid) by 15.8% compound per annum (adjusted for the Rights Issue). The business delivered another strong financial performance in 2018:

- NAV grew to €1,586.5 million or 323p per share at 31 December 2018, from 281p per share at 31 December 2017 (as adjusted for the Rights Issue), an increase of 15.0%;

- Investment commitments reached €302.0 million, ahead of our guidance for 2018 of approximately €250 million;
- Realisations of investments were €296.1 million, again ahead of our guidance of approximately €250 million; and
- We are proposing a final dividend for 2018 of 7.7p per share made up of a final base dividend of 3.6p per share and a special dividend of 4.1p per share.

In May 2018, we welcomed Andrea Abt to the Board as a Non-executive Director. Her skills in finance, logistics and procurement fit well with those of other Board members and she has contributed actively and positively to the Board's deliberations. The Board needs a good balance of skills, diversity and experience in order to perform most effectively and maintaining this will guide any new appointment.

In May 2018, I took over from Phil Nolan as Chairman and I would like to take this opportunity to thank Phil for his strong contribution and leadership during the eight years he served as chairman of the Company. There were no other Board changes during the year.

On 23 January 2019, we announced the appointment of Luciana Germinario as Chief Financial Officer designate with effect from 25 April 2019. This follows the decision of Patrick O'D Bourke, Group Finance Director, to retire after the Annual General Meeting (AGM) in May 2019. We are delighted that Luciana will soon be joining us. John Laing has a strong track record of identifying investment opportunities in the infrastructure and renewable energy sectors. Demand for both is increasing and Luciana will bring strong operational capability with a real focus on driving investment performance. On behalf of the Board, I would also like to express our particular appreciation to Patrick for his invaluable contribution to the business and wise counsel to the Board. We wish him well for the future.

2018 HIGHLIGHTS

→ NAV per share

323p

→ New investment committed

€302.0 million



OUR PURPOSE

Our purpose is to create value for all our stakeholders by investing in, developing and managing infrastructure projects, including renewable energy, which respond to public needs, foster sustainable growth and improve the lives of communities around the world.

During the year under review, the Board complied with all applicable provisions of the UK Corporate Governance Code (the 2016 Code). We have also been preparing ourselves for the updated version of the Code issued in July 2018 (the 2018 Code) and, in anticipation of this, David Rough, our Senior Independent Director, took over from me as Chairman of the Nomination Committee in October 2018.

As well as our regular Board meeting schedule, we took time away from the business in June and in October 2018 to address its future strategy and direction. In these reviews, we confirmed our commitment to the existing business model and to creating further shareholder value from growth in NAV; and we tested the resilience of our existing portfolio against a backdrop of political and economic uncertainty. We also reviewed our ESG approach and our plans to improve diversity among our employees as well as endorsed the Principles, People and Performance focus described in the Chief Executive Officer's Review.

On behalf of the Board, I would like to thank all employees for their dedication and commitment during the year. I would also like to extend the Board's thanks to all the Group's stakeholders for their continued support, in particular to our shareholders for making our Rights Issue such a success.

Our dividend policy remains unchanged. It has two parts:

- an annual base dividend of £20 million (starting from 2015) growing at least in line with inflation; the Board is recommending a final base dividend for 2018 of 3.6p per share; 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 2018 of 4.1p per share. This reflects 6.8% of 2018 realisations of £296.1 million.

The total final dividend for 2018 therefore amounts to 7.7p per share, which, together with the interim dividend of 1.8p per share paid in October 2018, makes a total dividend for 2018 of 9.5p per share, an increase of 6.5% over 2017 (as adjusted for the Rights Issue). The final dividend will be put to shareholders for their approval at the Company's AGM which will be held on 9 May 2019. At the Company's last AGM on 10 May 2018, all resolutions were approved by shareholders.

Our business is in good shape and we are well prepared for both the opportunities and challenges ahead.

Will Samuel
CHAIRMAN

→ Realisations of investments

£296.1 million

→ Final dividend per share

7.7p

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to report that in 2018 we maintained our track record of strong results. Our NAV per share (including dividends paid) grew by 18.2% and, since our IPO in early 2015, has grown by 15.8% compound per annum.

In March 2018, we launched a 1 for 3 Rights Issue raising £210.5 million, net of costs. The purpose of the Rights Issue was to enable the Group to take advantage of a higher number of the opportunities available to it, consistent with the Board's intention to increase the scale of the business over the medium term.

In the Rights Issue prospectus, the Directors stated their belief, subject to the specific investment commitments entered into with the proceeds of the Rights Issue and the timing thereof, that the Rights Issue should be accretive to NAV per share (adjusted accordingly) within two years, compared to the position without it. Our NAV per share performance for the year ended 31 December 2018 is consistent with this statement.

The Rights Issue has given us the expanded capital base we needed to continue our international growth. In addition, the management reorganisation around our three core regions – North America, Asia Pacific and Europe – has allowed us to continue to scale up our business model through a transfer of responsibility for value creation to each regional team, while all the time retaining reinforced oversight at Group level for investment and divestment decisions and risk management.

The financial highlights of the year included:

- Strong value creation: NAV per share of 323p per share at 31 December 2018, a 15.0% increase since 31 December 2017 (281p per share as adjusted for the Rights Issue);
- 18.2% increase in NAV per share, including dividends paid in 2018;
- New investment commitments of £302.0 million (2017 – £382.9 million);
- Realisations of £296.1 million from the sale of three investments (2017 – £289.0 million);
- Profit before tax of £296.6 million compared to £126.0 million in 2017;
- Cash yield from investment portfolio of £33.8 million (2017 – £40.2 million); and
- Final dividend of 7.7p per share, giving a total 2018 dividend of 9.5p per share, an increase of 6.5% from 2017.

Outlook for our markets

The overall outlook for private investment into new public infrastructure markets remains strong even if political and regulatory landscapes mean that some of the best opportunities will not necessarily come from our existing markets or sectors. We are taking advantage of our flexible investment model to focus on new countries and sectors and in so doing reduce our exposure to local public policy uncertainty.

As we have said before, our view is that, while the need for new infrastructure is affected by many factors and trends including GDP, the biggest driver comes from a combination of population growth, urbanisation and climate change. Other contributory factors include governmental policy towards regulation and investment, the demand for energy and the availability of capital, both private and public sector. And a trend common to all these factors is a strong push for new infrastructure to be sustainable, not just from an environmental and financial perspective, but also in terms of future resilience.

These factors and trends apply to each of the infrastructure sectors in which we invest:

- transport and transport-related infrastructure, such as roads, tunnels, bridges and rail assets (including rolling stock);
- environmental infrastructure, such as renewable energy (including wind and solar), biomass, water treatment and waste management; and
- social infrastructure, such as schools, hospitals, university accommodation, stadiums, social housing and justice and other public sector buildings.

The need for new infrastructure is evident in many parts of the world, both because existing infrastructure is not keeping pace with the changes brought about by the above trends, but also because the infrastructure market as a whole has historically seen under-investment. Infrastructure matters to people and businesses everywhere.

Coupled with the pressures on public sector finances, this background provides a strong incentive for the growing use of PPPs for greenfield infrastructure. As well as access to private capital, PPPs 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.



→ Pipeline of investment opportunities at 31 December 2018

£2.4 billion

In each of the three regions where we currently operate, our teams benefit from a healthy pipeline of future opportunities. For the first time, our pipeline also includes a small number of opportunities in Latin America and we are also looking at some potential projects in South East Asia.

Many of these opportunities arise through our strong relationships with international partners, including construction companies, rolling stock manufacturers and renewable energy developers. These partners see the benefits of working with John Laing because of our track record, our credentials, our construction heritage and, in particular, our ability to devote experienced asset management resource to projects, especially where not everything is going according to plan. On several occasions, we have invested alongside the same international partner in more than one project across different jurisdictions and in different sectors – this is an endorsement of the strength of our relationships.

We entered 2019 with a strong pipeline of £1,543 million of PPP opportunities looking out three years as well as nearer term renewable energy opportunities of £830 million. Within the PPP pipeline, we have positions in 10 shortlisted PPP consortiums, representing a total potential investment of approximately £320 million.

- **North America:** seven of the 10 shortlisted PPP positions are for potential investments in North America. We have maintained strong momentum following our breakthrough year in the US in 2017 and invested further in 2018 in PPP projects in Massachusetts and Michigan as well as in five solar farms in North Carolina. In the US, public sector procurement for greenfield infrastructure, including PPP, takes place predominantly at state or city, rather than federal, level. Consistent with the above drivers of population growth and urbanisation, all the states containing major metropolitan areas have some form of PPP-enabling legislation. State policy is also a key driver for the US renewable energy market. A majority of states have adopted renewable energy targets and, in addition, many states maintain a commitment to the Paris Climate Accord.

- **Asia Pacific:** we remain very active in the Australian PPP market. We expect to be working on a number of PPP projects in 2019 which should reach financial close in 2020. The longer term pipeline also looks promising, particularly in the transportation sector, driven by the significant growth predicted in the populations of both Melbourne and Sydney. In renewable energy, we have continued to benefit from the impetus given to the market by the Federal Renewable Energy Target and we made several investments in 2018 in both wind and solar farms.
- **Europe:** three of the 10 shortlisted PPP positions are for potential investments in Europe. The market for new infrastructure projects is currently subdued especially in some of the larger countries, including the UK. Even if the need for new investment is clear, it will probably take some time for a new sizeable pipeline to develop. Nonetheless, we are currently bidding for road projects in the Netherlands and for the Silvertown Tunnel project in the UK, a planned additional crossing under the Thames near London City Airport. Our European team is also looking at opportunities in Poland, where we have invested successfully in the past, and in Israel, which has an active pipeline of transport and renewable energy projects. The latter would be a new country for us; as part of our assessment of Israeli opportunities, we have taken a decision not to invest in any projects located in disputed territory.

Our pipeline also includes two potential projects in Colombia, which has recently joined the OECD, and where there is a substantial PPP programme, particularly in the transportation sector. We are looking at these opportunities in conjunction with partners we have worked with before and we are confident that a secondary market for operational infrastructure assets in Colombia will develop in the coming years.

We also continually assess other infrastructure asset classes that might fit our business model. Among the most promising is broadband, as governments in both Europe and North America seek to make high speed networks accessible to wider populations.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Business model

Our business model has two 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. Once the projects reach the end of construction and move into the operational phase, the investments become part of our Secondary Investment portfolio.
- *Asset Management:* we actively manage our own Primary and Secondary Investment portfolios and provide investment advice and asset management services, including to John Laing Environmental Assets Group (JLEN), through John Laing Capital Management Limited (JLCM), which is regulated by the Financial Conduct Authority (FCA).

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 commitment.

The principal value creation mechanism inherent in our business model is the difference between the hold-to-maturity Internal Rate of Return (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 stage. 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 the annualised rate of return.

The value of investments in our Primary Investment portfolio 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. We continue to see strong demand for operational infrastructure assets, as evidenced by the number of infrastructure funds recently raised by international investors.



→ Total commitment to new investments in 2018

£302.0 million

Our asset management activities focus on management and reduction of project risks, especially during the construction phase, together with 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 the cash flows originally forecast at the start of the project. We look at a wide range of such value enhancements, for example:

- Optimisation of SPV management costs and project insurance premiums through bulk purchasing or efficiency gains;
- Optimisation of major maintenance and asset renewal costs over the life of an infrastructure project; and
- Maximisation of working capital efficiency within projects.

Opportunities for value enhancements may arise at any time during a project's life and may vary significantly from one investment to another.

Objectives and outcomes

Consistent with our purpose, which is to create value for all stakeholders, our strategy focuses on NAV per share growth and dividends as key measures for shareholders:

- In 2018, our NAV per share grew by 15.0% from 281p per share at 31 December 2017 (adjusted for the Rights Issue) to 323p per share at 31 December 2018, or 18.2% if we add back the dividends paid in 2018.
- We are proposing total dividends of 9.5p per share for 2018 compared to 8.92p per share for 2017 (adjusted for the Rights Issue). This represents growth of 6.5% over 2017.

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

- growth in primary investment volumes (new investment capital committed to greenfield infrastructure projects) over the medium term; 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.

Through the strong partner relationships referred to earlier, we enter into consortiums to bid for PPP projects, sometimes following a competitive selection process. Once part of a consortium, we compete with other shortlisted consortiums to bid for and win PPP projects in accordance with public procurement timetables. In renewable energy, through negotiations with developers, we compete with other investors to secure greenfield projects.

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 those 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 2018 was £302.0 million, made up of £247.5 million in renewable energy and £54.5 million in PPP assets. This was ahead of our guidance of approximately £250 million. Our international growth continued with all our investment commitments being made outside the UK:

- MBTA Automated Fare Collection System in Boston (US) – £17.5 million
- A16 road (Netherlands) – £21.7 million
- I-75 road in Michigan (US) – £15.3 million
- Five solar farms in North Carolina (US) – £72.2 million
- Sunraysia & Finley solar farms (Australia) – £100.0 million
- Granville & Cherry Tree wind farms (Australia) – £75.3 million.

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 a project during its construction phase in order to protect the value of our investment and provide advice and/or assistance when delays occur or problems arise.

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. In the Asset Management section of this report, we provide more detail on some of the situations where our active management approach has been most relevant.

We are proud of the fact that many of the projects we invest in, or have invested in, have a positive environmental, economic or social impact. These include: renewable energy projects which help to reduce CO₂ emissions; waste processing plants which divert waste away from landfill; and electric rolling stock and light rail systems which improve mobility, and help to reduce inner city congestion and pollution. And of course we are very proud of our prison investments in Auckland and under construction in New South Wales which incentivise the operator to reduce recidivism. More information is set out in the Corporate Responsibility section.

At 31 December 2018, our portfolio comprised investments in 48 infrastructure projects plus our shareholding in JLEN (31 December 2017 – 41 projects plus shareholding in JLEN). Our year end portfolio value, including the shareholding in JLEN, was £1,560.2 million (31 December 2017 – £1,193.8 million). The portfolio value increased by £342.1 million as a result of cash invested in projects, offset by proceeds from realisations and cash yield received from project companies. Fair value movements of £354.2 million, or 29.4% of the cash rebased portfolio value, increased the portfolio value to £1,560.2 million at 31 December 2018. 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 assuming that forecast cash flows from investments are received until maturity, other than shares in JLEN which are held at market value.

The shape of our portfolio has evolved over the last few years:

- In percentage terms, our European assets have reduced as the underlying projects have reached the operational stage and our investments have been realised;
- As part of this, we have reduced the percentage of our portfolio attributable to UK investments, to 24% at 31 December 2018 from 58% at 31 December 2014;
- Correspondingly, we have increased our investment in the North American and Asia Pacific regions;
- In particular, we have successfully transitioned, from our first renewable energy investments in relatively small UK windfarms, to investing in utility-scale wind and solar farms in the US and Australia;
- Investments in wind and solar farms made up 42% of our portfolio valuation at 31 December 2018 (31 December 2017 – 31%). We believe these larger renewable energy assets are attractive to infrastructure investors and we have already agreed our first major disposal in the US (see below);
- As the result of this increased investment in renewable energy assets (the revenue of which varies according to energy yield), as well as realisations of PPP investments in 2018, the percentage of our portfolio attributable to availability-based projects fell to 49% at 31 December 2018 (31 December 2017 – 59%). While this percentage is hard to predict with precision going forward (partly because it depends on procurement timetables beyond our control), we want to maintain a significant percentage of availability-based investments in the portfolio for the foreseeable future.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Overall, as set out in the Portfolio Valuation section, our investment portfolio, including our increased renewable energy portfolio, is well-diversified in terms of geography, currency, revenue type and sector.

During the year, we completed realisations totalling £296.1 million from the sale of three PPP investments. This was ahead of our guidance for 2018 of approximately £250 million. In late December 2018, we also agreed the sales of our shareholdings in both the Rocksprings wind farm in Texas and the Sterling wind farm in New Mexico. Once completed, these will represent our first disposals of investments in the US. We are actively considering a number of other realisations.

The cash yield in 2018 was £33.8 million (2017 – £40.2 million), a yield of 5.2% (2017 – 7.4%) on the average Secondary Investment portfolio. Cash yield represents cash receipts in the form of dividends, interest and shareholder loan repayments from project companies and listed investments.

External asset management

In August 2018, a consortium comprising funds managed by Dalmore Capital Limited and Equitix Investment Management Limited made a cash offer to buy the share capital of John Laing Infrastructure Fund Limited (JLIF). This offer was subsequently recommended by JLIF's Board and completed in October 2018. Shortly afterwards, the consortium gave 12 months' notice to terminate the Investment Advisory Agreement (IAA) between JLIF (now renamed Jura Infrastructure Limited (Jura)) and JLCM. While we are disappointed to lose the net fee income from this agreement, it is important to note that it makes a relatively small contribution to our profits compared to the fair value movement from our investing activities.

We remain committed to our IAA with JLEN. JLCM not only advises and provides management services to JLEN's portfolio, but also sources new investments on its behalf. During the year, JLEN successfully undertook secondary equity issues and made several acquisitions.

Fee income from external Assets under Management (AuM) was £18.2 million for 2018, up from £16.7 million in 2017. As outlined above, this fee income will reduce from mid-October 2019 onwards, together with certain related costs.

Profit before tax

Our profit before tax was £296.6 million in 2018, compared to £126.0 million in 2017. Profit before tax is primarily driven by the fair value movement on our investment portfolio. The increase was principally due to:

- the gain on disposal of our remaining 15% interest in Intercity Express Programme (IEP) (Phase 1) and a consequential impact on the valuation of our investment in IEP (Phase 2); and
- a more favourable impact from power price forecasts and foreign exchange movements, offset by a one-off Guaranteed Minimum Pension (GMP) equalisation charge.

UK withdrawal from the European Union

In assessing the risks facing our business, we have considered the implications of the manner in which the UK could withdraw from the European Union (Brexit). We believe our business model to be robust enough to weather any potential short-term disruption which might arise.

Sterling's net weakness in 2018 against the other currencies we invest in contributed £9.7 million to the fair value movement for the year (2017 – £11.0 million adverse). We continue to monitor the impact of foreign exchange movements on our portfolio, recognising that if Sterling were to strengthen during 2019 as a result of Brexit or otherwise this would reduce the Sterling value of our investments denominated in overseas currencies.

Funding

In July 2018, the Group's corporate banking facilities were increased to £650 million. The new facilities comprise £500 million of five-year committed revolving credit banking and associated ancillary facilities which expire in July 2023, and £150 million of 18 month committed revolving credit facilities which were initially due to expire in January 2020, but have since been extended to January 2021.

The Group's banking 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, our corporate banking facilities and realisations of investments in operational projects.

Organisation and staff

Our staff numbers were 169 at 31 December 2018 compared to 158 at the end of 2017. We now have 44% of staff located outside the UK (31 December 2017 – 39%), consistent with our increasing internationalisation. We have a diverse workforce comprising around 25 nationalities.

As set out in the Chairman's statement, we have appointed Luciana Germinario as Chief Financial Officer designate with effect from 25 April 2019. This follows the decision of Patrick O'D Bourke, Group Finance Director, to retire following the AGM on 9 May 2019. Patrick has been a crucial member of the team and has been instrumental in our successful IPO in 2015 and our move to a more internationally focused business. I have thoroughly enjoyed working with him and we will be sorry to see him retire. The Board and I are very pleased to welcome Luciana to the team. Her previous international, financial and investment experience will be an excellent addition to John Laing's executive team. I am looking forward to working with her as we continue to grow the business.

Since the beginning of 2018, the Primary Investment and Asset Management teams in each of our three main geographical regions have been reporting to single regional heads, each of whom in turn reports to me. This reorganisation has enabled the teams to focus more effectively on growth and value creation across all stages of the investment and asset management cycle in their individual regions. At the same time, oversight has been reinforced at Group level in respect of investment, divestment and capital allocation decisions.

In October 2018, we initiated an internal project to prepare the business for the next phase in its growth. Under the headings – Principles, People and Performance – we have launched a number of workstreams which focus not just on how to sustain financial growth, but also on how to improve employee engagement and diversity while maintaining a background of strong values and corporate responsibility. We are also taking this opportunity to refresh our values.

We depend on high quality individuals and experienced teams across our business. Once again, they have been instrumental in making projects happen, whether in Adelaide, Amsterdam, Sydney, Denver or Brisbane. I would like to thank each and every one of our employees for their contribution to our success this year.

Current trading and guidance

Our total investment pipeline at 31 December 2018 was £2,373 million and included £1,543 million of PPP opportunities looking out three years as well as nearer term renewable energy opportunities of £830 million. Within this pipeline, there were 10 shortlisted PPP positions with an investment opportunity of approximately £320 million. These do not include any late entry investment opportunities which may arise.

Our aim is to keep growing investment commitments in line with the medium to long term nature of our business. Consistent with this, we are extending the timeframe for both investment commitments and realisations to a three-year period. Accordingly, our guidance is for investment commitments of approximately £1.0 billion over the three year period 2019 – 2021, with realisations expected to be broadly in line with investment commitments.

We continue to have confidence in our business model and its ability to respond to a changing environment, both political and macroeconomic, and we look forward to the future.

Olivier Brousse

CHIEF EXECUTIVE OFFICER

OUR INTEGRATED APPROACH

Our purpose is to create value for all our stakeholders by investing in, developing and managing infrastructure projects, including renewable energy, which respond to public needs, foster sustainable growth and improve the lives of communities around the world.

OUR MARKETS



Infrastructure can be defined as the physical assets and systems that support a country, state 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.



Renewable energy projects

Involve electricity generation assets which produce green energy and can benefit from fixed-price offtake agreements, including power purchase agreements.



Other

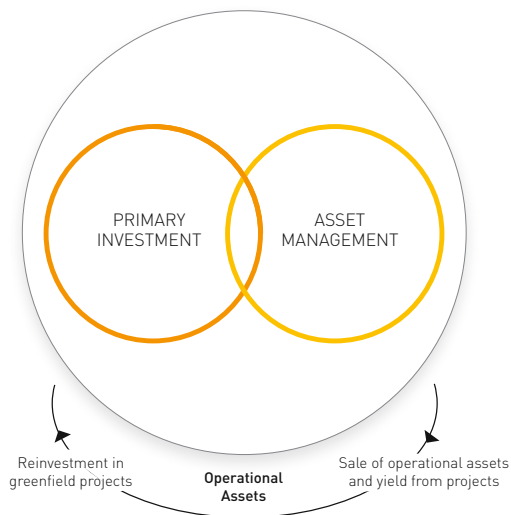
Opportunities in other infrastructure asset classes that might fit our business model.

OUR BUSINESS MODEL



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.

Our business model, has two 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. The value of investments in our Primary Investment portfolio 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, the investments move to our Secondary Investment portfolio.

Asset Management

We actively manage our own Primary and Secondary Investment portfolios.

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

Operational assets can be held to maturity or sold to secondary market investors who target a lower rate of return consistent with the reduction in risk. Proceeds from realisations are redeployed into new investments.

MEASURING OUR PERFORMANCE >>

Consistent with our purpose, our strategy focuses on NAV per share growth and dividends as key measures for shareholders.

- **NAV per share growth**

15.0%

increase in NAV per share in 2018

15.8%

compound annual growth, including dividends, since IPO in 2015

- **Dividends**

Total 9.5p dividend per share for 2018,

6.5%

increase from 2017

STRATEGIC OBJECTIVES >>

To deliver our strategy, we have set ourselves the two core objectives below, while maintaining the discipline and analysis required to mitigate and manage the delivery, revenue and operational risk associated with investments in greenfield infrastructure projects.



Growth in primary investment volumes (new investment capital committed to greenfield infrastructure projects) over the medium term.



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.

MANAGING OUR RISKS >>

Effective management of the principal risks identified below is essential to the successful delivery of the Group's objectives.

- Governmental policy
- Macroeconomic factors
- Liquidity in the secondary market
- Financial resources
- Pensions
- Future investment activity
- Valuation
- Counterparty risk
- Major incident
- Future returns from investments
- Taxation
- Personnel

See the Principal Risks and Risk Management section for details of how the Group manages and mitigates these risks.

OUR INTERNATIONAL REACH

John Laing has a well-established presence in each of its core 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.

For the first time, our pipeline includes a small number of opportunities in Latin America.

OUR SECTORS

Our activities are focused on the following infrastructure sectors:

Transport and transport-related infrastructure, such as roads, tunnels, bridges and rail assets (including rolling stock)

Environmental infrastructure, such as renewable energy (including wind and solar), biomass, water treatment and waste management

Social infrastructure, such as schools, hospitals, university accommodation, stadiums, social housing and justice and other public sector buildings



NORTH AMERICA

- Social Infrastructure
- Transport
- Renewable Energy and Water

| | | | | |
|-----------------------------|----------------------------------------------|---------------------------------|------------------------------|------------------------------|
| Brantley Solar Farm 100% | Buckleberry Solar Farm 100% | Buckthorn Wind Farm 90.05% | Denver Eagle P3 45% | Fox Creek Solar Farm 100% |
| I-4 Ultimate 50% | I-66 Managed Lanes 10% | I-75 Road 40% | I-77 Managed Lanes 10% | IS54 Solar Farm 100% |
| IS67 Solar Farm 100% | MBTA Automated Fare Collection System 90% | Rocksprings Wind Farm* 95.3% | Sterling Wind Farm* 92.5% | |

LATIN AMERICA

- Social Infrastructure
- Transport

* Conditional sale agreed as at 31 December 2018.

Primary

Secondary



EUROPE

- Social Infrastructure
- Transport
- Renewable Energy

| | | | | |
|--------------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| A1 Germany 42.5% | A6 Parkway Netherlands 85% | A15 Netherlands 28% | A16 Road 47.5% | A130 100% |
| Alder Hey Children's Hospital 40% | Cramlington Biomass 44.7% | DARA Red Dragon 100% | Glencarbry Wind Farm 100% | Horath Wind Farm 81.82% |
| IEP (Phase 2) 30% | Klettwitz Wind Farm 100% | Nordergründe Wind Farm 30% | Pasilly Wind Farm 100% | Rammeldalsberget Wind Farm 100% |
| Sommette Wind Farm 100% | Speyside Biomass 43.35% | St. Martin Wind Farm 100% | Svartvallsberget Wind Farm 100% | |



ASIA PACIFIC

- Social Infrastructure
- Transport
- Renewable Energy

| | | | | |
|--------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------|-------------------------------|------------------------------|
| Auckland South Corrections Facility 30% | Cherry Tree Wind Farm 100% | Clarence Correctional Centre (formerly New Grafton Correctional Centre) 80% | Finley Solar Farm 100% | Granville Wind Farm 49.8% |
| Hornsedale 1 Wind Farm 30% | Hornsedale 2 Wind Farm 20% | Hornsedale 3 Wind Farm 20% | Kiata Wind Farm 72.3% | Melbourne Metro 30% |
| New Generation Rollingstock 40% | New Royal Adelaide Hospital 17.26% | Optus Stadium 50% | Sunraysia Solar Farm 90.1% | Sydney Light Rail 32.5% |

Pipeline of investment opportunities at 31 December 2018

→ Europe

£416 million

→ North America

£1,078 million

→ Asia Pacific

£704 million

→ Latin America

£175 million

NORTH AMERICA

I-4 Ultimate

Orlando, Florida, USA (50% interest)

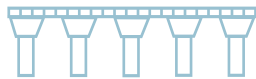
The I-4 Ultimate project is the largest single infrastructure project in Florida's history. This project will reduce congestion and provide additional capacity along a busy 21-mile section of Interstate 4 (I-4), which serves as a major tourist route through central Florida. Notably, it has excellent sustainability and environmental credentials; nearly all of the concrete and steel removed from the old road and bridges is being recycled, and recycled materials are being used wherever practical in the new construction.

- Reconstruction of 21 miles of the I-4
- 15 major interchanges
- More than 140 new or reconstructed bridges
- Four variable toll lanes to be managed by the Florida Department of Transportation

>> Nearly all of the concrete and steel removed from the old road and bridges is being recycled.



>> **Making infrastructure happen in North America.** Reducing congestion and providing additional capacity along a busy 21-mile section of Interstate 4 in central Florida.



140

new or
reconstructed
bridges



PRIMARY INVESTMENT

Primary Investment teams operate in each of our core regions, sourcing, originating, bidding for and winning greenfield infrastructure projects.

Our new investment commitments for 2018 are summarised in the table below:

| Investment commitments | Region | PPP £ million | RE* £ million | Total £ million |
|---------------------------------------|---------------|------------------|------------------|--------------------|
| A16 Road | Europe | 21.7 | | 21.7 |
| MBTA Automated Fare Collection System | North America | 17.5 | – | 17.5 |
| I-75 Road | North America | 15.3 | – | 15.3 |
| Fox Creek/Brantley solar farms | North America | – | 30.0 | 30.0 |
| IS54/IS67 solar farms | North America | – | 27.0 | 27.0 |
| Buckleberry solar farm | North America | – | 15.2 | 15.2 |
| Sunraysia solar farm | Asia Pacific | – | 59.0 | 59.0 |
| Finley solar farm | Asia Pacific | – | 41.0 | 41.0 |
| Granville wind farm | Asia Pacific | – | 55.8 | 55.8 |
| Cherry Tree wind farm | Asia Pacific | – | 19.5 | 19.5 |
| Total | | 54.5 | 247.5 | 302.0 |

* RE = renewable energy

In February 2019, the Group committed £7.3 million to a PPP social infrastructure project comprising new student accommodation for the University of Brighton in the UK.

Pipeline

At 31 December 2018, our overall investment pipeline of £2,373 million was higher than the pipeline of £2,150 million at 31 December 2017. The pipeline comprises opportunities to invest 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 2017 reflects an increase in the pipelines in Asia Pacific and North America offset by a reduction of opportunities in Europe, together with a new pipeline of opportunities in Colombia in the Latin American market, a region which we have been monitoring for the last two years.

Our overall pipeline is constantly evolving as new opportunities are added and other opportunities drop out.

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

| Pipeline at 31 December 2018 by bidding stage | Number of projects | PPP £ million | RE £ million | Total £ million |
|-----------------------------------------------|--------------------|------------------|-----------------|--------------------|
| Preferred bidder | 1 | 7 | – | 7 |
| Shortlisted/exclusive* | 11 | 319 | 18 | 337 |
| Other pipeline | 44 | 1,217 | 812 | 2,029 |
| Total | 56 | 1,543 | 830 | 2,373 |

* includes exclusive position on one renewable energy project.

As at 31 December 2018, we were part of 10 shortlisted PPP bids as summarised in the table below:

| Shortlisted PPP projects | Financial close expected by | Region | Description |
|---------------------------------------|-----------------------------|---------------|------------------------------------------------------------------------------|
| Belle Chasse Bridge, Louisiana | Q2 2019 | North America | Bridge and tunnel replacement project in Louisiana |
| Hurontario LRT, Ontario | Q3 2019 | North America | Light rail system in the Greater Toronto area |
| Hamilton LRT, Ontario | Q2 2020 | North America | Light rail system in Hamilton, Ontario |
| Santa Clara Water, California | Q2 2020 | North America | Water purification system in Santa Clara, California |
| Jefferson Parkway, Colorado | Q2 2020 | North America | 9.2-mile four-lane limited access toll highway in Denver, Colorado |
| I-10 Mobile River Bridge, Alabama | Q4 2020 | North America | New six-lane bridge across the Mobile river, Alabama |
| Georgia Interstate Broadband, Georgia | Q4 2020 | North America | Broadband network development for Georgia Department of Transport |
| Silvertown Tunnel, UK | Q4 2019 | Europe | Tunnel below the Thames linking Greenwich and Silvertown in East London |
| A9 BAH0, Netherlands | Q4 2019 | Europe | 11km of road widening (from 3 to 4 lanes) south of Amsterdam |
| Via15, Netherlands | Q2 2020 | Europe | 12km greenfield road including a major bridge in the east of the Netherlands |

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

| Pipeline – estimated equity investment £ million | At 31 December 2018 | | | At 31 December 2017 | | |
|-----------------------------------------------------|---------------------|------------|--------------|---------------------|-----|-------|
| | PPP | RE | Total | PPP | RE | Total |
| Asia Pacific | 334 | 370 | 704 | 431 | 174 | 605 |
| North America | 691 | 387 | 1,078 | 631 | 233 | 864 |
| Europe (including the UK) | 343 | 73 | 416 | 523 | 158 | 681 |
| Latin America | 175 | – | 175 | – | – | – |
| Total | 1,543 | 830 | 2,373 | 1,585 | 565 | 2,150 |

In North America (the US and Canada), which makes up 45% 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 five further investments during 2018. 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 30% 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 strengthened presence in the renewable energy sector in Australia offers continued potential in the coming years.

18% 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 and Poland.

The PPP pipeline also includes two opportunities in Colombia. For some time, we have been tracking opportunities in both Chile and Colombia, working alongside partners we already know.

Our overall renewable energy pipeline was £830 million at 31 December 2018, higher than at 31 December 2017. Of this, short-term opportunities account for more than £400 million. Selected countries in Europe, Asia Pacific and North America will provide our main focus in 2018. The pipeline includes potential wind and solar projects as well as some investment opportunities in biomass.

In addition to the above, the Group continues to monitor new geographic markets (including South East Asia) which offer the potential to invest alongside established partners.



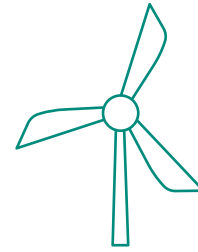
➤➤ **Making infrastructure happen in Europe.** This offshore wind farm has a total capacity of 110.7 MW.

EUROPE

Nordergründe Offshore Wind Farm

North Sea north of Wilhelmshaven, Germany (30% interest)

Located in water depths of up to 10 metres within the 12 nautical mile zone of the German North Sea, this 18 turbine offshore wind farm has a total capacity of 110.7 MW, capable of providing approximately 100,000 homes with green power.



18

Senvion 6.15MW turbines

>> The Nordergründe offshore wind farm is capable of providing approximately 100,000 homes with green power.



ASSET MANAGEMENT

Asset Management teams operate in each of our core regions, working alongside their Primary Investment colleagues. Asset Management activities comprise Investment Management Services (IMS) and Project Management Services (PMS).

Investment Management Services (IMS)

Our Asset Management teams actively manage each asset in the Group's investment portfolio from the time we first secure the investment, through the construction stage and in the operational stage. 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.

An important part of achieving this objective is managing each asset through the construction stage, de-risking the investment and increasing its value. John Laing employs certain staff who are solely dedicated to projects in construction, as well as provides directors to the boards of project companies, allowing us to make an active contribution.

Since the projects we invest in are principally large and sophisticated infrastructure assets, issues and delays can occur. Our position as a purely equity investor enables us to be well placed to manage the various parties when issues arise and help achieve a resolution.

An update on significant projects, primarily those under construction, or in the early stages of operation, that our teams have been closely involved in during the year is set out below:

IEP (Phase 2) (valuation > £275 million)

The first trains for the East Coast mainline, which have a similar design to the trains for IEP (Phase 1), are scheduled to be accepted into service in Q1 2019. This follows certain system modifications to be addressed by both the contractor and Network Rail.

Denver Eagle P3 (valuation £75 million – £100 million)

As previously reported, both the A line and the B line have been operating successfully since 2016 and are achieving 97% on-time performance. Final certification of the overall project is subject to approvals from both state and federal transport regulators for the third line, the G line. Delays associated with the legal and regulatory regime have led to certain claims by the project company and these are currently the subject of discussion or dispute between the parties involved, including the public sector client. In trying to resolve these issues, the project company's focus is on achieving regulatory approval for the G line, which would then lead to final certification and trigger commencement of full service revenue.

Sydney Light Rail (valuation £50 million – £75 million)

As stated in our June 2018 results announcement, the contract programme is running behind schedule (c.15 months), though remains within the overall long-stop date. The delay is principally attributable to below ground utility equipment not identified before construction commenced and a number of modifications to the project scope. Negotiations are well progressed between the public sector client, the principal contractor and the project company with a view to resolving various commercial claims and disputes between the parties.

New Royal Adelaide Hospital (valuation £50 million – £75 million)

The hospital has been successfully treating patients since it opened in September 2017. As previously reported, the project company and the South Australian government are in discussions about the application of the abatement regime resulting from under-performance of the facilities management services provider. In addition, arbitration proceedings are ongoing with regard to legacy issues arising from the construction phase. The project company is working with all other parties to achieve negotiated commercial settlements.

I-4 Ultimate, Florida (valuation £25 million – £50 million)

As previously reported, this availability-based road project is approximately eight months behind the contract schedule. Settlement negotiations are currently taking place between the Florida Department of Transport, the project company and the construction joint venture to address, inter alia, claims submitted by the construction joint venture in respect of the delays.

New Generation Rollingstock, Queensland (valuation £25 million – £50 million)

The number of accepted trains is now 46, out of a total of 75, with the final train due for delivery in Q4 2019. The project company has recently agreed an amendment deed with the State of Queensland which, inter alia, provides for a re-baselined train delivery schedule as well as for the cost and programme for undertaking various retrofitting and rectification issues required on the trains.

In all instances, the impact of construction delays and a judgement as to the potential outcome of ongoing issues are taken into account when the portfolio valuation is prepared.

Transfers from the Primary Investment portfolio

During the year, seven investments completed construction and transferred from the Primary Investment portfolio to the Secondary Investment portfolio as the underlying projects moved into the operational stage.

Cramlington Biomass, UK (44.7% interest)

This 28 MW Combined Heat and Power biomass plant in Cramlington, England, generates enough electricity to power 52,000 homes for a year. It is also expected to reduce greenhouse gas emissions by approximately 56,000 CO₂ equivalent tonnes annually, the equivalent of taking 25,000 cars off the road during its lifetime.

St Martin Wind Farm, France (100% interest)

Located in St-Martin-L'Ars, in Western France, this project comprises five Senvion MM92 turbines and has a total capacity of 10.25 MW. Operations commenced in June 2018 and the wind farm benefits from a 15 year feed-in-tariff arrangement.

Cypress Creek solar farms (100% interest)

The five US solar farms in which the Group invested in 2018 – Fox Creek, Brantley, IS54, IS67 and Buckleberry – all commenced operations in Q4 2018. The solar farms have a total capacity of 258.5 MW.

Investment realisations

During the year, three realisations were agreed and completed for gross proceeds of £296.1 million.

- Our remaining 15% investment in IEP (Phase 1) was sold to a third party in May 2018 for £232.0 million, in excess of the valuation at 31 December 2017;
- Our investment in Lambeth Social Housing was sold to JLIF in May 2018 for £9.5 million; and
- The sale of our investment in Manchester Waste TPS Co to an existing co-shareholder was agreed in November 2018 and completed in late December 2018 for proceeds of £54.6 million.

With regard to the sales of our investments in Lambeth Social Housing and Manchester Waste TPS Co, prices were in line with the most recent portfolio valuation.

| Realisations agreed | Shareholding | Purchaser | Total £ million |
|-------------------------|--------------|-------------|--------------------|
| IEP (Phase 1) | 15% | Third party | 232.0 |
| Lambeth Social Housing | 50% | JLIF | 9.5 |
| Manchester Waste TPS Co | 37.43% | Third party | 54.6 |
| Total | | | 296.1 |

During 2018, the Company also sold its investment in A mobil Services GmbH, a small joint venture services company associated with the A1 Germany road project, for proceeds of £0.1 million.

In late December 2018, we agreed the sales of both our 95.3% shareholding in the Rocksprings wind farm in Texas and our 92.5% shareholding in the Sterling wind farm in New Mexico. The sales are also subject to governmental and financing partner consents and are expected to complete in the first half of 2019.

External IMS

Our IMS also include advisory services provided by JLCM to JLEN and Jura under IAAs. JLCM has two separate dedicated fund management teams whose senior staff are authorised and regulated by the FCA.

As reported in the Chief Executive Officer's Review, the IAA between Jura and JLCM is due to terminate in mid-October 2019. Following that, one of the two First Offer Agreements between Jura and JLCM, which covers certain rail assets, will remain in place.

JLCM remains committed to the ongoing services provided to JLEN. The JLCM team provides management services to JLEN's portfolio as well as sources new investments for and arranges capital raisings by the fund. It operates behind information barriers in view of the market sensitive nature of its activities and to ensure the separation of "buy-side" and "sell-side" teams if John Laing is selling investments to the fund. The fund has a right of first offer over certain investments should they be offered for sale by the Group. The fund maintains an independent board of directors and is independently owned.

Fee income from external IMS grew from £16.7 million in 2017 to £18.2 million in 2018, but will reduce from mid-October 2019 onwards, together with certain related costs.

Project Management Services (PMS)

The Group's asset management teams also provide PMS, largely of a financial or administrative nature, to project companies in which John Laing, Jura or JLEN are investors. These services are provided under Management Services Agreements (MSAs).

The Group earned revenues of £6.0 million from the provision of PMS during 2018 (2017 – £6.1 million).

The Group's PMS activities are principally focused on MSAs relating to projects outside the UK. At 31 December 2018, the Group held 24 MSAs (31 December 2017 – 24 MSAs).



→ Investment realisations

£296.1 million

>> Making infrastructure happen in Asia Pacific. The Sydney Light Rail project will provide sustainable and reliable modern transport from the CBD to Sydney's South East.

ASIA PACIFIC

Sydney Light Rail

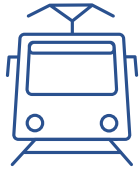
Sydney, Australia (32.5% interest)

12km of new light rail track from Circular Quay (near the Sydney Opera House) through the Central Business District (CBD), continuing to the south-eastern suburbs. The project is also delivering 60 new trams, two new maintenance facilities and will operate the existing Inner West Light Rail network.

With Greater Sydney forecast to grow from a city of 5 million to 8 million people over the next 40 years, the light rail project will deliver more public transport capacity and more reliable and efficient services. Each vehicle will carry up to 450 people, equivalent to nine standard buses, with a capacity of 13,500 passengers per hour.



>> This light rail project will deliver more public transport capacity and more reliable and efficient services.



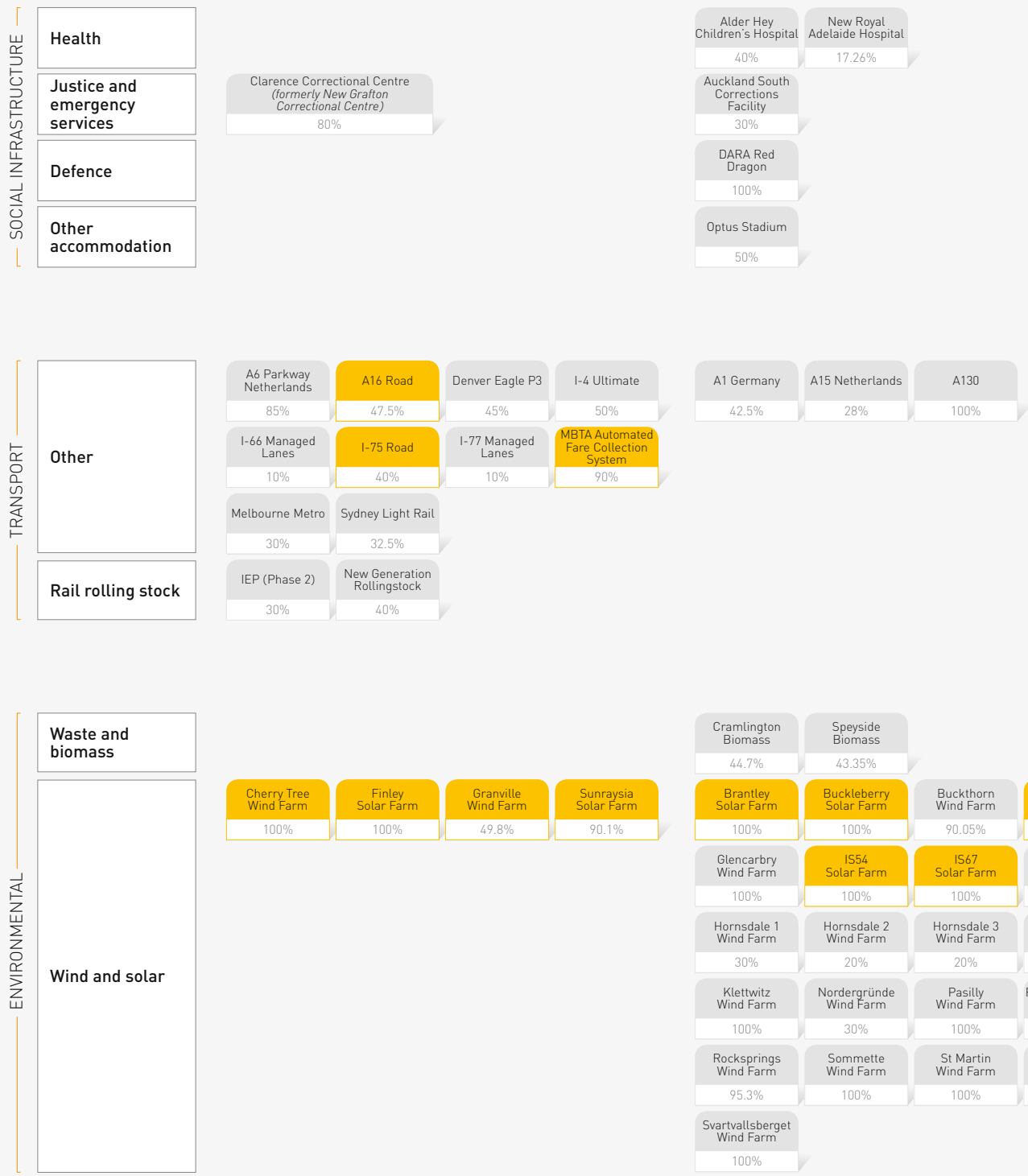
450

people carried per vehicle,
equivalent to nine standard buses



PORTFOLIO VALUATION

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2018



Investment commitment pre 2018
 New investment commitment in 2018

The portfolio valuation at 31 December 2018 was £1,560.2 million compared to £1,193.8 million at 31 December 2017. After adjusting for realisations, cash yield and cash invested, this represented a positive movement in fair value of £354.2 million (29.4%).

| | Investments in projects £ million | Listed investment £ million | Total £ million |
|------------------------------------------------|-----------------------------------------|-----------------------------------|--------------------|
| Portfolio valuation at 1 January 2018 | 1,183.5 | 10.3 | 1,193.8 |
| – Cash invested | 342.1 | – | 342.1 |
| – Cash yield | (33.2) | (0.6) | (33.8) |
| – Proceeds from realisations | (296.1) | – | (296.1) |
| Rebased valuation | 1,196.3 | 9.7 | 1,206.0 |
| – Movement in fair value | 354.0 | 0.2 | 354.2 |
| Portfolio valuation at 31 December 2018 | 1,550.3 | 9.9 | 1,560.2 |

Cash investment in respect of nine new renewable energy assets and two new PPP assets entered into during 2018 totalled £229.5 million. In addition, equity and loan note subscriptions of £112.6 million were injected into existing projects in the portfolio as they progressed through, or completed, construction.

During 2018, the Group completed the realisation of three investments for a total consideration of £296.1 million.

Cash yield from the investment portfolio during the year totalled £33.8 million.

The movement in fair value of £354.2 million is analysed in the table below.

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Unwinding of discounting | 98.0 | 80.0 |
| Reduction of construction risk premia | 42.8 | 53.6 |
| Value uplift on financial closes | 43.6 | 50.1 |
| Value enhancements and other changes | 130.1 | 15.1 |
| Impact of foreign exchange movements | 9.7 | (11.0) |
| Change in macroeconomic assumptions | (1.3) | 4.1 |
| Change in power and gas price forecasts | (12.1) | (54.8) |
| Change in operational benchmark discount rates | 43.4 | 23.6 |
| Movement in fair value | 354.2 | 160.7 |

The net movement in fair value comprised unwinding of discounting (£98.0 million), the reduction of construction risk premia (£42.8 million), the change in operational benchmark discount rates (£43.4 million), uplift on financial closes (£43.6 million), foreign exchange movements (£9.7 million) and a net movement from value enhancements and other changes (£130.1 million), offset by adverse movements from lower power and gas price forecasts (£12.1 million) and adverse movements in macroeconomic forecasts (£1.3 million). Foreign exchange movements are addressed further in the Financial Review section. The net benefit of £43.4 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 £115.0 million in value enhancements and other changes from 2017 to 2018. This was principally due to a large increase in value from the sale of IEP (Phase 1) (£86.6 million) and changes in assumptions for IEP (Phase 2) (£29.0 million).

PORTFOLIO VALUATION (CONTINUED)

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

| | 31 December 2018 | | 31 December 2017 | |
|--------------------------------|------------------|--------------|------------------|-------|
| | £ million | % | £ million | % |
| Primary Investment portfolio | 868.6 | 55.7 | 580.3 | 48.6 |
| Secondary Investment portfolio | 691.6 | 44.3 | 613.5 | 51.4 |
| Total portfolio | 1,560.2 | 100.0 | 1,193.8 | 100.0 |

The increase in the Primary Investment portfolio is due to cash investments in the year of £318.5 million and positive movement in fair value of £298.9 million, offset by investment realisations of £232.0 million, and transfers to the Secondary Investment portfolio of £97.1 million as certain projects became operational.

| | Primary Investment £ million |
|------------------------------------------------|---------------------------------|
| Portfolio valuation at 1 January 2018 | 580.3 |
| – Cash invested | 318.5 |
| – Cash yield | – |
| – Proceeds from realisations | (232.0) |
| – Transfers to Secondary Investment | (97.1) |
| Rebased valuation | 569.7 |
| – Movement in fair value | 298.9 |
| Portfolio valuation at 31 December 2018 | 868.6 |

The increase in the Secondary Investment portfolio is due to transfers from the Primary Investment portfolio of £97.1 million, positive movement in fair value of £55.3 million and a cash investment of £23.6 million, offset by investment realisations during the year of £64.1 million and cash yield of £33.8 million.

| | Secondary Investment £ million |
|------------------------------------------------|-----------------------------------|
| Portfolio valuation at 1 January 2018 | 613.5 |
| – Cash invested | 23.6 |
| – Cash yield | (33.8) |
| – Proceeds from realisations | (64.1) |
| – Transfers from Primary Investment | 97.1 |
| Rebased valuation | 636.3 |
| – Movement in fair value | 55.3 |
| Portfolio valuation at 31 December 2018 | 691.6 |

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, a risk premium is added to reflect the additional risk during the construction phase. The construction risk premium reduces 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 2018, 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 2018 in the jurisdictions in which the Group operates, including recent changes in the Netherlands and France. 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 2018 valuation, the overall weighted average discount rate was 8.6% compared to the weighted average discount rate at 31 December 2017 of 8.8%. 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 2018 was made up of 8.8% (31 December 2017 – 9.3%) for the Primary Investment portfolio and 8.1% (31 December 2017 – 7.9%) for the Secondary Investment portfolio.

The discount rate ranges used in the portfolio valuation at 31 December 2018 were as set out below:

| Sector | Primary Investment % | Secondary Investment % |
|------------------------------|-------------------------|---------------------------|
| PPP investments | 6.9% – 11.7% | 7.0% – 9.0% |
| Renewable energy investments | 8.4% – 9.1% | 6.8% – 10.0% |

The shareholding in JLEN was valued at its closing market price on 31 December 2018 of 105.00p per share (31 December 2017 – 109.25p 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 2018.

Macroeconomic assumptions

During 2018, changes in macroeconomic assumptions had a net negative impact of £1.3 million. 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 2018 resulted in net positive foreign exchange movements of £9.7 million (2017 – £11.0 million net adverse 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 2018, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£59.4 million.

At 31 December 2018, based on a sample of five of the larger PPP investments by value, a 0.25% increase in inflation is estimated to increase the value of PPP investments by c.£14 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investments by c.£13 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 forecast power and gas 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 2018, a net reduction in forecast power and gas prices resulted in a £12.1 million adverse fair value movement (2017 – adverse fair value movement of £54.8 million). At 31 December 2018, 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 £17.6 million and a 5% decrease in power price forecasts is estimated to decrease the value of renewable energy investments by £17.7 million.

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

| Assumption | | | 31 December 2018 | 31 December 2017 |
|---------------------|--------------|------------|----------------------|------------------|
| Long-term inflation | UK | RPI & RPIX | 3.00% | 2.75% |
| | Europe | CPI | 1.75% – 2.00% | 1.75% – 2.00% |
| | US | CPI | 2.20% – 2.50% | 2.25% – 2.50% |
| | Asia Pacific | CPI | 2.00% – 2.75% | 2.25% – 2.75% |
| Exchange rates | | GBP/EUR | 1.1134 | 1.1252 |
| | | GBP/AUD | 1.8096 | 1.7311 |
| | | GBP/USD | 1.2748 | 1.3527 |
| | | GBP/NZD | 1.9000 | 1.9055 |

Discount rate sensitivity

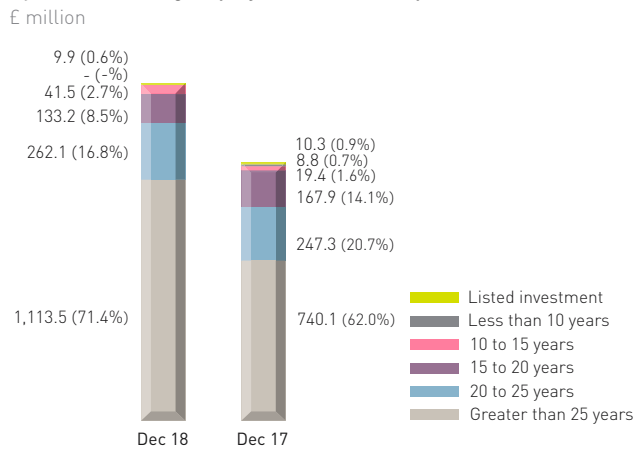
The weighted average discount rate applied at 31 December 2018 was 8.6% (31 December 2017 – 8.8%). The table below shows the sensitivity of a 0.25% change in this rate.

| Discount rate sensitivity | Portfolio valuation £ million | Increase/(decrease) in valuation £ million |
|---------------------------|----------------------------------|-----------------------------------------------|
| +0.25% | 1,525.1 | (35.1) |
| – | 1,560.2 | – |
| -0.25% | 1,597.2 | 37.0 |

PORTFOLIO VALUATION (CONTINUED)

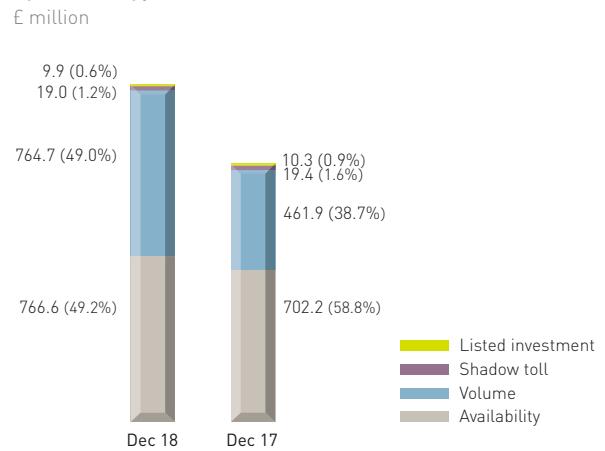
Further analysis of the portfolio valuation is shown in the following tables:

By time remaining on project concession/operational life



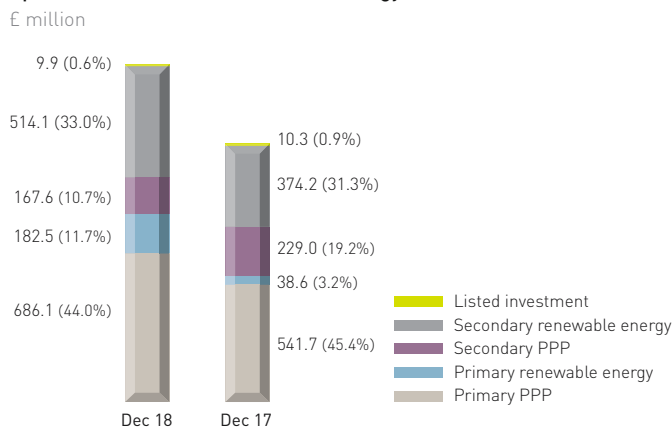
PPP projects are based on long-term concessions and renewable energy assets have long-term useful economic lives. As demonstrated in the table above, 71.4% of the portfolio by value had a greater than 25-year unexpired concession term or useful economic life remaining at 31 December 2018, compared to 62.0% at 31 December 2017.

By revenue type



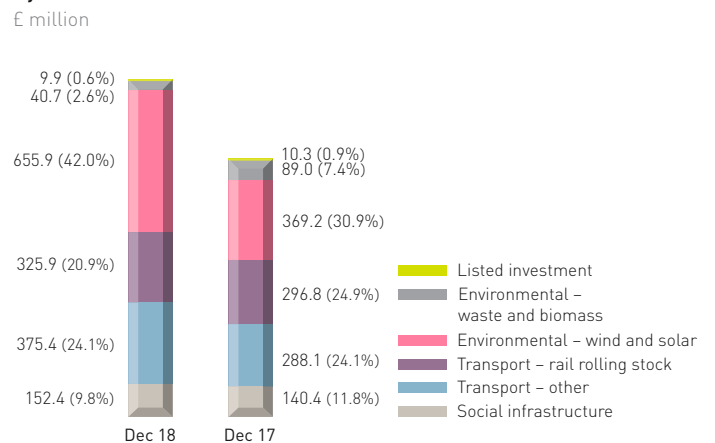
Availability-based investments made up 49.2% of the portfolio value at 31 December 2018. Renewable energy investments comprised the majority of the volume-based investments. The investment in JLEN, which holds investments in PPP and renewable energy projects, is shown separately.

Split between PPP and renewable energy



Primary PPP investments made up the largest part of the portfolio, representing 44.0% of the portfolio value at 31 December 2018, with Secondary renewable energy investments representing a further 33.0%.

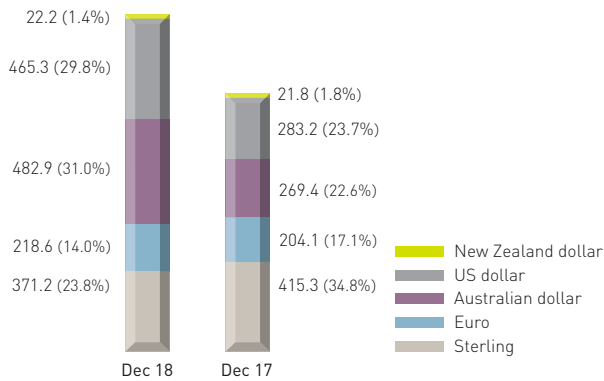
By sector



Wind and solar farm investments represented 42.0% of the portfolio value at 31 December 2018, with other transport investments (excluding rail rolling stock) accounting for a further 24.1%. Rail rolling stock investments made up 20.9% of the portfolio by value, while social infrastructure investments and waste and biomass investments made up 9.8% and 2.6% respectively. The portfolio underlying the JLEN shareholding consists of investments in a mix of renewable energy and environmental projects.

By currency

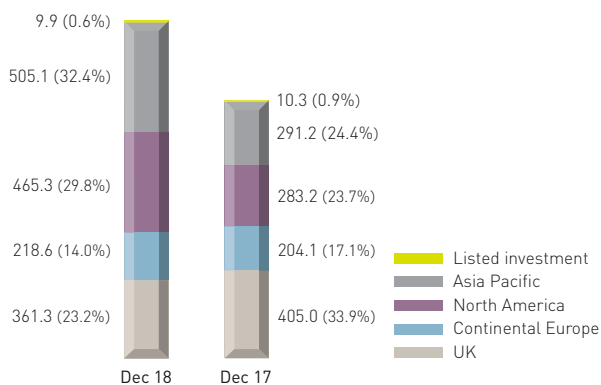
£ million



The percentage of investments denominated in foreign currencies increased from 65.2% to 76.2%. This is consistent with our pipeline and the overseas jurisdictions we target.

By geographical region

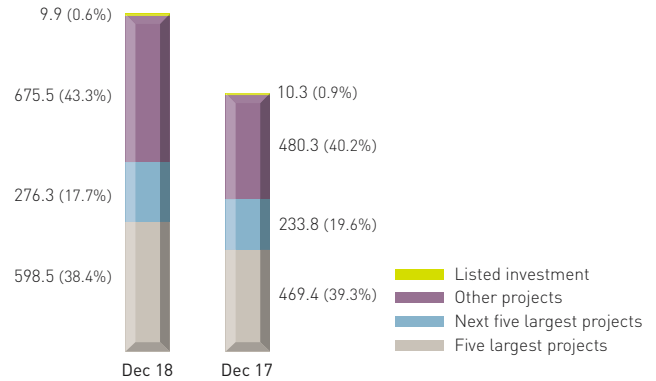
£ million



Investments in the UK decreased to 23.2% of the portfolio value at 31 December 2018. Asia Pacific was the largest category at 32.4%. Investments in projects located in North America made up 29.8% and investments in Continental Europe made up 14.0%. 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 38.4% of the portfolio at 31 December 2018, a decline from 39.3% at 31 December 2017. The next five largest investments made up a further 17.7%.

The valuation ranges for the five largest Primary Investments and the five largest Secondary Investments are shown in the tables below:

Primary

| | 31 December 2018 £ million |
|----------------------|-------------------------------|
| IEP (Phase 2) | More than 275 |
| Denver Eagle P3 | 75 – 100 |
| Sunraysia Solar Farm | 50 – 75 |
| Finley Solar Farm | 50 – 75 |
| Sydney Light Rail | 50 – 75 |

Secondary

| | 31 December 2018 £ million |
|-----------------------------|-------------------------------|
| Rocksprings Wind Farm | 75 – 100 |
| Buckthorn Wind Farm | 50 – 75 |
| New Royal Adelaide Hospital | 50 – 75 |
| Klettwitz Wind Farm | 25 – 50 |
| Kiata Wind Farm | 25 – 50 |

At 31 December 2018, the Group's largest investment was its shareholding in IEP (Phase 2). Nine out of its ten largest investments were outside the UK.

FINANCIAL REVIEW



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.

| Year ended 31 December | 2018 | | | 2017 ^d |
|---------------------------------------------------------------------|-------------------------------------------|--------------------------|--------------------------------------------------|--------------------------------------------------|
| | Group Income Statement £ million | Adjustments £ million | Re-presented income statement £ million | Re-presented income statement £ million |
| Fair value movements – investment portfolio | 354.2 | – | 354.2 | 160.7 |
| Fair value movements – other | 3.6 | (1.7) ^a | 1.9 | (2.1) |
| Investment fees from projects | 8.7 | – | 8.7 | 7.1 |
| Net gain on investments at fair value through profit or loss | 366.5 | (1.7) | 364.8 | 165.7 |
| IMS revenue | 20.0 | – | 20.0 | 19.0 |
| PMS revenue | 6.0 | – | 6.0 | 6.1 |
| Recovery of bid costs | 4.0 | – | 4.0 | 3.7 |
| Other income | 0.9 | (0.6) ^b | 0.3 | – |
| Other income | 30.9 | (0.6) | 30.3 | 28.8 |
| Operating income | 397.4 | (2.3) | 395.1 | 194.5 |
| Third party costs | (8.7) | – | (8.7) | (8.6) |
| Disposal costs | (4.6) | 0.6 ^b | (4.0) | (2.7) |
| Staff costs | (36.6) | – | (36.6) | (33.9) |
| General overheads | (12.7) | – | (12.7) | (12.7) |
| Other net costs | (1.4) | – | (1.4) | 2.1 |
| Post-retirement charges | (1.6) | 1.6 ^c | – | – |
| Administrative expenses | (65.6) | 2.2 | (63.4) | (55.8) |
| GMP equalisation charge | (21.3) | 21.3 ^c | – | – |
| Profit from operations | 310.5 | 21.2 | 331.7 | 138.7 |
| Finance costs | (13.9) | 2.8 ^{a,c} | (11.1) | (10.1) |
| Post-retirement charges | – | (24.0) ^c | (24.0) | (2.6) |
| Profit before tax | 296.6 | – | 296.6 | 126.0 |

Notes:

- a) Adjustment comprises £1.7 million of interest income reclassified from 'fair value movements – other' to 'finance costs'.
- b) Adjustment comprises £0.6 million of other income reclassified from 'other income' to 'disposal costs'.
- c) Under IAS 19 Employee Benefits, the costs of the pension schemes, including the post-retirement medical benefits, comprise a service cost of £1.6 million, included in administrative expenses in the Group Income Statement, and a finance charge of £1.1 million, included in finance costs in the Group Income Statement. These amounts are combined together as post-retirement charges under management reporting. The cost for 2018 also includes a one-off GMP equalisation charge of £21.3 million.
- d) For a reconciliation between the Group Income Statement and re-presented income statement for the year ended 31 December 2017, refer to the 2017 Annual Report and Accounts.

FINANCIAL REVIEW (CONTINUED)

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

| | Primary Investment | | Secondary Investment | | Asset Management | | Total | |
|--------------------------------------------------|--------------------|-------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Profit before tax for reportable segments | 276.3 | 150.8 | 44.2 | (28.1) | (0.2) | 1.5 | 320.3 | 124.2 |
| Post-retirement charges | | | | | | | (24.0) | (2.6) |
| Other net gain | | | | | | | 0.3 | 4.4 |
| Profit before tax | | | | | | | 296.6 | 126.0 |

Profit before tax for the year ended 31 December 2018 was £296.6 million (2017 – £126.0 million). The increase from 2017 was principally due to:

- the gain on disposal of the interest in IEP (Phase 1) and a consequential impact on the valuation of the Group's investment in IEP (Phase 2); and
- a more favourable impact from power price forecasts and foreign exchange movements, offset by a one-off GMP equalisation charge.

The main profit contributor in 2018 was the Primary Investment division principally due to the value uplift on the investments in IEP (Phase 1) and IEP (Phase 2). The higher contribution in 2018 from the Secondary Investment division was primarily due to the reduction in value of the two Manchester Waste investments of £25.5 million in 2017, together with a less adverse impact from changes in power and gas price forecasts in 2018.

The movement in fair value on the portfolio for the year ended 31 December 2018, after adjusting for investments, cash yield and realisations, was a £354.2 million gain (2017 – £160.7 million gain).

The higher value uplift is primarily due to the gain on disposal of the interest in IEP (Phase 1), the consequential impact on IEP (Phase 2) and the more favourable impact from power price forecasts and foreign exchange movements, as mentioned above. For further details of the movement in fair value on the portfolio, see the Portfolio Valuation section.

Other fair value movements for the year ended 31 December 2018 comprised a £1.9 million gain, which included tax income of £2.6 million in the recourse entities held at FVTPL (for further details see the paragraph below on tax in this section of the Financial Review).

The Group earned IMS revenue of £20.0 million (2017 – £19.0 million) principally from investment advisory and asset management services primarily to the external funds, Jura and JLEN, with the small increase from last year due to higher external Assets under Management. Of the total IMS revenue, £18.2 million (2017 – £16.7 million) related to investment advisory services to the external funds.

The Group also earned PMS revenue of £6.0 million (2017 – £6.1 million).

The Group recovered bidding costs of £4.0 million in 2018 (2017 – £3.7 million).

Staff costs by operating division are shown below:

| | Primary Investment | | Asset Management | | Central | | Total | |
|-------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Staff costs | 10.0 | 10.2 | 16.2 | 13.9 | 10.4 | 9.8 | 36.6 | 33.9 |

Included within Asset Management staff costs are costs relating to:

| | Investment Management Services | | Project Management Services | | Total Asset Management | |
|-------------|--------------------------------|-------------------|-----------------------------|-------------------|------------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Staff costs | 11.5 | 10.0 | 4.7 | 3.9 | 16.2 | 13.9 |

Higher total staff costs are due to pay increases in line with inflation as well as an increase in the average number of staff, consistent with the growth of the business.

Finance costs of £11.1 million in 2018 (2017 – £10.1 million) include costs arising on the corporate banking facilities net of any interest income, with the increase from last year primarily due to the write off in 2018 of £2.1 million of unamortised upfront fees relating to the previous corporate banking facilities.

The Group's tax charge for the year ended 31 December 2018 of £0.3 million (2017 – £1.5 million credit) is shown in the 'Tax (charge)/credit' line of the Group Income Statement and reconciled in note 12 to the Group financial statements. An additional £2.6 million credit (2017 – £4.7 million credit) is included within the 'net gain on investments at fair value through profit or loss' line in the Group Income Statement. This additional credit is primarily in relation to consortium relief received from project companies.

The contributions made to the John Laing Pension Fund (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 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 holding companies. There are no tax losses in the Company but there are tax losses in recourse group subsidiary entities that are held at FVTPL.

In January 2018, the Group initiated an internal reorganisation under which the Primary Investment and Asset Management teams in each of the three core geographical regions now report to a single regional head. The principal objective behind this revised structure was to enable the Group to focus more effectively on value creation in each region. Accordingly, certain regional performance targets for 2018 were set, principally in relation to the investment portfolio in each region, including fair value movements thereon.

The fair value movements on the investment portfolio by geographical region are shown in the table below:

| | Europe | | North America | | Asia Pacific | | Listed investment | | Total | |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Fair value movements – investment portfolio | 187.2 | 78.4 | 84.7 | 44.1 | 82.1 | 37.3 | 0.2 | 0.9 | 354.2 | 160.7 |

An analysis of the total fair value movement of £354.2 million is provided in the Portfolio Valuation section. The higher fair value movement in Europe is primarily due to the gain on disposal of the interest in IEP (Phase 1) referred to earlier. The increase in the fair value movements in North America and Asia Pacific from the previous year is principally due to new investments in 2018 and higher value enhancements.

FINANCIAL REVIEW (CONTINUED)

Re-presented balance sheet

The re-presented balance sheet is reconciled to the Group Balance Sheet at 31 December 2018 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 £140.3 million (31 December 2017 – £152.6 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 | 2018 | | | 2017 ^f | Re-presented balance sheet line items |
|--------------------------------|----------------------------------|--------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|
| | Group Balance Sheet £ million | Adjustments £ million | Re-presented balance sheet £ million | Re-presented balance sheet £ million | |
| Non-current assets | | | | | |
| Plant and equipment | 0.1 | – | 0.1 | 2.1 | Other long-term assets |
| Investments at FVTPL | 1,700.5 | (140.3) ^a | 1,560.2 | 1,193.8 | Portfolio value |
| | – | 131.7 ^b | 131.7 | 133.1 | Cash collateral balances |
| | – | 0.1 ^b | 0.1 | 0.3 | Non-portfolio investments |
| | 1,700.6 | (8.5) | 1,692.1 | 1,329.3 | |
| Current assets | | | | | |
| Trade and other receivables | 7.9 | (7.9) ^c | – | – | |
| Cash and cash equivalents | 5.7 | 2.2 ^b | 7.9 | 14.6 | Cash and cash equivalents |
| | 13.6 | (5.7) | 7.9 | 14.6 | |
| Total assets | 1,714.2 | (14.2) | 1,700.0 | 1,343.9 | |
| Current liabilities | | | | | |
| | – | (3.9) ^{b,c,d} | (3.9) | (3.7) | Working capital and other balances |
| Current tax liabilities | (0.4) | 0.4 ^c | – | – | |
| Borrowings | (65.7) | (3.8) ^d | (69.5) | (176.0) | Cash borrowings |
| Trade and other payables | (20.0) | 20.0 ^c | – | – | |
| | (86.1) | 12.7 | (73.4) | (179.7) | |
| Net current liabilities | (72.5) | 7.0 | (65.5) | (165.1) | |
| Non-current liabilities | | | | | |
| Retirement benefit obligations | (40.1) | 7.5 ^e | (32.6) | (32.3) | Pension deficit (IAS 19) |
| | – | (7.5) ^e | (7.5) | (8.0) | Other retirement benefit obligations |
| Provisions | (1.5) | 1.5 ^c | – | – | |
| | (41.6) | 1.5 | (40.1) | (40.3) | |
| Total liabilities | (127.7) | 14.2 | (113.5) | (220.0) | |
| Net assets | 1,586.5 | – | 1,586.5 | 1,123.9 | |

Notes:

- Investments at FVTPL of £1,700.5 million comprise: portfolio valuation of £1,560.2 million and other assets and liabilities within recourse investment entity subsidiaries of £140.3 million (see note 13 to the Group financial statements).
- Other assets and liabilities within recourse investment entity subsidiaries of £140.3 million referred to in note (a) include: (i) cash and cash equivalents of £133.9 million, of which £131.7 million is held to collateralise future investment commitments and £2.2 million is other cash balances, (ii) net positive working capital and other balances of £6.3 million and (iii) non-portfolio investments of £0.1 million.
- Trade and other receivables (£7.9 million), current tax liabilities (£0.4 million), trade and other payables (£20.0 million) and provisions (£1.5 million) are combined in the re-presented balance sheet as working capital and other balances.
- Borrowings of £65.7 million comprise cash borrowings of £55.0 million from the main facilities and £14.5 million of short-term bank overdraft from uncommitted facilities less unamortised financing costs of £3.8 million, which are re-presented as working capital and other balances.
- Total retirement benefit obligations are shown in their separate components as in note 20 to the Group financial statements.
- For a reconciliation between the Group Balance Sheet and re-presented balance sheet as at 31 December 2017, refer to the 2017 Annual Report and Accounts.

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

| | Primary Investment | | Secondary Investment | | Asset Management | | Total | |
|------------------------------------------|--------------------|-------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Portfolio valuation | 868.6 | 580.3 | 691.6 | 613.5 | – | – | 1,560.2 | 1,193.8 |
| Other net current liabilities | | | | | | | (3.7) | (1.3) |
| Group cash/(net borrowings) ¹ | | | | | | | 70.1 | (28.3) |
| Retirement benefit obligations | | | | | | | (40.1) | (40.3) |
| Group net assets | | | | | | | 1,586.5 | 1,123.9 |

1. Comprising: cash balances of £139.6 million (31 December 2017 – £147.7 million), of which £131.7 million was held to collateralise future investment commitments (31 December 2017 – £133.1 million), net of short-term bank overdraft of £14.5 million (31 December 2017 – £nil) and short-term cash borrowings of £55.0 million (31 December 2017 – £176.0 million).

The portfolio valuation by geographical region is shown in the table below.

| | Europe | | North America | | Asia Pacific | | Listed investment | | Total | |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million | 2018 £ million | 2017 £ million |
| Portfolio valuation | 579.9 | 609.1 | 465.3 | 283.2 | 505.1 | 291.2 | 9.9 | 10.3 | 1,560.2 | 1,193.8 |

Net assets increased from £1,123.9 million at 31 December 2017 to £1,586.5 million at 31 December 2018.

The Group's portfolio of investments in project companies and listed investments was valued at £1,560.2 million at 31 December 2018 (31 December 2017 – £1,193.8 million). The valuation methodology and details of the portfolio value are provided in the Portfolio Valuation section.

The Group held cash balances of £139.6 million at 31 December 2018 (31 December 2017 – £147.7 million) of which £131.7 million (31 December 2017 – £133.1 million) was held to collateralise future investment commitments (see the Financial Resources section below for more details). Of the total Group cash balances of £139.6 million, £133.9 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 £5.7 million of cash 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).

The Group operates two defined benefit schemes in the UK – JLPF and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual.

In December 2016, following a triennial actuarial review of 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 £171.0 million at 31 March 2016 as set out below. The discount rate used for the actuarial deficit is lower than the IAS 19 discount rate (see below).

| 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 combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2018 was £40.1 million (31 December 2017 – £40.3 million). Under IAS 19, at 31 December 2018, JLPF had a deficit of £34.5 million (31 December 2017 – £35.2 million) whilst the Plan had a surplus of £1.9 million (31 December 2017 – £2.9 million). The liability at 31 December 2018 under the post-retirement medical scheme was £7.5 million (31 December 2017 – £8.0 million).

The pension deficit in JLPF under IAS 19 is based on a discount rate applied to pension liabilities of 2.85% (31 December 2017 – 2.50%) and long-term RPI of 3.20% (31 December 2017 – 3.10%). 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) is broadly unchanged since 31 December 2017 with the benefit of the Group's cash contribution to JLPF of £26.5 million in March 2018 being offset by the GMP equalisation charge of £21.3 million.

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 13 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.

FINANCIAL REVIEW (CONTINUED)

| Year ended 31 December | 2018 Re-presented cash flows £ million | 2017 Re-presented cash flows £ million |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Cash yield | 34.1 | 40.9 |
| Operating cash flow | (9.9) | (12.9) |
| Net foreign exchange impact | (1.1) | (1.3) |
| Total operating cash flow | 23.1 | 26.7 |
| Cash investment in projects | (342.1) | (209.9) |
| Proceeds from realisations | 296.1 | 287.1 |
| Disposal costs | (5.2) | (4.4) |
| Cash received from acquisition of Manchester Waste VL Co by the Greater Manchester Waste Disposal Authority (GMWDA) | - | 23.5 |
| Net investing cash (outflow)/inflow | (51.2) | 96.3 |
| Finance charges | (13.4) | (8.3) |
| Rights issue (net of costs) | 210.5 | - |
| Cash contributions to JLPPF | (26.6) | (24.7) |
| Dividend payments | (44.0) | (30.1) |
| Net cash inflow/(outflow) from financing activities | 126.5 | (63.1) |
| Recourse group cash inflow | 98.4 | 59.9 |
| Recourse group opening (net debt)/cash balances | (28.3) | (88.2) |
| Recourse group closing cash/(net debt) balances | 70.1 | (28.3) |
| Reconciliation to line items on re-presented balance sheet | | |
| Cash collateral balances ¹ | 131.7 | 133.1 |
| Cash and cash equivalents ¹ | 7.9 | 14.6 |
| Total net cash balances | 139.6 | 147.7 |
| Cash borrowings | (69.5) | (176.0) |
| Cash/(net debt) | 70.1 | (28.3) |
| Reconciliation of cash borrowings to Group Balance Sheet | | |
| Cash borrowings as per re-presented balance sheet | (69.5) | (176.0) |
| Unamortised financing costs | 3.8 | 2.8 |
| Borrowings as per Group Balance Sheet | (65.7) | (173.2) |

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

Cash yield comprised £33.8 million (2017 – £40.2 million) from the investment portfolio (see the Portfolio Valuation section for further details) and £0.3 million (2017 – £0.7 million) from non-portfolio investments.

Re-presented operating cash outflow in the year ended 31 December 2018 of £9.9 million was lower than the outflow in 2017 principally due to lower bid costs net of recoveries, higher cash inflow from asset management services and higher investment fees from projects.

Total re-presented operating cash flow in the year ended 31 December 2018 was lower than in 2017 primarily due to lower cash yield from the investment portfolio offset by lower net operating cash outflow as described above.

In the year, in addition to the payment of the PPF levy of £0.1 million (2017 – £0.2 million), the Group made a cash contribution to JLPPF of £26.5 million (2017 – £24.5 million).

During the year, cash of £342.1 million (2017 – £209.9 million) was invested in project companies. In the same period, investments in three projects were realised for total proceeds of £296.1 million (2017 – £289.0 million from the realisation of eight investments of which £1.9 million was deferred consideration, which was received in January 2019). The proceeds received in 2017 were in addition to the cash received on the acquisition of the Group's shareholding in Manchester Waste VL Co by the GMWDA of £23.5 million.

Finance charges paid were higher in 2018 due to refinancing fees on the new facilities, as well as an increase in fees from larger facilities.

Dividend payments of £44.0 million in the year ended 31 December 2018 comprised the final dividend for 2017 of £35.2 million and the interim dividend for 2018 of £8.8 million (2017 – total dividend of £30.1 million comprising the final dividend for 2016 of £23.1 million and the interim dividend for 2017 of £7.0 million).

Financial resources

At 31 December 2018, the Group had principal committed revolving credit banking facilities of £650 million (31 December 2017 – £525 million), £500 million expiring in July 2023 and £150 million expiring in January 2020 (since extended to January 2021), which are primarily used to back investment commitments. Net available financial resources at 31 December 2018 were £413.4 million (31 December 2017 – £153.1 million).

Analysis of Group financial resources

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Total committed facilities | 650.0 | 525.0 |
| Letters of credit issued under corporate banking facilities (see below) | (139.0) | (152.3) |
| Letters of credit issued under surety facilities (see below) | (24.9) | (50.0) |
| Other guarantees and commitments | (10.4) | (7.5) |
| Short-term cash borrowings | (55.0) | (176.0) |
| Bank overdraft (uncommitted) | (14.5) | - |
| Utilisation of facilities | (243.8) | (385.8) |
| Headroom | 406.2 | 139.2 |
| Cash and bank deposits ¹ | 7.9 | 14.6 |
| Less unavailable cash | (0.7) | (0.7) |
| Net available financial resources | 413.4 | 153.1 |

¹ Cash and bank deposits exclude cash collateral balances. Of the total cash and bank deposit balances of £7.9 million, £5.7 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 £2.2 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 £139.0 million (31 December 2017 – £152.3 million) and under additional uncommitted surety facilities of £24.9 million (31 December 2017 – £50.0 million), together with cash collateral, represent future cash investment by the Group into underlying projects in the Primary Investment portfolio.

| | 31 December 2018 £ million | 31 December 2017 £ million |
|---------------------------------------------|-------------------------------|-------------------------------|
| Letters of credit issued | 163.9 | 202.3 |
| Cash collateral | 131.7 | 133.1 |
| Future cash investment into projects | 295.6 | 335.4 |

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 |
|------------------------------|--------------------------------------|----------------------------------|
| Clarence Correctional Centre | 64.5 | Jan 2019 – Jun 2019 |
| Melbourne Metro | 41.8 | Oct 2019 – Dec 2019 |
| Granville Wind Farm | 42.2 | Dec 2019 |
| I-75 Road | 15.4 | Dec 2022 – Dec 2023 |
| Total | 163.9 | |

The table below shows the cash collateral balance at 31 December 2018 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 | 9.7 | Jan 2019 – May 2019 |
| I-66 Managed Lanes | 122.0 | May 2020 – Nov 2022 |
| Total | 131.7 | |

Cash collateral is included within 'investments at fair value through profit or loss' in 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 2018, there was a net favourable fair value movement of £9.7 million in the portfolio valuation. Sterling strengthened against the Australian dollar between 31 December 2017 and 31 December 2018, but weakened against the Euro and the US and New Zealand dollars.

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 £2.0 million from foreign exchange movements outside the portfolio.

Letters of credit in issue at 31 December 2018 of £163.9 million (31 December 2017 – £202.3 million) are analysed by currency as follows:

| Letters of credit by currency | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------|-------------------------------|-------------------------------|
| Sterling | – | 72.7 |
| US dollar | 15.4 | 9.5 |
| Australian dollar | 148.5 | 120.1 |
| | 163.9 | 202.3 |

Cash collateral at 31 December 2018 of £131.7 million (31 December 2017 – £133.1 million) is analysed by currency as follows:

| Cash collateral by currency | 31 December 2018 £ million | 31 December 2017 £ million |
|-----------------------------|-------------------------------|-------------------------------|
| US dollar | 131.7 | 133.1 |
| | 131.7 | 133.1 |

Going concern

The Group has committed corporate banking facilities until July 2023 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 2018.

Patrick O'D Bourke
GROUP FINANCE DIRECTOR

VIABILITY STATEMENT

In accordance with the 2016 Code, the Directors have assessed the viability of the Group over the three year period to 31 December 2021, taking into account the Group's current position and the principal risks set out on pages 41 to 46. 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 Group's future prospects are addressed in the Chief Executive Officer's review on pages 6 to 11.

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; in July 2018, the Group entered into new £650 million corporate banking facilities, £500 million of which matures in July 2023;
- 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 2018.

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 2018 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's objectives are, inter alia, 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 and chaired by the Chief Risk Officer, assists the Board, Audit & Risk Committee and Executive Committee in formulating and enforcing the Group's risk management policy. The Head of Internal Audit attends each meeting of the Management Risk Committee, which 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 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 two strategic objectives are:






Growth in primary investment volumes (new investment capital committed to greenfield infrastructure projects) over the medium term.




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 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 1. Governmental policy | | | |
| <p>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.</p> <p>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.</p> <p>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.</p> <p>Changes to legislation or public policy relating to renewable energy could negatively impact the economic returns on the Group's existing or future potential investments in renewable energy projects, which would adversely affect the demand for and attractiveness of such projects.</p> <p>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.</p> <p>The UK's withdrawal from the European Union may take place in a manner which affects: (i) the valuation of the Group's investments (ii) its ability to make future investments and/or divestments.</p> |   | <p>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. The Group seeks to limit its exposure to any single governmental or public sector body.</p> <p>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.</p> <p>PPP projects are normally structured so as to provide significant contractual protection for equity investors (see also Counterparty risk).</p> <p>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.</p> <p>Through its track record of more than 140 investment commitments, the Group has developed significant expertise in compliance with public tender regulations.</p> <p>The Group believes its business model is robust and able to weather potential short-term disruption as a result of the UK's withdrawal from the European Union from, for example, (i) changes in the value of Sterling, (ii) changes in financial markets and/or other macroeconomic factors (see also Counterparty risk and Personnel sections).</p> | <p>→ No change</p> |
| 2. Macroeconomic factors | | | |
| <p>To the extent such factors are not hedged, changes in inflation and interest rates and foreign exchange all potentially impact the return generated from an investment and its valuation.</p> <p>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 and, as a result, the valuation of such investments.</p> <p>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.</p> |  | <p>Factors which have the potential to adversely impact the underlying cash flows of an investment, and hence its valuation, may be hedged at a project level. In addition, unhedged exposures and associated sensitivities are considered during the investment appraisal process. In particular, prior to investment, renewable energy projects are assessed for their sensitivity to a number of variables, including future power prices.</p> <p>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.</p> <p>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.</p> <p>The Group monitors closely the level of its investments in 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.</p> | <p>→ No change</p> |
| 3. Liquidity in the secondary market | | | |
| <p>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.</p> <p>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.</p> |  | <p>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.</p> <p>Over recent years, the secondary markets for both PPP and renewable energy investments have grown substantially as operational infrastructure has matured as an asset class. The Group has developed strong relationships with many secondary investors in each of its markets. The Group has recently agreed its first disposals of renewable energy investments in the US.</p> | <p>→ No change</p> |






| Risk | Link to strategic objectives above | Mitigation | Change in risk since 31 December 2017 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 4. Financial resources | | | |
| <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> |  | <p>The Group has corporate banking facilities totalling £500 million which mature in July 2023 as well as additional facilities (£150 million) committed until January 2021. 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.</p> <p>In March 2018, the Group undertook the Rights Issue, raising £210.5 million net of costs.</p> <p>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 projects in which the Group has invested are due for refinancing in due course. Auckland South Corrections Facility was successfully refinanced in late 2017 and another project, Optus Stadium, was refinanced in 2018.</p> <p>Prior to financial close, all proposed investments are scrutinised by the Investment Committee. This scrutiny includes a review of sensitivities of investment returns and financial ratios to adverse performance 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.</p> | <p>↓ Decreased</p> |
| 5. Pensions | | | |
| <p>The amount of the surplus/deficit on 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 surplus/deficit reported in the Group Balance Sheet, and gains/losses recorded in the Group Statement of Comprehensive Income.</p> |  | <p>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. As at 31 December 2018, hedging in place amounted to 95% of JLPF's assets in respect of both interest rates and inflation.</p> <p>The next actuarial valuation of JLPF is due as at 31 March 2019.</p> | <p>→ No change</p> |
| 6. Future investment activity | | | |
| <p>The Group operates in competitive markets and may not be able to compete effectively or profitably.</p> <p>The Group's investment pipeline is not a guarantee of actual bidding activity or future investments.</p> <p>The Group's historical win rate for PPP projects may decline and is an uncertain indicator of new investments by the Group.</p> |  | <p>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.</p> <p>Both the PPP and the renewable energy pipelines are diversified by geography and number of and type of project.</p> | <p>→ No change</p> |

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

| Risk | Link to strategic objectives above | Mitigation | Change in risk since 31 December 2017 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 7. Valuation | | | |
| <p>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.</p> |  | <p>The discount rates used to value investments are derived from publicly available market data and other market evidence and are updated regularly.</p> | <p>→ No change</p> |
| <p>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.</p> | | <p>The Group has a good track record of realising investments at prices consistent with the fair values at which they are held.</p> <p>A substantial portion of the Group's investments are in projects which are 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 sensitivities thereto in detail prior to any investment commitment.</p> | |
| <p>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, price differentials and other 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.</p> | | <p>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 offtake arrangements, including power purchase agreements, are entered into to mitigate the impact of changes in future energy prices.</p> | |
| <p>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.</p> | | <p>The Group typically hedges cash flows arising from investment realisations or significant distributions in currencies other than Sterling.</p> | |
| <p>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).</p> | | <p>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.</p> | |
| <p>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.</p> | | <p>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 project 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.</p> | |
| <p>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 resulting in the impairment or loss of the Group's investment.</p> | | <p>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 Group seeks to limit its exposure to any single sub-contractor.</p> | |
| <p>A significant portion of the Group's portfolio valuation is, and may in the future be, in a small number of investments, and changes to the value of these investments could materially affect the Group's financial position and results of operations.</p> | | <p>The terms of the sub-contracts into which project companies enter provide some protections for investment returns from the poor performance of third parties.</p> | |
| <p>A project company or a service provider to a project company may fail to manage contracts efficiently or effectively.</p> | | <p>The ability to replace defaulting third parties is supported by security packages to protect against price movement on re-tendering.</p> | |
| | | <p>If long stop dates are exceeded, the Group has significant experience as an active manager in protecting the value of its investments by working with all parties to a project to agree revised timetables and/or other restructuring arrangements.</p> | |
| | | <p>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 24% at 31 December 2018.</p> | |
| | | <p>The performance of project companies and service providers to project companies is regularly monitored by the Asset Management team in each geographical region.</p> | |

| Risk | Link to strategic objectives above | Mitigation | Change in risk since 31 December 2017 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 8. Counterparty risk | | | |
| <p>The Group is exposed to counterparty credit risk with regards to (i) governmental entities, sub-contractors, offtakers, lenders and suppliers at a project level and (ii) consortium partners, financial institutions and suppliers at a Group level.</p> <p>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.</p> <p>In overseas jurisdictions, the Group's investments backed by governmental entities may ultimately be subject to sovereign risk.</p> <p>Worsening of general economic conditions in any of the markets in which the Group operates could create heightened counterparty risk.</p> |  | <p>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.</p> <p>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.</p> <p>PPP projects are normally supported by central and/or local public sector covenants, which significantly reduce the Group's risk. Risk is further reduced by the increasing geographical spread of the Group's investments.</p> <p>The performance of service providers to project companies is regularly monitored by the Asset Management team in each geographical region.</p> <p>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.</p> <p>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.</p> | <p>→ No change</p> |
| 9. Major incident | | | |
| <p>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.</p> <p>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.</p> <p>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.</p> |  | <p>At financial close, projects benefit from comprehensive insurance arrangements, either directly or through contractors' insurance policies.</p> <p>Business continuity plans at project level are tested at frequent/regular intervals. Business continuity procedures are also regularly updated in order to maintain their relevance.</p> <p>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. John Laing believes that proper attention to the health and safety of its employees, sub-contractors and the community within which the Group operates is a key element of effective business management and essential to its reputation.</p> <p>The projects in which the Group invests each have their own health and safety policies and business continuity plans.</p> <p>The Group's IT requirements are outsourced to a third party. Following a re-tender process, a new provider was appointed in May 2018.</p> <p>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.</p> | <p>→ No change</p> |

PRINCIPAL RISKS AND RISK MANAGEMENT (CONTINUED)

| Risk | Link to strategic objectives above | Mitigation | Change in risk since 31 December 2017 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| 10. Investment Advisory Agreement (IAA) with JLEN and JLIF | | | |
| <p>A loss of JLCM's IAA with JLEN would be detrimental to the Group's Asset Management activities.</p> <p>In August, the Board of JLIF recommended a cash offer for its entire issued share capital from a consortium comprising funds managed by Dalmore Capital Limited and Equitix Investment Management Limited. The offer completed in October 2018 and shortly afterwards the acquiring consortium gave 12 months' notice to terminate the IAA between JLIF (since renamed Jura) and JLCM.</p> | N/A | <p>Through JLCM, and supported by other parts of the Group, the Group focuses on delivering a high quality service to both funds.</p> <p>We are committed to our IAA with JLEN.</p> <p>While it is disappointing to lose the net fee income from the agreement with Jura, it makes a relatively small contribution compared to the fair value movement from investing activities.</p> | <p>↑</p> <p>Increased</p> |
| 11. Future returns from investments | | | |
| <p>The Group's historical returns and cash yields from investments may not be indicative of future returns.</p> <p>The Group's expected hold-to-maturity IRRs 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.</p> |  | <p>In bidding for new projects, the Group sets a target IRR 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 IRR and projected annualised return.</p> <p>At the appraisal stage, investments in projects are tested for their sensitivity to changes in key assumptions.</p> | <p>→</p> <p>No change</p> |
| 12. Taxation | | | |
| <p>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.</p> <p>Project companies may be exposed to changes in taxation in the jurisdictions in which they operate.</p> <p>In 2015, the OECD published its recommendations for tackling Base Erosion and Profit Shifting (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 was left 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.</p> <p>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 UK company's EBITDA.</p> <p>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.</p> <p>The Australian Treasury introduced new legislation in September 2018 which (i) increased tax on foreign investors in certain structures and (ii) tightened the Australian thin capitalisation regime.</p> <p>In France and the Netherlands, new legislation came into effect to implement the EU Anti-Tax Avoidance Directive to restrict tax deductible interest to 30% of a company's EBITDA effective from 1 January 2019.</p> |   | <p>Tax positions taken by the Group are based on industry practice and/or external tax advice.</p> <p>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.</p> <p>The impact of changes to UK, France, Netherlands and US tax rules has been taken into account in the fair value at 31 December 2018 of the Group's investments in those jurisdictions.</p> <p>The Group monitors closely the way in which other governments, including in Australia, are implementing the OECD recommendations.</p> | <p>→</p> <p>No change</p> |
| 13. Personnel | | | |
| <p>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.</p> <p>Uncertainty arising from the UK's decision to leave the EU could impact the Group's ability to recruit and retain EU nationals in the UK.</p> |   | <p>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.</p> <p>The Group has offices in Amsterdam and Madrid and could open further offices in other EU jurisdictions if necessary.</p> | <p>→</p> <p>No change</p> |

CORPORATE RESPONSIBILITY

The John Laing Group remains committed for the long term to its corporate responsibility agenda. Our community investment strategy includes supporting our employees to make a significant positive impact on the communities in which they live and work.

Olivier Brousse
CHIEF EXECUTIVE OFFICER

Sustainability Report

As set out in the Chairman's Statement, John Laing's purpose is to create value for all our stakeholders by investing in, developing and managing infrastructure projects, including renewable energy, which respond to public needs, foster sustainable growth and improve the lives of communities around the world. We are committed to operating with integrity and in a manner that is both ethical and transparent and to achieving our purpose and our strategic and investment objectives by being a responsible employer, investor and manager.

This section of the Annual Report sets out: (i) our approach as a responsible employer (People section); (ii) how we improve the communities in which we live and work (Community section); (iii) our environmental impact as a business and how we generate a positive environmental impact through our sustainable investments (Environment section);

PEOPLE

Introduction

Our employees are among our principal stakeholders and are at the heart of delivering our purpose. Their skills, capabilities and expertise are vital to our success. Aiming for consistent value creation from our investment activities is part of our employee culture and this is demonstrated by the strong results in 2018.

John Laing aims to attract and retain, develop and reward high quality employees and to create an engaging, diverse and motivating working environment. 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.

Under the aegis of an internal project launched in October 2018, we are focusing on not just how to sustain financial growth, but also on how to improve employee engagement and diversity. One of the project's workstreams involves a group of employees engaged in refreshing John Laing's values.

At 31 December 2018, the Group employed 169 employees in total (2017 – 158). The percentage of employees located outside the UK increased from 39% at 31 December 2017 to 44% at 31 December 2018, as a result of continued recruitment overseas and a lower headcount in the UK. We have an internationally diverse workforce: while some 40% of our employees are UK citizens, the balance comprises around 25 nationalities.

Equal opportunities

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.

We recognise the value that differences bring, including but not limited to gender, age, race, nationality, social background, professional and personal experiences and preferences. We make recruitment and promotion decisions based solely on the ability to perform each role. No individual colleague or potential colleague will receive less favourable treatment on the grounds of age, gender, sexual orientation, disability, colour, race, religion, nationality or ethnicity.

Where an employee's circumstances change, it is the Company's policy to do everything reasonably possible to ensure that a successful return to work is facilitated, either in the same job or in a different role.

CORPORATE RESPONSIBILITY (CONTINUED)

Gender diversity

Improving the diversity of our employees is important. Our priority is to recruit and retain a talented and diverse workforce and to pay all our employees fairly for what they do.

We are strongly in favour of the benefits that gender diversity brings and we are making progress in this area against the constraints of a small workforce and low staff turnover. At 31 December 2018, our overall gender balance was 26% female, 74% male. At Board level, the split was 25% female, 75% male but with the appointment of the new Chief Financial Officer, this will increase to 37.5% female, 62.5% male. Further information on the Board’s diversity policy can be found in the Nomination Committee Report on pages 68 to 69.

We are continually looking to improve our gender balance and took a number of steps during 2018. These were aimed particularly at our activities outside the UK. In our largely-UK central functions, the gender balance is 39% female, 61% male.

Improving gender diversity

The steps taken included:

- Signing up to the 30% Club and its campaign goals. The 30% Club aims to develop a diverse pool of talent for all businesses through the efforts of their Chair and CEO members who are committed to better gender balance at all levels of their organisations;
- Increased reporting in relation to diversity at Board and Executive Committee level;
- A reminder to search firms used by the Group that shortlists must be strongly diverse and in particular must include female candidates;
- Diversity targets for our Asia Pacific and North American teams;
- “Unconscious bias” training rolled out across the Group;
- Encouragement to female employees to join female networking groups including Women in Infrastructure in the UK and the US and Steel Heels in Australia; and
- Establishing a diversity committee for the Asia Pacific region.

UK gender pay gap

With less than 250 employees, of whom approximately 95 are located in the UK, the Company is not required to report on its gender pay gap. This is the difference between the average amount that women and men are paid across the workforce. However, we are supportive of transparency and have decided voluntarily to disclose our gender pay gap. At present it is higher than we would like to see. This is primarily driven by the fact that we have more men in senior roles than women. We also have a higher proportion of women than men in more junior roles.

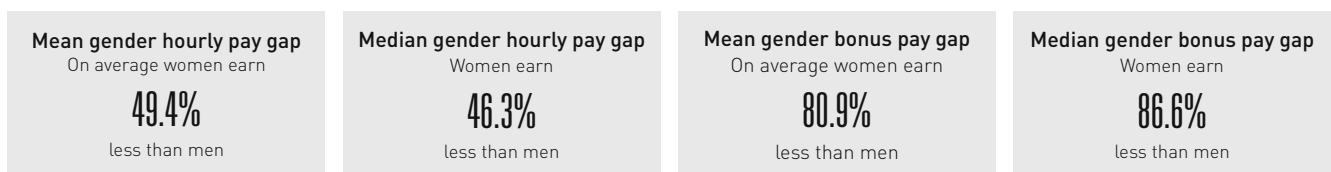
Our bonus gaps are higher than our gender pay gaps. All our employees are entitled to participate in our Annual Bonus plan.

The bonus gap is driven by the diversity levels within the business and the fact that senior roles have higher bonus opportunities; more men are in senior roles than women. In addition, the bonus gap calculation as required under the relevant legislation does not take into account that we pro-rate bonuses for employees who work on a part-time basis, the majority of whom are female.

Another factor is that the bonus structure for more senior employees (who comprise a higher proportion of men) incorporates a higher element based on corporate rather than personal performance. This means that in years of strong corporate performance, the bonus gap between men and women may be accentuated.

Hourly pay and bonus difference between women and men

John Laing employees across all entities in the UK at 31 December 2018



These figures are irrespective of employee roles or levels in the organisation, expressed as a percentage of male average pay.

Proportion of UK employees receiving a bonus

In the 12 months ended 31 December 2018

| | |
|-----------------------------------------------------|-------|
| Proportion of female UK employees receiving a bonus | 67.7% |
| Proportion of male UK employees receiving a bonus | 91.7% |

All our employees are entitled to participate in our bonus plan. The employees who did not receive a bonus during 2018 were new joiners who did not receive a bonus relating to the year ended 31 December 2017 as they were not employees of the Group at that time.

Pay quartiles

Based on all John Laing employees in the UK at 31 December 2018

| | Female | Male |
|-------------------------------------|--------------|--------------|
| Upper quartile | 8.7% | 91.3% |
| Upper middle quartile | 8.3% | 91.7% |
| Lower middle quartile | 43.5% | 56.5% |
| Lower quartile | 73.9% | 26.1% |
| <i>Total UK employee population</i> | <i>33.3%</i> | <i>66.7%</i> |

The table above shows the gender distribution across four equally divided hourly pay quartiles, each containing approximately 24 UK employees.

Closing the gender pay gap

We recognise that we have more to do to improve our gender pay gap including creating more opportunities for women to progress. We will continue to monitor and analyse the gender pay gap and we are committed to reducing it, building on the progress being made and increasing our representation of women at all levels of the organisation. However, we recognise that given the size of our workforce and our low employee turnover rates, this will take time and continual focus.

We are confident that the gender pay gap is not the result of an equal pay issue. We have the appropriate checks and balances in place to ensure that our employees' remuneration is appropriate for their role and their personal performance. Remuneration for new recruits is based on market-driven benchmarking.

Key Initiatives to close the gender pay gap

In addition to our on-going steps to improve diversity (which are set out above), our additional initiatives to close the gender pay gap are as follows:

- The development of a 3-5 year plan to improve diversity and reduce the gender pay gap to enable us to better understand and remove any barriers for women reaching senior management positions;
- Progress against the plan to be monitored by the Executive Committee and the Board;
- Review flexible working policies and their application to consider other ways to enhance flexible working;
- Continue our support for those returning from career breaks; and
- Ensure that a healthy work/life balance is promoted.

Our staff numbers at 31 December 2018, broken down by certain remuneration and gender criteria, were:

| | Total | | Male | | | | Female | | | |
|-------------------------------------------|------------|------|------------|------|------------|------|-----------|------|------------|------|
| | Number | | Number | | % of total | | Number | | % of total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Total Group | 169 | 158 | 125 | 115 | 74 | 73 | 44 | 43 | 26 | 27 |
| Employees earning above £70,000 per annum | 118 | 101 | 104 | 92 | 88 | 91 | 14 | 9 | 12 | 9 |
| Executive Directors | 2 | 2 | 2 | 2 | 100 | 100 | - | - | - | - |
| Board Directors | 8 | 7 | 6 | 6 | 75 | 86 | 2 | 1 | 25 | 14 |

Training 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 2018, we focused on the development requirements of individuals and teams, supported where necessary with external facilitation, to ensure teams were operating effectively.

We manage the development of our people through a bi-annual performance development review which applies to all employees, including senior managers. 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 development opportunities with their manager.

Recruitment and selection

Through a fair, transparent and consistent process, we seek to attract and select high calibre candidates who will maximise their contribution to the business. We recruit a small number of employees each year; the number varies from year to year and our employee turnover rate is low.

Recognition, reward and retention

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 having a competitive pay and benefits structure, we recognise and reward employee performance through bonuses and long-term incentive plans.

CORPORATE RESPONSIBILITY (CONTINUED)

Supportive working environment

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 a diverse environment that supports employees 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 workplace. 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.

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 20-25 most senior managers, together with other employees by invitation, met on two occasions in 2018 over one to two days to address specific business issues and future strategy.

In February 2019, we undertook an employee engagement survey. The results are being reviewed and will be communicated to our employees in the Spring, with an action plan to address the key matters arising. A follow up survey is planned for later in the year to assess progress.

Conduct and behaviour

The standards of conduct and behaviour that we require of our employees are set out in our policies and procedures and these, together with our values and the behaviours attributable to those values, constitute our code of conduct.

Anti-bribery and corruption

John Laing has Group-wide policies on anti-bribery and corruption (ABC), and gifts and hospitality. All employees are required to complete online training modules covering potential ABC and anti-money laundering (AML) situations. All new employees must complete this training shortly after joining and all employees are required to repeat the training every two years or, in certain roles, annually. Completion of this training is tracked and failure to complete it is reported to the Executive Directors.

In addition, our bidding framework includes the requirement for bidding teams to complete ABC and AML reviews on partners, consultants and contractors as part of each new bid, particularly in respect of parties we have not previously worked with. There is a specific protocol in place for interaction with governmental departments and officials. All consultants, suppliers and partners must also be made aware of our ABC policy.

Grievance procedures / whistleblowing

We have procedures in place to enable employees to pursue legitimate grievances. In addition, our whistleblowing policy enables employees to report concerns on matters affecting their employment or the Group, without fear of recrimination.

Health and safety

John Laing believes that proper attention to the health and safety of its employees, subcontractors and the communities within which the Group operates is a key element of effective business management and we see 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 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 maintain their own health and safety policies.

Human rights

We recognise both the business imperative and the moral obligation to carry out our activities in a socially responsible and environmentally sustainable manner, with due consideration given to human rights. A suite of formal policies, including policies on Equal Opportunities and Fair Treatment, Corporate Responsibility and Human Rights, underpins this aim. Copies of these policies can be found on our website www.laing.com.

We comply fully with applicable human rights legislation in the countries in which we operate, for example, legislation covering the right to collective bargaining, equal remuneration and protection against discrimination.

The Group, including the projects in which it invests, has a large number of suppliers across the jurisdictions in which it operates. We believe the risk of modern slavery or human trafficking in our supply chains and procurement processes to be low given that our activities do not directly involve operations where modern slavery or human trafficking are known to occur. All new suppliers, however, are asked to confirm that their organisation complies (and take all possible steps to ensure that all their suppliers and subcontractors also comply) with all applicable laws, statutes and regulations. Similar confirmations are requested of the parties involved when we invest in or bid for new projects.

John Laing is committed, where we have sufficient influence, to ensuring that the projects we invest in follow our practices and policies, including those on modern slavery and human trafficking. We will continue to monitor our supply chain and investment portfolio in relation to slavery and human trafficking through regular reviews.

Modern Slavery Act

We published our statement on Modern Slavery for the financial year ended 31 December 2017 on our website in March 2018. We will update this statement by 31 March 2019. It sets 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.

COMMUNITY

We are committed to our corporate responsibility agenda. Our community investment strategy is based on supporting our employees to make a significant positive impact on the communities within which they live and work. We encourage all our employees to involve themselves in community activities that benefit their local communities, whether or not related to the Group's activities.

Community Investment

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, helping them move into work, education or training. Over the last year, a number of employees have taken part in events to raise funds for the Prince's Trust including the Future Steps Challenge and a cycling event organised by one of our employees.

The John Laing Charitable Trust

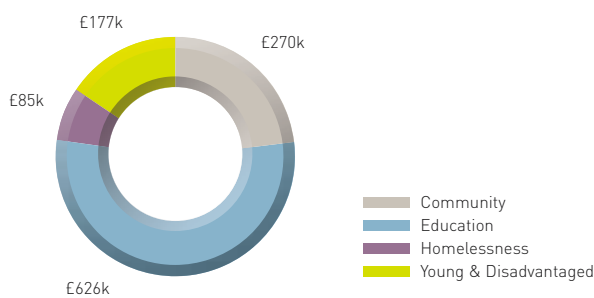
The John Laing Charitable Trust (JLCT) was formed in December 1962. JLCT provides welfare support to existing and former employees of the Group and their immediate families who are in need of financial assistance. JLCT also makes charitable grants to help relieve poverty, incapacity and sickness.

All John Laing Group employees or members of their immediate family, whether in the UK or overseas, directly involved in a charity are able to apply to JLCT to support a good cause. Additionally, JLCT is able to match charitable donations raised by employees up to a value of £1,500 per year. During 2018, 50 applications were received resulting in donations of £44,000.

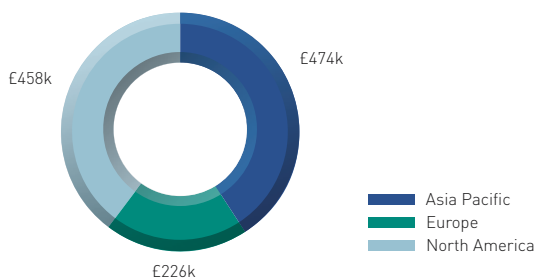
170th Anniversary of John Laing

In 2018, John Laing celebrated its 170th anniversary. To mark the occasion, the Trustees of JLCT pledged funds of £1.5 million to support the Group's charitable causes with a focus on the key areas of community, education, homelessness and the young and disadvantaged.

2018 grants by priority



2018 grants by region



JLCT 2018 Awards



Some examples of the grants made are described below:

Community – Education – Homelessness – Young & Disadvantaged

Northern Pathways Development: Clarence Correctional Centre, Australia

In September 2018, six organisations in Clarence Valley, Australia were selected as beneficiaries of funding and in-kind support from the Northern Pathways consortium building the Clarence Correctional Centre. The consortium comprises: John Laing, Serco Foundation and John Holland. JLCT was delighted to support the Group and its partners with these community projects. The recipients and their projects were:

- New School of Arts Neighbourhood House Inc (NSOA):** Employment of a youth worker for 12 months to support a programme to achieve positive outcomes for young people in their community by improving access to information, facilitating supported referrals to local services and programmes, and coordinating activities and events to enhance community connection.
- Clarence River Domestic & Family Violence Specialist Services:** Redevelopment of a community centre playground to meet current Australian standards.
- Gurehlgam Corporation:** Engagement of a suitable Aboriginal person to develop programmes for the Clarence Valley Aboriginal Healing Centre.
- Police Citizens Youth Club:** The programme's goal developed with New South Wales police is to get at-risk young people "Fit for Work" and transition them from training to work experience to full-time employment or apprenticeships.
- Nungera Co-op:** Renovations to a community building in Maclean.
- Grafton Ngerrie Aboriginal Land Council:** Renovations to a community centre in South Grafton.



→ Part-time youth worker, Renee Fahey (centre), pictured with Aboriginal Youth Workers and Clarence Youth Action volunteers at one of NSOA's Chill and Chat sessions in Market Square, Grafton, January 2019.

CORPORATE RESPONSIBILITY (CONTINUED)



A RESPONSIBLE INVESTOR

Auckland South Corrections Facility – Wiri, New Zealand

The Auckland South Corrections Facility (ASCF) aligns clearly with our own values, which are to invest in projects that leave communities more engaged and better served than we found them.

A revolutionary approach to PPP in New Zealand

This project was an important opportunity for investors like John Laing to participate in a new way of approaching a PPP project. The original tender required private partners to bring creativity and innovation to the project in order to achieve long-term positive social outcomes.

ASCF

The New Zealand government had a focus on reducing re-offending, particularly amongst Maori offenders. Maori have a disproportionate representation in the prison sector in comparison to their representation in the general population. Specifically, bidders for the ASCF project were asked to:

1. Reduce recidivism among the Maori prisoner population by at least 10% more than other prisons in New Zealand;
2. Maintain prison safety; and
3. Achieve reintegration and social outcomes for Maori prisoners.

The SecureFuture consortium, which included John Laing and Serco, was chosen to deliver the project, based on the strength and experience of the consortium members. The consortium’s proposal also focused on meeting the required social outcome goals and need for reduced re-offending. Working closely with the design and construction team, and using the Serco Responsible Prisoner Model as the basis for the operator-led design, John Laing was part of the team that delivered the finished facility on budget and five weeks ahead of schedule.

Designed for change

The design of the prison is focused on rehabilitation, giving prisoners more autonomy and support as they go through their sentences. Inmates begin their sentence in a standard prison block. If their behaviour improves and they engage with education programmes and training, they gradually move to improved accommodation comprising residential style units and start to live in an environment which is more aligned to outside life. Symbolically, they move from the back of the prison site towards the front gate as they come closer to their release date. The prison is managed by a dedicated Serco team on a 25-year contract, and John Laing has two directors on the governance board.

Design-at-a-glance

- The ASCF buildings were deliberately positioned to give views of the Maunga, a significant landmark for Maori people in the area;
- The buildings also include a wide range of culturally-specific design features to help Maori prisoners connect with their heritage;
- The Visitors’ Centre has access to the outdoors and a play area for visiting children;
- Furnishings are soft and brightly coloured, and not fixed to the ground (with the exception of high-risk prisoner quarters);
- Inmates have access to technology to help with socialisation and training; and
- The design introduced cooking and self-care facilities to encourage inmate independence and confidence before release.

Education – Young & Disadvantaged

New York Student Sponsorship Programme, US

For more than three decades, Student Sponsor Partners (SSP) has addressed New York City's educational disparity for low-income, academically vulnerable students by providing access to high-quality education and adult guidance and mentorship. SSP is dedicated to providing a bright future for these deserving students. Five of John Laing's North American employees have made commitments to spend time each month with high school mentees over their four-year high school journey. Thanks to generous funding from JLCT, these five students are receiving a quality, private high school education through the SSP programme. All five students matriculated into their sophomore year at their respective schools and are weathering the transition from public middle schools to private high schools well, thanks to the support from their John Laing mentors.

Community

Solar panel installation, CERES Community Environment Park, Brunswick East, Australia

JLCT awarded a grant in relation to a solar panel project at the CERES Community Environment Park in Brunswick East. In November 2018, 37.5kW of new panels were installed. The panels are expected to produce a total of c45,000kWh of electricity in their first year of operation. This amounts to approximately 19% of the current total annual electricity requirements at the main park and should avoid the emission of over 50kg of CO₂ per annum.

Community – Young & Disadvantaged

In 2018, JLCT supported three charities linked to the Speyside community in Scotland:

- **Speyside Community Car Share Scheme** – serves the rural Speyside Glenlivet area, which includes John Laing's biomass plant investment, to provide a volunteer-based transport service for those in the community who are socially isolated by reasons of age, infirmity or disability.
- **Moray Foodbank** – provides food parcels to people living in financial hardship in Moray.
- **Moray School Bank** – offers new school uniforms and warm winter clothing and footwear to children living in financial hardship in Moray.

Homelessness

Habitat for Humanity GTA (Greater Toronto Area), Canada

JLCT awarded a grant of £50,000 to support the Habitat for Humanity, Canada project which helps working and lower income families to build strength, stability and self-reliance through affordable home ownership. Around 80 children will benefit from the project through improved conditions for their development and education. New homeowners will be trained in various home ownership skills through a series of dedicated workshops.

ENVIRONMENT

John Laing Group is committed to operating with integrity and in a manner that is both ethical and transparent. We believe we can achieve our strategic and investment objectives while having a positive impact on the environment.

Although the direct activities of the Group are judged to have a low environmental impact, we believe we can deliver significant positive social and environmental value through our investments. We invest in a wide range of projects including social and affordable housing, education, healthcare, green transport and renewable energy, which have a measurable environmental or social benefit alongside a financial return.

Increasingly, the overall market for greenfield infrastructure is driven by several factors, but especially population growth, urbanisation and climate change. We acknowledge that climate change presents both a risk and opportunity to our business. For example, the objectives of the Paris Agreement to limit global temperature increase to 2°C above pre-industrial levels may drive significant changes to public policies in many countries, which could impact upon our current or future investments. However, as countries try to increase the amount of electric energy generated from renewable sources, this will also create a growing market for renewable generation infrastructure projects.

The Group aspires to reduce the impact on the environment of the infrastructure projects in which it invests, by reducing greenhouse gas emissions and the volumes of waste going to landfill. Over the last three years, the Group has committed £525 million to renewable energy projects. In the future, the Group will continue to improve disclosure of the environmental impact across its portfolio.

Generating positive environmental impact through our investments

Hornsedale Wind Farm, South Australia

The three phases of the Hornsdale Wind Farm currently together comprise South Australia's largest renewable energy generator, made up of 99 turbines with a total installed capacity of 316 MW.

Australia has committed to reduce emissions by 26-28% from 2005 levels by 2030 and the Australian Capital Territory (ACT) has a target to source 90% of its electricity from renewable sources by 2020.

The Hornsdale Wind Farm has an offtake arrangement to sell its electricity to ACT and will play a significant part in moving ACT closer to its target.

Situated North of Jamestown, Hornsdale Wind Farm supplies approximately 1,050,000 MWh of clean, renewable electricity into the national power grid each year.

This equates to savings of approximately 297,000 tonnes of carbon dioxide equivalent (tCO₂e) per annum, equivalent to taking 59,000 cars off the road.

The project and its stakeholders will join with the Canberra Institute of Technology (CIT) to establish the CIT Renewable Energy Skills Centre of Excellence which will entrench ACT as the centre for wind energy trade skills for Australia and the Asia-Pacific region. The Centre of Excellence will take an important place in the growing ACT renewable energy industry cluster and reinforce Canberra's position as the renewable energy capital of Australia.

CORPORATE RESPONSIBILITY (CONTINUED)

| Project specifics | Phase 1 | Phase 2 | Phase 3 |
|---------------------------|----------|-----------|----------|
| John Laing Group Interest | 30% | 20% | 20% |
| Equity Invested | £12.1m | £6m | £10.2m |
| Operational Date | Nov 2016 | June 2017 | Dec 2017 |
| Installed Capacity | 102 MW | 102 MW | 112 MW |

Through its investment in this project, John Laing is playing an important enabling role in the development of the renewable energy sector in Australia, supporting the achievement of both national and international climate change targets. In 2018 John Laing was accepted as a member of Australia's Clean Energy Council, a network of over 600 leading businesses operating in support of renewable energy.

Speyside Biomass Combined Heat and Power Plant, Scotland

John Laing, initially along with the Green Investment Bank in the UK, has invested in a new green energy facility in Speyside, Scotland developed by Estover Energy Limited. The project is capable of powering more than 20,000 homes and provides heat for one of the world's most iconic whisky distilleries.

| Project specifics | |
|---------------------------------|---------------------------|
| John Laing Group Interest | 43.35% |
| Equity Invested | £13.3m |
| Operational Date | 2017 |
| Lifetime | Up to 40 years |
| Max electrical capacity (gross) | 14 MWe |
| Carbon avoided (per annum) | 42,000 tCO ₂ e |

The new biomass Combined Heat and Power (CHP) plant near Craigellachie, Moray, is capable of generating 87.4 GWh per annum of renewable electricity. It can also generate 76.8 GWh per annum of renewable heat. Together, the carbon saving equates to 42,000 tCO₂e per annum, the equivalent of taking over 8,400 cars off the road.

The project also created 123 jobs (100 in peak construction and 23 permanent) and supports one of Scotland's most important export industries. The new CHP facility contributes to reducing the cost of energy at the adjacent Macallan distillery by providing around 90% of the steam needed in the distillation process. By using biomass to generate heat instead of natural gas, the distillery should reduce its greenhouse gas emissions by over 17,500 tCO₂e per annum, equivalent to taking almost 3,500 cars off the road.

The plant is fuelled with sustainable forestry by-product sourced from the local area, one of the UK's most productive forestry areas. A consortium of local growers and forest industry suppliers supplies the plant. This has several local benefits, including providing an additional market for low-grade wood, and helping local forestry growers by supporting the production of higher-grade wood. This in turn makes local forestry and woodland management more economic, as well as supporting jobs in the supply chain.

Local scale biomass plants like Speyside are good sources of low carbon energy, with benefits extending well beyond the local sphere. They can help tackle climate change by reducing CO₂ emissions, and by using locally sourced and sustainable wood fuel they reduce our reliance on imported fossil fuels and create a more secure energy supply.

DIRECT IMPACT

John Laing has fewer than 170 employees worldwide and therefore has a relatively low environmental impact. Nevertheless, we are committed to minimising that impact and to improving our environmental performance wherever possible. For example, in 2018 we switched to a 100% renewable electricity supply at our London Head Office, our largest electricity-consuming site.

From our network of 10 offices across the world, we meet the requirements of applicable local environmental legislation; minimise waste and maximise recycling; measure our carbon footprint annually; and publish the results in our annual reports.

In the future we aim to improve our disclosure through responding to public Environmental, Social and Governance benchmarks. We are committed to operating responsibly and to showing how we are performing.

GREENHOUSE GAS EMISSIONS

As a listed company, we have a regulatory obligation to report greenhouse gas emissions (GHG) pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Methodology

We quantify and report our organisational GHG according to the Greenhouse Gas Protocol and have utilised the UK Government 2018 Conversion Factors for Company Reporting and International Energy Agency 2018 Factors to calculate CO₂e emissions from corresponding activity data. Supplier-specific emission factors were sourced in grams of carbon dioxide per kilowatt-hour of electricity (CO₂/kWh) where available.

This report has been prepared in accordance with the recent amendments to the GHG Protocol's Scope 2 Guidance and therefore includes both location-based and market-based Scope 2 emissions figures. When quantifying emissions using the market-based approach, we have used a supplier specific emission factor where possible. If this was not possible a residual mix emissions factor was then used, and as a last option the location-based grid emissions factor was used.

Performance

In 2018, we emitted a total of 32.7 tCO₂e Scope 1 direct emissions from fuel combustion and operation of our facilities. This is a 3% decrease since 2017 due to a decrease in natural gas and vehicle fuel usage.

During the reporting year, the Group undertook a number of energy efficiency actions, with a particular focus on the London office, which is the largest direct energy consumer. Actions implemented in 2018 included a reduction in printing, replacing old coffee and hot water machines with more efficient alternatives and moving to web-based telecommunications to remove the need for desk handsets.

Through electricity purchased for our own use (Scope 2 indirect), we emitted a total of 111 tCO₂e when taking the location-based approach and 80 tCO₂e when taking the market-based approach. This is a 4% decrease in location-based emissions since 2017. Using a market-based approach this is a 23% decrease, as our London office now procures electricity from 100% renewable sources.

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 our emissions by scope for 2018 and 2017. Emissions from the consumption of electricity outside the UK are reported in tonnes of carbon dioxide (tCO₂) rather than tCO₂e.

Year-on-year Change in Greenhouse Gas Emissions (GHG)

| | 2018 | 2017 |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------------|
| Combustion of fuel and operation of facilities (Scope 1) | 32.7 tCO₂e | 33.8 tCO ₂ e* |
| Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based) | 110.9 tCO₂e | 115.9 tCO ₂ e* |
| Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based) | 80.2 tCO₂ | 103.5 tCO ₂ * |
| Other indirect emissions (Scope 3) | 1,233.8 tCO₂e | 618.0 tCO ₂ e |

* 2017 Scope 1 and 2 figures have been restated due to availability of improved data.

The table below shows our total emissions and intensity figure for the year ended 31 December 2018.

| | Location-based approach | | Market-based approach | |
|----------------------------------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | 2018 | 2017* | 2018 | 2017* |
| Total Scope 1 and 2** | 143.6 tCO₂e | 149.7 tCO ₂ e | 112.9 tCO₂e | 137.3 tCO ₂ e |
| tCO ₂ per full-time equivalent employee | 0.85 tCO₂e | 0.95 tCO ₂ e | 0.67 tCO₂e | 0.87 tCO ₂ e |

* 2017 figures have been restated due to availability of improved data.

** Market-based figures include Scope 2 in tCO₂.

There was a decrease in Scope 1 emissions due to a decrease in natural gas consumption and leased vehicle fuel usage for the Amsterdam office. Scope 2 emissions decreased year-on-year for several reasons, including a reduction in emission factors in the countries in which the Group operates. In 2018, there was an increase in long-haul and international air travel as a result of the Group's growing international operations, which resulted in an increase of Scope 3 emissions. A larger proportion of actual business travel data was also available compared to 2017, meaning less of the data was estimated. The accuracy of Scope 3 reporting is therefore likely to have improved as a result.

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 constituted our operational boundary for the 2018 reporting period were:

- **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

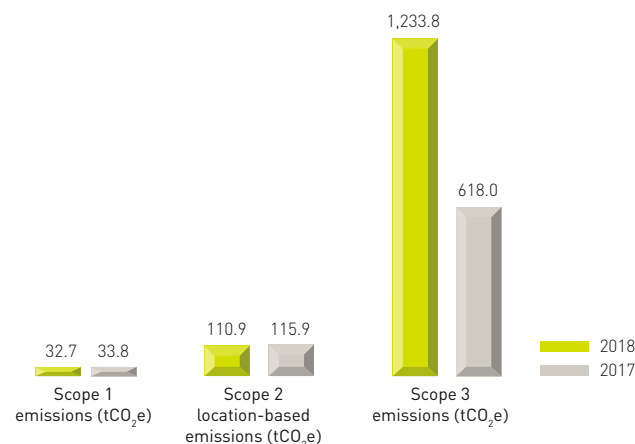
Assumptions and estimations

In some cases, missing information has been estimated either by extrapolating available data from the reporting period or by using information from 2017 as a proxy. Actual information was not available for the New York, Auckland, Toronto, Bogota or Los Angeles offices and therefore an average annual consumption figure per square metre of floor area was used to estimate electricity consumption at these sites. These sites typically have low employee headcounts and energy supply is managed by the building landlord.

Vehicle mileage information for business travel was not available for all locations, therefore 2017 information has been used as a proxy where appropriate. Business travel data was not available for the Netherlands, Canada and the Asia Pacific region; John Laing will seek to broaden data coverage to include these locations in future. Information on refrigerant usage was not available, therefore refrigerant emissions are excluded.

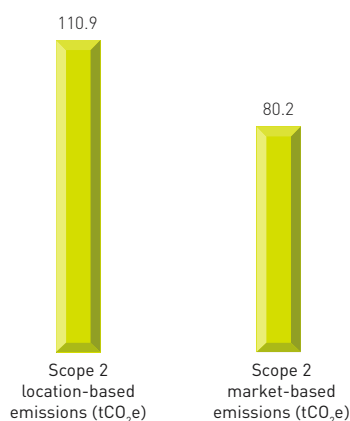
Total emissions 2017 and 2018

(tCO₂e)



Scope 2 emissions in 2018 by methodology

(tCO₂e and tCO₂)



DIRECTORS AND COMPANY SECRETARY

* Executive Directors

** Non-executive Directors



Will Samuel / N



Olivier Brousse / N



Patrick O'D Bourke



Andrea Abt / A&R R N



Dr Jeremy Beeton / A&R R N



Toby Hiscock / A&R R N



David Rough / A&R R N

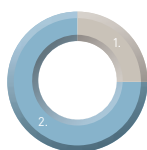


Anne Wade / R N



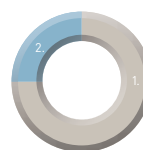
Clare Underwood
Group Company Secretary

Board tenure



1. 0-3 years: **25%**
2. 3-5 years: **75%**

Board diversity



1. Male: **75%**
2. Female: **25%**

Committee membership

N / Nomination Committee A&R / Audit & Risk Committee R / Remuneration Committee — / Committee Chair

Will Samuel BSc, BA, FCA**

Non-executive Chairman

Will joined John Laing as a Non-executive Director in December 2017 and became Chairman in May 2018.

Skills and Experience

- Extensive commercial, capital markets, investments and regulatory expertise
- Broad business and governance experience from executive and non-executive positions previously held

Will is an experienced Chairman having previously been Chairman of TSB Bank plc, which he took through IPO after its de-merger from Lloyds Bank plc. He was also 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.

Current External Appointments

Chairman of Tilney Group Limited

Andrea Abt MBA**

Independent Non-executive Director

Andrea joined John Laing in May 2018 as a Non-executive Director.

Skills and Experience

- Extensive background in a variety of roles, including sales, finance, procurement and logistics with specialised knowledge of the European market
- Significant experience of a broader range of industries through non-executive roles

Andrea joined Siemens in 1997 and held various leadership roles, including Head of Supply Chain and Chief Procurement Officer for Infrastructure & Cities from 2011 to 2014. Since leaving Siemens, Andrea has concentrated on non-executive Director roles. She was previously a Non-executive Director of Brammer plc.

Andrea has an MBA from Rotman School of Management (University of Toronto).

Current External Appointments

Non-executive Director of SIG plc and Petrofac Ltd and a Member of the Supervisory Board of Geresheimer AG.

David Rough BSc Hons**

Senior Independent Director, Chair of Nomination Committee

David joined John Laing in December 2014 as a Non-executive Director.

Skills and Experience

- Extensive knowledge of the financial services sector, predominantly in the investment management business
- Significant experience of a broader range of industries through non-executive roles

David joined Legal and General in 1988 and became head of securities in 1989. In 1991, he was appointed to the group board as Group Director (Investments) responsible for the group's investment operations. He retired from the business in 2002. He has also served as chairman of the Association of British Insurers' Investment Committee and been a non-executive and senior independent director on a number of boards, including Land Securities, London Metal Exchange, Friends Provident and Xstrata.

Current External Appointments

Chair of the Board and Nomination Committee of Brown Shipley & Co Ltd and Non-executive Director of Hansteen Holdings plc.

Olivier Brousse EP, ENPC*

Chief Executive Officer

Olivier joined John Laing in March 2014 as Chief Executive Officer.

Skills and Experience

- Extensive senior managerial and operational experience across a number of businesses
- Significant international infrastructure experience spanning transport, rail, water, waste and energy

From 2008 to 2014, Olivier served as Chief Executive Officer and then Executive Chairman of Saur SAS in France. Prior to this he was Deputy Chief Executive of Veolia Transport Group, responsible for the French and US businesses, Chief Executive Officer of Veolia Transportation Inc, based in Washington and Chief Executive Officer of Connex Trains, based in London. He was also Chief of Staff to the Chairman and CEO of Compagnie Générale des Eaux and Commercial Director of Unic Systems.

Olivier holds engineering degrees from École Polytechnique and École Nationale des Ponts et Chaussées. In 2016, he was awarded the Légion d'Honneur by the French President François Hollande and in 2008 the Ordre National du Mérite by the French Transport Minister.

Current External Appointments

Non-executive Director of 1001 Fontaines, a not for profit organisation.

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

Independent Non-executive Director

Jeremy joined John Laing in December 2014 as a Non-executive Director.

Skills and Experience

- Extensive international experience in project and programme management over complex multi-site, multiple project operations portfolios for and within government, public companies and private companies
- Significant non-executive experience across a range of sectors

Jeremy was an Advisory Board member of PricewaterhouseCoopers until October 2018 and an independent Non-executive Director of SSE plc until July 2018. He was previously Director General of the London 2012 Olympic and Paralympic Games from 2007 until 2012. Prior to this, he was a Principal Vice President with Bechtel, responsible for their worldwide civil operations. He 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. He is also a Fellow of the Institution of Civil Engineers.

Current External Appointments

Chairman of WYG plc and Merseylink Limited, an independent Non-executive Director of OPG Power Ventures Plc and on the governing Court of Strathclyde University.

Anne Wade BA, MSc**

Independent Non-executive Director, Chair of Remuneration Committee

Anne joined John Laing in December 2014 as a Non-executive Director.

Skills and Experience

- Extensive experience in investment and asset management, particularly in infrastructure related investments, social finance and impact investment
- Significant non-executive experience across a range of sectors

From 1995 to 2012, Anne was Senior Vice President and Director of Capital International, responsible for infrastructure-related investments. 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.

Current External Appointments

Director and member of the Audit Committee of Summit Materials Inc in the US, Director of the Heron Foundation in New York and of Big Society Capital Ltd in London. She is also a Partner of Leader's Quest.

Patrick O'D Bourke MA, ACA*

Group Finance Director

Patrick will retire and step down as a Director following the AGM on 9 May 2019.

Patrick joined John Laing in 2011 as Group Finance Director.

Skills and Experience

- Extensive listed company experience and financial experience at board level
- Significant international experience in infrastructure, particularly in the electricity and energy sectors

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. Previously, he was Group Treasurer for Powergen plc where he had formerly been responsible for mergers and acquisitions. He also spent nine years in investment banking with Barclays de Zoete Wedd and Hill Samuel.

Patrick graduated from Cambridge University and qualified as a chartered accountant with Peat Marwick (now KPMG).

Current External Appointments

Non-executive Director of Affinity Water Limited.

Toby Hiscock MA (Oxon), FCA**

Independent Non-executive Director, Chair of Audit & Risk Committee

Toby joined John Laing in June 2009 as a Non-executive Director.

Skills and Experience

- Extensive experience as a finance professional and extensive listed company and accounting experience
- Significant experience of a broader range of industries through non-executive roles

Toby was the Chief Financial Officer and an Executive Director of Henderson Group plc from 2003 until 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.

Toby is a Chartered Accountant and a graduate of Oxford University.

Current External Appointments

Non-executive Director of a number of private entities and a consultant to a number of public and private institutions.

Clare Underwood, BSc, ACA

Group Company Secretary

Clare joined John Laing in September 2018 as Group Company Secretary. Previously, she was Head of London and Group Company Secretary for Cable & Wireless Communications Plc, having been appointed as Company Secretary post the demerger of Cable & Wireless plc in 2010. Prior to that she was the Company Secretary of the Cable & Wireless Communications Operating Board and Project Director for the Cable & Wireless demerger. She was also the Head of Tax for Energis. Clare is a Chartered Accountant having qualified at PricewaterhouseCoopers.

CORPORATE GOVERNANCE

Good corporate governance is key to how John Laing conducts its business and to the success of the Group.



WILL SAMUEL
CHAIRMAN

IN THIS SECTION

The 2016 Code provides guidance on five key areas: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. This report together with the committee reports, provides insights into how, through its actions, the Board and its Committees have fulfilled their governance responsibilities throughout 2018.

Introduction

Good corporate governance is key to how John Laing conducts its business and to the success of the Group. This year the Board continued to focus on providing effective leadership and oversight of the Company as it sought to achieve its strategic priorities and create value for our stakeholders. We have in place a strong and effective governance framework to ensure that high standards of governance, values and behaviours are applied across the Group.

During the year, the Board reviewed the Company's purpose to ensure that it appropriately reflects the Company's strategy and that it is supported by our business model. A review of our values is on-going. We have sought to engage all our employees in this review as our values define the behaviour expected of all of them in their dealings with our stakeholders.

The Board has also assessed the application of the 2018 UK Corporate Governance Code (the 2018 Code) which became effective on 1 January 2019. Consideration has been given to the method of workforce engagement as required by the 2018 Code and we are developing our workforce engagement programme accordingly. We will report on this in the 2019 Annual Report and Accounts.

The Board evaluation process was conducted internally in 2018 and the findings and actions from this process were discussed with the Board. Further detail is included on page 60 of this report.

Compliance with the 2016 UK Corporate Governance Code

The Board confirms that during the year ended 31 December 2018, the Company fully complied with the provisions of the 2016 UK Corporate Governance Code (the 2016 Code). A copy of the 2016 Code is available on the Financial Reporting Council's website at www.frc.org.uk. This report, together with the other statutory disclosures and reports from the Audit & Risk, Nomination and Remuneration Committees, provides details of how the Company has applied the principles of good governance set out in the 2016 Code during the period under review. The business model and strategy for delivering the objectives of the Company, the viability and going concern statements and principal risks and risk management statements each form part of the Strategic Report which can be found on pages 6 to 55, and the Statement of Directors' responsibilities can be found on page 92.

LEADERSHIP AND EFFECTIVENESS

Board Membership, Balance and Independence

Biographies of the current Directors, including details of their Committee memberships, are shown on page 57. There were no changes during the year to the Chairman's external commitments.

The Board comprises the Chairman, two Executive Directors and five Non-executive Directors. The Chairman is committed to ensuring the Board comprises a majority of independent Non-executive Directors who objectively challenge management, balanced against the need to ensure continuity on the Board. Having reviewed the position of each Director individually, the Board considers all the Non-executive Directors to be independent in both character and judgement. In addition, the Board considers the Chairman to be independent. Collectively, the Non-executive Directors contribute to an effective Board with a strong mix of skills and business experience, including recent financial, strategic, investment and infrastructure experience gained in a variety of geographic areas. As each occupies or has occupied senior positions, each contributes significant weight to Board decisions. 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 initially appointed as Chairman designate. Will Samuel succeeded Phil Nolan as Chairman on 10 May 2018. Phil Nolan was not involved in the selection or appointment of Will Samuel.

Andrea Abt was appointed as a Non-executive Director on 10 May 2018. Further details on the appointment process can be found in the Nomination Committee Report on pages 68 to 69.

On 23 January 2019, it was announced that Luciana Germinario would join the Company as Chief Financial Officer designate with effect from 25 April 2019. This follows the decision of Patrick O'D Bourke to retire after the AGM in May 2019.

All Directors will stand for re-election at the 2019 AGM, except for Patrick O'D Bourke who is retiring, and Andrea Abt and Luciana Germinario who will stand for election.

The Non-executive Directors are initially appointed for a three-year term with an expectation that they will continue for a further three-year term. The terms and conditions of appointment of the Non-executive Directors, which set out the time commitment expected of them, and the service contracts for the Executive Directors and the letter of appointment for the Chairman, are available for inspection by shareholders at our registered office during normal business hours and at our AGM.

Conflicts

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 Group Company Secretary, at any time, of any potential or future direct or indirect conflicts that may arise, or that may possibly conflict with the interests of the Company. Any such notifications are reviewed at the next Board meeting and, if considered appropriate, authorised. Directors do not participate in any discussion or vote regarding their own conflicts. If authorised, any conflicts are entered in the register of Directors' conflicts.

Induction

Upon appointment to the Board, all Directors undertake a comprehensive induction process to familiarise themselves with the Group's activities, policies and key issues. The programme is tailored based on experience and background and requirements of the role.

Since joining the Board in December 2017, Will Samuel has undertaken a thorough induction programme. He has met with the senior managers of the Group, key external advisers including the Group's brokers, legal adviser and External Auditor. In addition, following his appointment as Chair of the Board in May 2018, Will met with a number of shareholders to discuss key issues pertinent to the Group. Will has visited the US and Australia to meet with the regional teams and other external stakeholders, including partners and lenders. He also undertook a number of site visits including a visit to the Sydney Light Rail project in Australia and the Auckland South Corrections Facility in New Zealand.

Upon joining the Board in May 2018, Andrea Abt undertook a tailored induction programme and met with the senior managers of the Group and key external advisers including the Group's legal adviser and External Auditor. Andrea also visited the Netherlands office and met with a number of the regional team. She also made a site visit to the A16 project.

A comprehensive induction programme has been developed for Luciana Germinario to enable a smooth handover from Patrick O'D Bourke. This has commenced with a number of introductory meetings with senior management and key external advisers prior to her formally joining the Company in April 2019.

Training

The Chairman is responsible for the ongoing development of all Directors and agrees any individual training and development needs with each Director. To strengthen the Directors' knowledge and understanding of the Company, Board meetings regularly include updates and briefings on specific aspects of the Company's activities. During the year, the Board and its Committees received a number of briefings in relation to the 2018 Code and its implications for the Company. The External Auditor provided updates on accounting and auditing developments relevant to the Group and Aon plc (the Remuneration Adviser) provided the Remuneration Committee with training in respect of the remuneration implications of the 2018 Code. All Directors have access to membership of an external academy, a training and guidance resource for boards and directors. Additionally, Directors may take independent professional advice on any matter at the Company's expense in the furtherance of their duties.

CORPORATE GOVERNANCE (CONTINUED)

Board Evaluation

The 2016 Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and that this process is facilitated externally at least every third year. This year the evaluation process was carried out internally for the second year. The last external review was undertaken in 2016 by Colin Mayer, who continues to have no connection to the Board.

The evaluation in 2018 was internally facilitated by the Group Company Secretary. Board members were required to complete a structured questionnaire devised by the Group Company Secretary and agreed with the Chairman. The evaluation was based on a number of key areas, including:

- The Company's strategic agenda;
- Board composition and processes;
- Board leadership and effectiveness;
- Accountability;
- Relations with stakeholders; and
- The effectiveness and performance of the Board Committees.

The Group Company Secretary, the members of the Executive Committee, the Head of Internal Audit, the External Auditor and Remuneration Adviser were also invited to complete the relevant elements of the questionnaire. All participants were offered the opportunity to discuss any matters with the Chairman, the Senior Independent Director or the Group Company Secretary.

The individual responses to the questionnaire were reviewed and analysed by the Group Company Secretary and a confidential, non-attributable report was compiled with recommended actions for discussion by the Board. Overall, it was considered that the governance of the Board was effective and appropriate. The Board discussed the findings of the evaluation and agreed a number of actions including:

- Dedicated sessions on key topics including the climate for greenfield investment for each region to be added to the strategic agenda;
- Further focus on succession planning to be covered as part of the Nomination Committee's increased remit; and
- Specific training to be provided to the Board in respect of industry and technological developments.

An evaluation of each Board Committee was also discussed. Actions were identified as appropriate. It was agreed that all the Board Committees had continued to operate effectively and that progress against the action plans would be monitored by each of the Committees.

The 2019 Board evaluation will be externally facilitated.

Chairman's Performance

As part of the evaluation, David Rough as Senior Independent Director led a review of the Chairman's performance. All Board members including the Executive Directors were asked to complete a questionnaire regarding the Chairman's performance. The Group Company Secretary prepared a non-attributable summary of the feedback. This was discussed at a private meeting of the Non-executive Directors. It was concluded that the Chairman had established himself successfully in the role with an effective leadership style. David Rough discussed the feedback with the Chairman.

DIVISION OF RESPONSIBILITIES**Will Samuel****Chairman**

- Overall operation and governance of the Board;
- Providing leadership of the Board to ensure that the Board satisfies its duties and responsibilities;
- Setting the agenda for the Board;
- Ensuring that the Board receives clear, timely and accurate information;
- Facilitating the contribution of the Directors; and
- Ensuring that the Company maintains effective communication with shareholders and other stakeholders (shared responsibility with the Senior Independent Director).

Olivier Brousse**Chief Executive Officer**

- Developing the strategy for recommendation to the Board; and
- Leadership of the business and managing it within the authorities delegated by the Board.

David Rough**Senior Independent Director**

- Meeting shareholders on request and acting as the designated point of contact for shareholders to raise any concerns where contact through the normal channels of the Chairman and the Executive Directors is inappropriate;
- Bringing to the attention of the Board any matters raised by major shareholders; and
- Ensuring the Company maintains effective communication with shareholders and other stakeholders (responsibility shared with the Chairman).

Clare Underwood**Group Company Secretary**

- Ensuring that good quality corporate governance is embedded and followed within the Company, along with the implementation of efficient company administration;
- Acting as a confidential sounding board to the Chairman and other Directors; and
- Ensuring compliance with developments in legislation, regulation and governance.

Role of the Board

The Board is responsible for the Group's corporate governance system and is committed to maintaining high governance standards. In order to progress the objectives of the Group, the Board meets on a regular basis and is responsible for organising and directing the Company and the Group in a manner that promotes the success of the Company and is consistent with good corporate governance practice. To enable the Board to function effectively, full and timely access to all relevant information is given to the Board.

The key policies and practices of the Company and the Group are set out in this report as well as in the reports of the Audit & Risk Committee on pages 64 to 67, the Nomination Committee on pages 68 to 69 and the Remuneration Committee on pages 70 to 87.

Formal minutes recording the decisions of all Board and Committee meetings are prepared and circulated to each Director, as appropriate. If a Director objects to a particular proposal, this is recorded in the minutes of the relevant meeting. During the period under review there were no such objections.

The Board has implemented a system of delegated authorities. This enables the effective day-to-day operation of the business and ensures that significant matters are brought to the attention of senior management and the Board as appropriate. It is through this system that the Board is able to provide oversight and direction to the Executive Directors, the Executive Committee and the wider business.

There is a formal schedule of matters reserved for the Board which includes:

- Strategy and management

Approval of long-term objectives and strategy, extension of the Group's activities into new business or geographic areas, any decision to cease to operate any material part of the Group's business, and review of the Group's performance and annual budget.
- Corporate governance

Annual formal reviews of its own effectiveness, a review of Group corporate governance arrangements, ensuring an effective engagement strategy with, and encouraging participation from, shareholders, the workforce and other key stakeholders.
- Financial reporting

Approval of announcements of the half year and full year results, Annual Report, the dividend policy and proposed dividends.
- Audit, risk and internal controls

Establish procedures to manage risk, oversee the internal control framework, and establish formal and transparent procedures to ensure the independence and effectiveness of the Group's internal and external audit functions.

- Board membership and other appointments

With advice from the Nomination Committee, changes to the structure, size and composition of the Board, appointment of the Chairs and members of the Board Committees, determining the independence of Non-executive Directors, ensuring adequate succession planning, appointment of the Senior Independent Director and the appointment or removal of the Group Company Secretary.

- Remuneration

Oversee the Remuneration Committee which is responsible for determining the remuneration policy for Executive Directors, and setting the remuneration of the Chair of the Board, the Executive Directors, the Group Company Secretary and other senior management, and the introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval.

- Delegation of authority

The division of responsibilities between the Chairman and the Chief Executive Officer and receiving reports from Board Committees on their activities.

- Contracts/expenditure

Approval of all significant contracts and expenditure, certain investments and all disposals of shares in which the Group holds an interest.

Other specific responsibilities are delegated to the Audit & Risk, Nomination and Remuneration Committees. Each Committee reviews its Terms of Reference annually to ensure that they remain appropriate and effective.

Full details of the Matters Reserved for the Board and the Terms of Reference of its Committees can be found on our website at www.laing.com.

CORPORATE GOVERNANCE (CONTINUED)

Board Meetings

The Board held six scheduled meetings during the year, and individual attendance is set out below. Sufficient time is provided at each meeting as necessary for the Chairman to meet privately with the Senior Independent Director and the Non-executive Directors to discuss any matters as necessary.

In addition to the scheduled meetings, four further unscheduled Board meetings were convened. These additional meetings were all quorate, and all Directors received the relevant papers and provided the required approval.

In addition, the Non-executive Directors also attended a number of other Company meetings to increase their understanding of the principal risks in the business and the strength and depth of the management teams. Members of the Executive Committee attend and report at each scheduled meeting and other members of the Senior Management Team and advisers attend Board meetings by invitation as appropriate throughout the year. At each Board meeting, the Chief Executive Officer delivers a high level update on the business, the Group Finance Director provides an update on financial performance and other related matters and the Board considers specific reports, reviews business and financial performance, as well as strategy, key initiatives, risks and governance. The Board also held two strategy days during 2018.

The Chairman met with the Non-executive Directors without the Executive Directors present and, as part of the internal board effectiveness review, the Senior Independent Director met with the other Non-executive Directors to discuss the Chairman's performance.

| | Independence | Board (scheduled)⁴ | Audit & Risk Committee | Remuneration Committee⁵ | Nomination Committee |
|----------------------------|-----------------------------|------------------------------------------|---------------------------------------|-----------------------------------------------|---------------------------------|
| Will Samuel ¹ | On appointment | 6/6 | – | – | 6/6 |
| Phil Nolan ² | On appointment | 2/2 | – | – | 2/2 |
| Olivier Brousse | No | 6/6 | – | – | 6/6 |
| Patrick O'D Bourke | No | 6/6 | – | – | – |
| Andrea Abt ³ | Independent | 4/4 | 2/3 | 3/3 | 3/4 |
| Jeremy Beeton ⁴ | Independent | 6/6 | 5/5 | 4/4 | 5/6 |
| Toby Hiscock | Independent | 6/6 | 5/5 | 4/4 | 6/6 |
| David Rough | Senior Independent Director | 6/6 | 5/5 | 4/4 | 6/6 |
| Anne Wade | Independent | 6/6 | – | 4/4 | 6/6 |

1. Appointed Chairman 10 May 2018.

2. Resigned on 10 May 2018.

3. Appointed 10 May 2018; Andrea Abt was unable to attend one Audit & Risk Committee meeting due to a previous commitment in place prior to joining the Board and was also unable to attend one Nomination Committee meeting due to a previous commitment.

4. Jeremy Beeton was unable to attend one Nomination Committee meeting due to a previous commitment.

5. In addition, there were four unscheduled Board meetings related to investments and Board appointments, and three Sub-Committee meetings covering the approval of the Rights Issue and financial results.

6. In addition, the Remuneration Committee held one unscheduled meeting during the year. This was quorate.

Board Committees

The Board's principal Committees are the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee (the Committees). The Committees have been constituted to consider and make recommendations to the Board regarding matters including 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, the appointment of Directors, succession planning and Directors' remuneration.

On pages 64 to 87, the Chairs of each Committee report on how the Committee which they chair discharged its responsibilities in the year ended 31 December 2018 and the material matters that were considered. Following each meeting of a Committee, the Chair of that Committee reports to the Board. Membership is determined by the Board. Whilst not entitled to attend, other Directors, professional advisers and members of the Executive Committee and Senior Management Team attend when invited to do so. The External Auditor and Head of Internal Audit attend Audit & Risk Committee meetings by invitation. No persons are present at Nomination Committee meetings or Remuneration Committee meetings during discussions pertinent to them. The Group Company Secretary acts as secretary to each Committee.

Each Committee has its Terms of Reference approved and regularly reviewed by the Board. The Terms of Reference for the Committees are available at www.laing.com.

Management Committees

Executive Committee

The Executive Committee comprises the Executive Directors, the Chief Risk Officer, the Regional Managing Directors, the Group HR Director and the Group MD Strategy & Partnerships. 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 other proposals before they are presented to the Board and monitors progress against the annual 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 potential 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 Chief Risk Officer, the Group Head of Legal (or the Senior Legal Adviser as alternate), and up to five other persons as the Chief Executive Officer shall nominate from time to time. The Committee is chaired by the Chief Executive Officer and usually meets fortnightly.

Divestment Committee

The Divestment Committee provides 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 Chief Risk Officer and other senior managers. The Committee is 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. Members of the Committee are appointed by the Board and currently comprise the Chief Risk Officer, Group Finance Director, Group Head of Legal, and a senior manager from each of the three regional teams. The Committee is currently chaired by the Chief Risk Officer and meets six times a year.

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.

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 2018, the Chief Executive Officer, together with other members of the Senior Management Team, hosted the Company's third investor day since its IPO; the presentations covered the strategy for growth, our pipeline and an update on our investment commitments. We also provided an update on the North American market; the active management of investments in the Group's international portfolio and the impact of macroeconomic factors on the Group balance sheet.

Stakeholder Engagement

The Group is committed to maintaining good communications with all its stakeholders. To that end, there is regular dialogue with shareholders, lenders, partners, public sector bodies, and as discussed in the People section on page 50, with employees.

Will Samuel

CHAIRMAN
4 MARCH 2019

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee maintained its focus on the integrity of the Group's financial reporting, the effectiveness of its internal control and risk management systems, as well as the fair value of its investment portfolio and retirement benefit obligations.



Toby Hiscock
CHAIR OF THE AUDIT & RISK COMMITTEE

MEMBERS AND ATTENDANCE

| Director | Audit & Risk Committee |
|-------------------------|------------------------|
| Toby Hiscock (Chair) | 5/5 |
| Andrea Abt ¹ | 2/3 |
| Jeremy Beeton | 5/5 |
| David Rough | 5/5 |

1. Appointed 10 May 2018. Refer to page 62.

Introduction

I am pleased to present the Audit & Risk Committee (the Committee) report for the year ended 31 December 2018. Our scope of work remained unchanged throughout the year and included our customary scrutiny of financial systems and results and operational risk management.

Meetings

The Committee met on five occasions during the year ended 31 December 2018. The attendance of each Committee member is shown on page 62 in the Corporate Governance Report.

The Group Finance Director and his team, the Chief Risk Officer, and other management representatives attend Committee meetings together with the Head of Internal Audit and the External Auditor. There is also a standing invitation to all Non-executive Directors and the Company Chair has attended all meetings since his appointment during 2018. In addition, both the Head of Internal Audit and the External Auditor met privately with the Committee in the year, without management present. Representatives of the Group's independent valuer attend meetings when the Committee considers the portfolio valuation.

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 57 of this Annual Report.

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.

Role of the Committee

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

1. Ensure the integrity of the Group and Company accounting policies, 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's 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 audit-related and 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 audit-related and 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 employees.

The 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 Chair of the Committee.

The Terms of Reference set out the principal duties of the Committee in full, including its authority to carry out these duties. These can be found at www.laing.com.

Significant Matters Considered by the Committee in the 2018 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 is carried out on a fair value basis assuming that forecast cash flows from investments are received 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) Macroeconomic 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 29 of this Annual Report and in note 18 to the Group financial statements.

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. There was a particular focus on the valuation of the Group's investment in IEP (Phase 2), the largest investment in the portfolio, following the disposal of the shareholding in IEP (Phase 1) in May 2018. We also scrutinised certain investments facing ongoing commissioning issues (eg Sydney Light Rail) or operational challenges (eg New Royal Adelaide Hospital). Furthermore, the Committee reviewed the discount rate ranges between primary and secondary assets by inspection of market evidence and cross-examination of subject-matter experts, including the Group's independent valuer, to ensure trends were properly reflected in the Group's portfolio valuation. It examined the downward movement in power price forecasts produced by independent third parties and challenged the valuation of the Group's renewable energy assets for this variable together with energy yield assessments. It also observed the weakening of certain key currencies relative to Sterling towards the end of the reporting period.

We are satisfied that the Group's investment portfolio as a whole is reflected in the 2018 accounts at its prevailing fair value.

AUDIT & RISK COMMITTEE REPORT (CONTINUED)

2. Retirement benefit obligations – The net deficit in the Group’s two defined benefit and post-retirement medical schemes is reflected in the Group Balance Sheet as at 31 December 2018 in accordance with IAS 19. The net deficit includes an estimate of the increase in liabilities following the Lloyds Bank Guaranteed Minimum Pension (GMP) equalisation court ruling in October 2018 and is sensitive to movements in future price inflation, discount rates, life expectancy and investment markets and can, therefore, be volatile. To assist shareholders, the key sensitivities have been included in note 20 of the Group financial statements.

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 2018 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 – These are disclosed on pages 41 to 46 of this Annual Report. The Committee received various presentations and reports from management on them during the year including bidding activities, portfolio management, treasury policy and major financial exposures, 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 developments. During the period an update of the Group’s taxation strategy was recommended by the Committee to the Board for approval and published on the Company’s website in accordance with the Finance Act 2016.

The Group risk register was regularly updated by management and reviewed by the Committee during the year.

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.

4. Financial Reporting Council (FRC) review of the 2016 Annual Report and Accounts – Following the FRC’s limited review of the Group’s 2016 Annual Report and Accounts, noted on page 56 of the 2017 Annual Report, the FRC wrote to the Company in June 2018 to advise its review had been closed.

Internal Audit

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

The Head of Internal Audit continues to report directly to the Committee and to 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 – covering 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 2018 and the majority of audits completed were rated as good or satisfactory.

Key focus areas during 2018 were as follows:

- 17 project company audits, including the Sommette and St. Martin wind farms in France, the Rocksprings, Sterling and Buckthorn wind farms in the US, and the Clarence Correctional Centre in Australia;
- Eight Group audits, including JLCM FCA Compliance, project bidding, business continuity and IT Infrastructure & Service Delivery; and
- Three “theme” audits on the subjects of Valuation, Contractor Performance and Data Security & Record Keeping.

In 2017, Internal Audit headcount was increased from two to three full-time heads, to match the Group’s expansion into international markets and growth in assets under management. This level of resource has been maintained throughout 2018 which the Committee felt was appropriate for the scale and spread of the Group’s operations.

External Audit

The Committee is satisfied with the effectiveness of the External Auditor’s audit and independence in respect of 2018, after scrutiny of:

1. Deloitte’s planned approach to the interim and annual report and accounts;
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 audit-related and 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.

In particular, the External Auditor stepped up its review during the year of the Group’s physical assets located overseas which the Committee considered appropriate given the international expansion of the Group in recent years.

The Committee received a presentation from the External Auditor on reform of the FRC and the UK audit market, including the findings of the recent Kingman review, the Competitions and Markets Authority study into statutory audit services, and the aims of the upcoming Brydon review. We will follow these developments closely.

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. The external audit is subject to an open market tender no more than every ten years and was last tendered in 2016 when Deloitte was reappointed.

The Company has published on its website a Charter of External 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). In addition, no work by the External Auditor is permitted in a range of areas including: tax services; 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 Committee's specific approval is required for non-audit services performed by the External Auditor which would result in a cumulative fee of more than £20,000 per annum.

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 £277,134 (2017 - £224,257). Fees for audit services to non-recourse subsidiaries during the year amounted to £61,186 (2017 - £59,403). The increase in fees for audit services to the Company and recourse subsidiaries was due to additional work on the valuation of the Group's investments overseas.

Any potential non-audit work by the External Auditor is considered case by case by the Committee in accordance with the Committee's Terms of Reference and the Company's Charter of External Auditor Independence, and is generally awarded on a competitive basis.

Audit-related assurance services performed by Deloitte in 2018 comprised, as in the prior year, reviews in accordance with accounting and regulatory standards of the Group interim financial statements and the annual review of the Group's FCA regulated subsidiary with fees amounting to £55,075 (2017 - £61,000). Fees were also paid in 2018 for other assurance services of £15,000 (2017 - £nil).

In addition, as previously reported, the Committee approved the appointment of Deloitte as reporting accountant for the Company's Rights Issue in March 2018 (a non-assurance related service). The rationale for Deloitte's appointment was as follows:

- It was represented by an independent partner;
- Its work was limited to a small number of reporting workstreams with no management role;
- It was familiar with the Group's cash forecasting methodology, having carried out a working capital review for the Company's IPO in 2015;
- It could draw on the knowledge of the external audit team; and
- Its fee proposal was considered competitive relative to market benchmarks.

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

- 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 Right Issue prospectus and responding to the UK Listing Authority's review thereof.

The total fees for non-audit work performed by Deloitte during 2018 amounted to £346,075 (2017 - £61,000). Although material in the context of the Group's average statutory audit fee over the last three years, these fees are not in breach of the cap* on non-audit services recently set out in EU Audit Legislation as such legislation does not come into effect until the Group's financial year end in 2020. The Committee expects non-audit fees to fall below the cap* in 2019 and beyond (*no more than 70% of the Group's average statutory audit fee over the last three years).

A recommendation to reappoint Deloitte as External Auditor is supported unanimously by the Board and will be put to shareholders for their approval at the Company's forthcoming AGM.

Other Matters

As part of the Board's 2018 review of its effectiveness, the performance of the Committee was assessed by the Directors. The comments were positive although we will look to enhance structured training and development of Committee members, for example through further presentations on topics by subject experts, during the course of 2019.

Other matters considered by the Committee during 2018 included:

- The lookout period and forecast assumptions for the Group's viability statement;
- The adoption of the going concern basis in these financial statements;
- The Group's compliance with market abuse regulation, including ABC, AML and whistleblowing arrangements;
- The Group's policies and procedures for preventing and detecting fraud; and
- A review of the Committee's Terms of Reference and the Charter of External Auditor Independence in readiness for the 2018 Code.

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

Toby Hiscock

CHAIR OF THE AUDIT & RISK COMMITTEE
4 MARCH 2019

NOMINATION COMMITTEE REPORT

This year the Committee has focused on succession planning and ensuring readiness for the new UK Corporate Governance Code.



David Rough
CHAIR OF NOMINATION COMMITTEE

MEMBERS AND ATTENDANCE

| Director | Nomination Committee |
|----------------------------------|----------------------|
| David Rough (Chair) ⁴ | 6/6 |
| Will Samuel ¹ | 6/6 |
| Phil Nolan ² | 2/2 |
| Olivier Brousse | 6/6 |
| Andrea Abt ³ | 3/4 |
| Jeremy Beeton | 5/6 |
| Toby Hiscock | 6/6 |
| Anne Wade | 6/6 |

1. Appointed Chairman on 10 May 2018.
2. Resigned on 10 May 2018.
3. Appointed 10 May 2018. Refer to page 62.
4. Appointed Chair on 18 October 2018.

Introduction

In readiness for the increased remit of the Nomination Committee under the 2018 Code, Will Samuel stepped down as Chair of the Nomination Committee and David Rough was appointed as Chair in October 2018. The Committee remains focused on ensuring that the Board comprises individuals with the necessary skills, experience and diversity to ensure that the Board is effective in discharging its responsibilities.

Role of the Committee

The key duties of the Committee are to:

- Review the size, structure and composition of the Board; and
- Identify and make recommendations to the Board on appointments to the Board and senior management, including orderly succession for such roles.

The Terms of Reference set out the principal duties of the Committee, including its authority to carry out these duties. These can be found at www.laing.com.

Meetings

The Nomination Committee met on six occasions during the period from 1 January 2018 to 31 December 2018. The attendance of each Committee member is shown on page 62 of the Corporate Governance Report.

Main activities during the year:

Appointment of Andrea Abt

A formal process was undertaken by the Committee to find an additional Non-executive Director to strengthen the experience and skills on the Board and its Committees. The Committee drew up a detailed job specification and appointed Korn Ferry to assist with the search. This process was led by David Rough. Korn Ferry does not have any other connection with the Company.

Following a thorough and rigorous process, Andrea Abt was appointed as a Non-executive Director to the Board with effect from 10 May 2018. Andrea brings a wealth of experience from a variety of leadership roles, including Head of Supply Chain and Chief Procurement Officer for Infrastructure and Cities for Siemens AE. Andrea's appointment is part of our on-going commitment to build and maintain an effective board which is high-quality in terms of its expertise, diversity and international background.

Appointment of Luciana Germinario

In order to ensure an orderly succession plan in anticipation of Patrick O'D Bourke's retirement, a formal process was undertaken by the Committee to find a suitable candidate for the position of Chief Financial Officer. The Committee drew up a detailed job specification and appointed Russell Reynolds to undertake the search. Russell Reynolds does not have any other connection with the Company. A long list of candidates was initially identified and reviewed by Toby Hiscock and Olivier Brousse and this was reduced to a short list of candidates which was presented to the Committee. The short-listed candidates undertook a panel interview with a number of Committee members and the Chairman as well as individual interviews with the Chief Executive Officer and the Chair of the Audit & Risk Committee.

It was announced on 23 January 2019 that Patrick O'D Bourke would retire and step down from the Board following the AGM on 9 May 2019 and that Luciana Germinario would be appointed Chief Financial Officer Designate on 25 April 2019 and subsequently succeed Patrick. Luciana was the Chief Financial Officer for Eight Roads, the principal investment division of Fidelity International Limited which oversees proprietary capital investments into real estate, venture capital and growth businesses. Prior to this, Luciana held a number of finance roles within General Electric.

Succession Planning

The Committee regularly reviewed succession plans for the Board as a whole and for the Executive Committee. The Board continues to be satisfied that plans are in place for orderly succession to the Board to ensure that the right balance and skills are appropriately represented. In addition, the Committee discussed the succession plans for the Executive Committee and other Senior Management over the short, medium and long-term.

Diversity

The Board recognises the importance of Board diversity and has developed a Board diversity policy to facilitate this. The overall composition of the Board is fundamental to its effectiveness and all members of the Board are expected to demonstrate the skills, experience and knowledge required to contribute to this effectiveness. We believe that the right mix of gender, age, ethnicity and cultural diversity can enhance our perspective and approach.

During the year, the Company signed up to the 30% Club in support of the latter's goal to have 30% female representation on FTSE 350 Boards by 2020. As at 31 December 2018, the Company's female Board representation was 25%. When Luciana Germinario joins the Board, this will increase to 37.5%. The Board remains committed to its target for female representation and it remains mindful of the target set out in the Hampton-Alexander Review for 33% female representation by 2020. The Committee will continue to make recommendations for new appointments to the Board based on merit, with candidates measured against objective criteria and with regard to the skills and experience they would bring to the Board.

The Board has also put in place the following measures to improve diversity:

- Where feasible the Committee uses search firms who are signatories to the Voluntary Code of Conduct for Executive Search Firms which seeks to address gender diversity on boards and best practice for the related search process; and
- Long lists of potential candidates for Executive and Non-executive Directors must include female candidates.

Further information on Board diversity can be found on page 56 and gender diversity in the Group as a whole on page 48.

Review of Performance

The Committee's performance was reviewed as part of the internal Board effectiveness review carried out during the year. The Committee is regarded as effectively performing its duties, as being effectively chaired and as having clarity as to its role vis a vis the Board as a whole and other committees. Given the broadened remit of the Committee, the number of scheduled meetings has been increased for 2019.

Review of Terms of Reference

The Committee undertook a review of its Terms of Reference in readiness for the 2018 Code and these can be found on the Company's website at www.laing.com. The new Terms of Reference reflect the increased focus of the Nomination Committee on succession planning, diversity, training and shareholder engagement through the Committee Chair in respect of significant matters related to areas of the Committee's responsibilities.

David Rough

CHAIR OF THE NOMINATION COMMITTEE
4 MARCH 2019

DIRECTORS' REMUNERATION REPORT

I am pleased to report that this has been another successful year with NAV per share growth for 2018 of 15.0%.

The senior management team have focused on developing relationships with international partners and this has resulted in a growth in the total pipeline of investment opportunities. We have penetrated deeper into our established markets of North America and Asia Pacific, and are looking at projects in new geographies, such as selected countries in Latin America. 44% of the Group's employees are now located outside the UK, consistent with our increasing internationalisation.

Our Remuneration Policy supports this strategy, through rewarding sustainable long-term value creation and providing strong alignment with interests of shareholders and other stakeholders.

MEMBERS AND ATTENDANCE

| Director | Remuneration Committee |
|-------------------------|------------------------|
| Anne Wade (Chair) | 4/4 |
| Andrea Abt ¹ | 3/3 |
| Jeremy Beeton | 4/4 |
| Toby Hiscock | 4/4 |
| David Rough | 4/4 |

1. Appointed 10 May 2018.



Anne Wade
CHAIR OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

This report is split into two sections: The Annual Report on Remuneration and the Directors' Remuneration Policy (the "Policy"). Our Policy was last approved by shareholders at our 2016 AGM. As part of our regular three-year cycle we will be asking shareholders to approve an updated Policy at the 2019 AGM.

2018 has once again 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 £302 million were significantly ahead of the guidance given at the start of the year and total realisations increased to £296 million (compared to £289 million for 2017), providing additional funding for new investments and enabling us to declare a special dividend for 2018 of 4.1p per share. The investment portfolio as a whole is performing well and we are pleased to report a NAV as at 31 December 2018 of £1,586.5 million. This includes the benefit of value enhancements in 2018 of £165 million.

The Executive Directors were eligible for an annual bonus of up to 100% of salary for 2018. The majority of the bonus (up to 80%) was based on a scorecard of corporate financial targets to provide a rounded assessment of financial performance. Details of the scorecard targets set and performance against them is disclosed on page 74. Based on performance against the targets and the overall strong performance of the business over the year, a bonus of 65.6% of salary (82% of the maximum) was awarded for the corporate element of the bonus. The remainder of the bonus (up to 20% of salary) was based on specific individual targets for each director. Details of the Committee's assessment against the personal objectives are set out on page 75. The Executive Directors performed strongly against their personal objectives resulting in overall bonuses for 2018 of 81.6% of salary for the Chief Executive Officer and 80.6% of salary for the Group Finance Director. Part of the bonus is deferred into shares.

The 2016 awards granted under the John Laing Group plc Long Term Incentive Plan ("LTIP") are due to vest in April 2019.

The awards were based half on compound annual growth in NAV per share (including dividends) and half on relative total shareholder return (TSR), measured over three financial years to 31 December 2018. NAV per share grew by 17.3% per annum over this period, resulting in 91.3% of shares for this part of the award becoming eligible to vest. John Laing's TSR over the period was 89.9% resulting in a top quartile ranking and all the shares for this part of the award becoming eligible to vest. Shares vesting to the Executive Directors are subject to a two year post-vesting retention period.

Our updated Directors' Remuneration Policy and its application for 2019

Our current Policy was developed in 2014 in anticipation of the Company's IPO. During the course of 2018, we have reviewed the Policy to ensure that it continues to support the business strategy, meets the expectations of shareholders and takes into account the principles set out in the 2018 Code.

Overall, the Committee believes that the Policy works well, supporting and promoting sustainable value creation and providing a fair and appropriate link between performance and reward. However, we believe that some changes are required to ensure that the Policy remains fit for purpose for the next three-year period. The principal changes are:

- To align the pension arrangements for new Executive Directors (appointed after 9 May 2019) with the arrangements in place for the majority of employees in the country in which the Executive Director is based;
- To increase the annual bonus opportunity for Executive Directors from 100% to 150% of salary;
- To double the share ownership requirement for Executive Directors from 100% to 200% of salary and to introduce a policy on post-cessation shareholding requirements in line with the 2018 Code;
- To strengthen the clawback and malus provisions in the annual bonus and LTIP and to introduce an overriding power of discretion with respect to the LTIP to enable the Committee to scale back the level of vesting in exceptional circumstances; and
- To amend the good leaver terms for Deferred Share Bonus Plan ("DSBP") awards, so that future awards will ordinarily vest on the normal vesting date rather than vesting on the date of cessation of employment.

The annual bonus opportunity is currently capped at 100% of salary. We have been aware for some time that this was becoming increasingly uncompetitive for a company of our expanded complexity and was causing pressure as we seek to attract and retain high quality, experienced infrastructure specialists. The same maximum opportunity applies to both the Executive Directors and other Group employees. Under the revised Policy, the maximum opportunity has been increased to 150% of base salary. This higher limit will enable us to maintain market competitiveness globally and to continue to drive and reward performance across the management team. Subject to approval of the new Policy, the annual bonus opportunity for the Chief Executive Officer will increase to 150% of salary. The bonus opportunity for the Chief Financial Officer for 2019 will remain unchanged at 100% of salary.

No changes are proposed for the LTIP, other than the minor rule changes set out above. Award levels under the LTIP in 2019 will be consistent with those applying in previous years (i.e. 175% of salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer). The LTIP 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 2019 awards, which are consistent with those applying to the 2018 awards, are provided on page 76. The NAV per share targets for the 2019 awards will require 10% to 16% 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 2018.

As part of the Policy review process, we consulted extensively with the Company's major shareholders and also reached out to the main proxy advisory bodies. I held meetings with eight shareholders and we received comments from a further four. We sought views on the current reward arrangements and also discussed the proposed Policy changes. Overall, the shareholders that we spoke to were supportive of the proposals and understood the rationale for the changes proposed.

Board changes

As announced in January 2019, Patrick O'D Bourke, our Group Finance Director, has decided to retire and will step down from the Board following the 2019 AGM. Details of the remuneration arrangements in connection with his retirement, which are in accordance with the agreed Policy, are set out on page 80. In essence, Patrick will continue to receive salary, benefits and pension until he ceases employment with the Company and, as his retirement has been agreed with the Board, the Remuneration Committee has determined that he will receive good leaver status under the Company's incentive plans.

Luciana Germinario will be appointed to the Board on 25 April 2019 as Chief Financial Officer designate and will assume the role of Chief Financial Officer following Patrick's retirement on 9 May 2019. The terms of her appointment are in accordance with the Policy approved by shareholders in 2016. Her base salary will be £325,000 and she will be entitled to a maximum annual bonus and maximum LTIP opportunity of 100% and 150% of salary per annum respectively. Her bonus for 2019 will be pro-rated to reflect actual service during the year. Luciana will be entitled to participate in the same pension arrangements as other UK based employees with a matching contribution of up to 12% of salary (aligned with the current contribution rate for other senior, below Board, employees). To secure her appointment in accordance with the Policy approved in 2016, it was necessary to compensate Luciana for certain cash-based incentive awards that she will forfeit on leaving her previous employer, Eight Roads. The buy-out award, which has been designed to mirror the time horizon and expected value of the remuneration forfeited, will be primarily delivered in shares to provide alignment with the Company and its shareholders. Further details on her package are set out on page 80.

Summary

The aim of this report is to communicate details of Executive Director remuneration 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.

I very much hope that you will support the resolutions to approve the Directors' Remuneration Policy and 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.

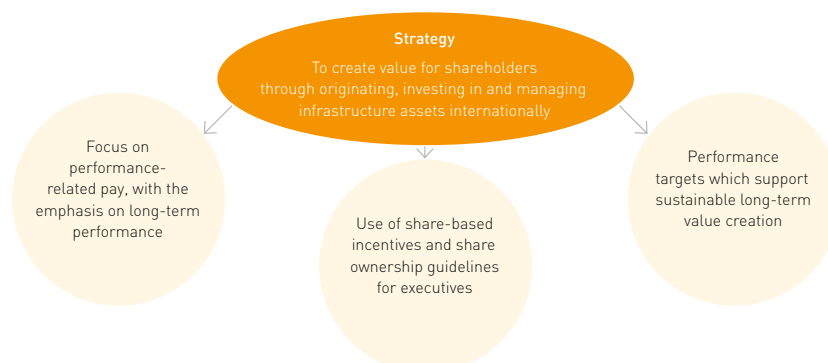
Anne Wade
CHAIR OF THE REMUNERATION COMMITTEE
4 MARCH 2019

DIRECTORS' REMUNERATION REPORT (CONTINUED)

2019 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 (approximately 25 individuals), ensuring a cohesive approach to reward is operated throughout the Group.

SUMMARY OF THE CURRENT REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTORS

| Element | Description | Opportunity for 2019 |
|----------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fixed | Base pay | Salaries are set taking into account the experience of the Director, his/her role and responsibilities. |
| | Benefits | Private medical and dental insurance, life insurance, permanent health insurance and, for Patrick O'D Bourke, a car allowance. |
| | Pension | Cash allowance in lieu of pension. |
| Variable | Bonus | Annual bonus is determined by reference to corporate and individual performance*. Any bonus above target (60% of salary or where higher 60% of maximum bonus potential) is deferred into shares vesting in equal tranches over one, two and three years subject to continued employment. |
| | LTIP | Shares vest after three years subject to continued employment and the achievement of NAV per share and 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. |

* The performance measures for the 2019 Bonus and 2019 LTIP awards are set out in the Annual Report on Remuneration on page 80.

REMUNERATION RECEIVED BY THE EXECUTIVE DIRECTORS FOR 2018

| £'000 | Salary | Benefits | Pension | Bonus ¹ | Long-Term Incentives ² | Total |
|--------------------|--------|----------|---------|--------------------|-----------------------------------|-------|
| Olivier Brousse | 465 | 2 | 60 | 379 | 1,163 | 2,069 |
| Patrick O'D Bourke | 346 | 12 | 45 | 279 | 772 | 1,454 |

1 Bonuses were based on an assessment of corporate and individual performance objectives (see pages 74 and 75 for further details).

2 This relates to the estimated value of the 2016 LTIP which will vest in April 2019, see pages 75 and 76.

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 Listing Rule 9.8.6R. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

Remuneration Committee members

Anne Wade (Chair)

Andrea Abt

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 56 and 57 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 Company has adopted the FCA's Remuneration Code which is applied to those employees 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 at the next routinely scheduled Board meeting.

The Committee's terms of reference, which have been recently reviewed and updated to reflect the 2018 Code, can be viewed on our website at www.laing.com.

The Committee has four regular scheduled meetings each year and meets additionally as circumstances require. The Committee met five times during the year. Details of the number of meetings held during the year are shown in the Corporate Governance Report on page 62.

Advisers

The Committee receives information and takes advice from inside and outside the Group. Internal support is provided by the Group HR Director and the Group 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.

Aon plc (Aon) (previously New Bridge Street) was appointed in early 2015 to act as an independent adviser to the Committee. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During 2018, insurance broking services were also provided to the Group by other subsidiaries of Aon which the Committee considers in no way prejudices Aon's position as the Committee's independent adviser. Fees charged by Aon for advice provided to the Committee for 2018 amounted to £72,789 (excluding VAT). The Committee is satisfied that the advice it receives from Aon is objective and independent.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Directors' single total figure of remuneration for 2018 (audited)

The table below provides a breakdown of the various elements of Directors' pay for the year ended 31 December 2018 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2018 to 31 December 2018, and the prior period from 1 January 2017 to 31 December 2017.

| £'000 | Salary / Fees | | Benefits ¹ | | Pension ² | | Bonus ³ | | LTIP ^{4,5} | | Other | | Total | |
|----------------------------|---------------|------|-----------------------|------|----------------------|------|--------------------|------|---------------------|------|-------|------|-------|-------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Olivier Brousse | 465 | 434 | 2 | 2 | 60 | 56 | 379 | 342 | 1,163 | 868 | n/a | n/a | 2,069 | 1,702 |
| Patrick O'D Bourke | 346 | 336 | 12 | 12 | 45 | 43 | 279 | 251 | 772 | 576 | n/a | n/a | 1,454 | 1,218 |
| Dr Phil Nolan ⁶ | 66 | 180 | - | - | - | - | - | - | - | - | - | - | 66 | 180 |
| Will Samuel ⁷ | 144 | 3 | - | - | - | - | - | - | - | - | - | - | 144 | 3 |
| David Rough | 59 | 55 | - | - | - | - | - | - | - | - | - | - | 59 | 55 |
| Andrea Abt ⁸ | 32 | - | - | - | - | - | - | - | - | - | - | - | 32 | - |
| Jeremy Beeton | 48 | 45 | - | - | - | - | - | - | - | - | - | - | 48 | 45 |
| Toby Hiscock | 63 | 60 | - | - | - | - | - | - | - | - | - | - | 63 | 60 |
| Anne Wade | 62 | 55 | - | - | - | - | - | - | - | - | - | - | 62 | 55 |

1. This relates to private health insurance. The figure for Patrick O'D Bourke also includes a car allowance of €10,200.

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

3. In accordance with the Deferred Share Bonus Plan (DSBP), any amount over 60% of salary 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 2017 figures relate to the 2015 LTIP award which vested in April 2018. The values have been updated to reflect the final vesting percentage and the actual share price on vesting. See page 76 for further details.

5. The 2018 figures are an estimate of the 2016 LTIP award which is due to vest in April 2019. 50% of the award is based on NAV per share performance and 50% is based on relative TSR performance over the three year period to 31 December 2018. The value of the shares is based on the average share price for the last three months of 2018 and includes the value of the dividend equivalents which are payable upon vesting. See pages 75 and 76 for further details.

6. Resigned from the Board on 10 May 2018.

7. Appointed to the Board on 7 December 2017.

8. Appointed to the Board on 10 May 2018.

Details of variable pay earned in the year (audited)

Annual Bonus

The bonus payable for 2018 (excluding JLCM employees) was assessed by the Committee taking into account performance against the following scorecard of metrics (which were adjusted as appropriate to take into account the Rights Issue):

| £ million | Threshold | Target | Stretch | Actual | Narrative |
|-----------------------------------------------------|-----------|--------|---------|--------|----------------------------|
| NAV (including dividends) | 1,463 | 1,495 | 1,526 | 1,631 | Above stretch |
| Value enhancements | 37 | 39 | 43 | 165 | Above stretch |
| Distributions (excluding from non-portfolio assets) | 51 | 54 | 59 | 34 | Below threshold |
| Disposals | 261 | 275 | 303 | 296 | Between target and stretch |
| New investments | 309 | 325 | 358 | 302 | Below threshold |
| Profit before tax | 125 | 157 | 188 | 297 | Above stretch |

Based on the achievement of the above scorecard of metrics, the Committee determined that the overall bonus payable for corporate performance was 82% of the maximum, equivalent to 65.6% of salary for the Executive Directors.

For three of the metrics, including the most important target from a shareholder perspective, NAV, the stretch target was exceeded. In addition, management delivered realisation proceeds, which provide a direct link to dividends, ahead of both target and market guidance and very close to the stretch target. The Committee also took into account that investment commitments were ahead of market guidance given at the time of the Rights Issue.

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 2018 and a summary of the Committee's assessment of the Executive Directors' performance against these objectives are set out below:

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Chief Executive Officer, Olivier Brousse

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

- Developing and executing on the strategy to enhance the financial flexibility of John Laing. A successful Rights Issue was delivered in March 2018 providing additional capital for investment.
- Continuing a strategic review to achieve sustainable NAV growth. As referred to in the Chief Executive Officer's Review, an additional internal project was launched in October 2018 to prepare the business for the next phase in its growth.
- Oversight of the new regional management structure. The new structure was successfully embedded during the year including the introduction of new regional targets.

The Committee is pleased with the progress achieved, including the Group's increased financial flexibility which contributed to the strong performance in 2018 as well as the additional value creation which was enhanced by the new regional management structure, and accordingly awarded the Chief Executive Officer 80% 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:

- Delivering the funding strategy to create future financial flexibility. The Rights Issue was successfully delivered during the year as well as a refinancing of the corporate borrowing facilities which was achieved in July 2018.
- Recruiting a new Group Company Secretary and Group Head of Legal and ensuring both were successfully integrated into the business. In both cases, this was delivered during the year.
- Post the Rights Issue, seeking to widen the Company's shareholder base. New shareholders have joined the register since the Rights Issue.

The Committee is pleased with the progress achieved, including the Group's increased ability to take advantage of its pipeline as a result of the Rights Issue and the increased corporate borrowing facilities, and accordingly awarded the Group Finance Director 75% of the maximum potential for performance against his individual objectives.

Overall, bonuses for 2018 for the Executive Directors were as follows:

| % salary | Olivier Brousse | Patrick O'D Bourke |
|---------------------------------------|-----------------|--------------------|
| Corporate (maximum 80% of salary) | 65.6% | 65.6% |
| Individual (maximum 20% of salary) | 16% | 15% |
| Total (maximum 100% of salary) | 81.6% | 80.6% |
| Total (£'000) | 379 | 279 |
| To be paid in: | | |
| Cash (up to 60%) | 279 | 208 |
| Deferred shares | 100 | 71 |

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

Vesting of the 2016 Long-Term Incentive Plan award (audited)

The awards granted on 15 April 2016 under the John Laing Group plc Long-Term Incentive Plan (LTIP) are due to vest in April 2019. The awards are subject to the following performance targets:

| Measure | Weighting | Performance period | Threshold target (25% vesting) | Stretch target (100% vesting) ¹ | Actual performance | Vesting % (max. 50% for each element) |
|--------------------------------------------------------|-----------|----------------------|--------------------------------|--------------------------------------------|----------------------------|---------------------------------------|
| Compound annual growth in NAV per Share | 50% | 01/01/16 to 31/12/18 | 12% p.a. | 18% p.a. | 17.3% p.a. ² | 45.63% |
| TSR relative to the constituents of the FTSE 250 Index | 50% | 01/01/16 to 31/12/18 | Median ranking | Upper quartile ranking or above | Upper quartile (89.9% TSR) | 50% |

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

2. NAV is based on the figures reported in the Company's annual financial statements adjusted to include the value of any dividends paid to or approved by shareholders during the three year performance period. The opening NAV per share figure for the 2016 awards was also adjusted to reflect the dilutive nature of the Rights Issue. NAV per share, as at 31 December 2018, the final year of the performance period, adjusted to include the value of dividends, was 345.5p (per share).

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Vesting of the 2016 Long-Term Incentive Plan award (audited) (continued)

Based on the above, the number of shares vesting under the 2016 LTIP is set out in the table below:

| | Type of award | Number of shares granted ¹ | Anticipated number of shares vesting | Estimated value of shares vesting ² |
|--------------------|------------------------|---------------------------------------|--------------------------------------|------------------------------------------------|
| Olivier Brousse | LTIP (nil cost option) | 330,330 | 369,357 | £1,163,105 |
| Patrick O'D Bourke | LTIP (nil cost option) | 219,270 | 245,177 | £772,063 |

- As a result of the Rights Issue, the Company made an adjustment to the number of shares under award to ensure that award holders were not disadvantaged compared to other shareholders. This resulted in an increase to the number of shares under award by 1.09 times.
- Value based on the average share price over the period 1 October 2018 to 31 December 2018 (314.9p), including the value of dividend equivalents to be rolled-up and paid out based on the number of shares vesting.

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.

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

Vesting of the 2015 LTIP awards was disclosed in the 2017 Remuneration Report. The performance period for the relative TSR element of the award (50% of the total award) ended on 15 April 2018 and the vesting percentage shown in last year's report was based on an estimated figure of 81.43%. The final level of vesting under the TSR element of the award was 88.12%, resulting in an overall vesting level for the 2015 award of 78.4% (compared to the 75.1% estimated in last year's report). The values shown in the single figure table (page 74) and total remuneration history for the Chief Executive Officer (page 79) have been updated to reflect the final vesting percentage.

Details of share awards granted in the year (audited)

Long-term Incentives

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

| | Type of award | Award size | Face value ¹ | Number of shares | Grant date | Performance period | Performance targets |
|--------------------|------------------------|-------------|-------------------------|------------------|---------------|------------------------------------|-----------------------------------------------------------|
| Olivier Brousse | LTIP (nil cost option) | 175% salary | £813,740 | 288,970 | 18 April 2018 | 1 January 2018 to 31 December 2020 | 50% based on relative TSR and 50% based on NAV per share. |
| Patrick O'D Bourke | LTIP (nil cost option) | 150% salary | £519,439 | 184,460 | | | |

- Calculated using the closing middle market share price on the day preceding the date of grant which was 281.6p.

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 base NAV per share figure for the 2018 award is 281p per share. 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).

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.

Deferred Share Bonus Plan

The following awards were granted to the Executive Directors under the DSBP during the financial year. These related to the deferred element of the 2017 bonus.

| | Type of award | Award size | Number of shares | Face value ¹ | Grant date |
|--------------------|------------------------|---------------------------------|------------------|-------------------------|---------------|
| Olivier Brousse | DSBP (nil cost option) | Bonus earned over 60% of salary | 28,984 | £81,619 | 18 April 2018 |
| Patrick O'D Bourke | DSBP (nil cost option) | | 17,656 | £49,719 | |

- Calculated using the closing middle market share price on the day preceding the date of grant which was 281.6p.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The awards will ordinarily 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. Dividend equivalents are payable on the deferred shares on vesting.

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 2017 | No. of shares owned on 31 December 2018 | Other interests in shares as at 31 December 2018 | | Total interest in shares as at 31 December 2018 |
|----------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------|-------------------------|-------------------------------------------------|
| | | | Outstanding LTIP awards | Outstanding DSBP awards | |
| Olivier Brousse | 168,929 | 225,138 | 935,043 | 39,322 | 1,199,503 |
| Patrick O'D Bourke | 141,385 | 304,202 | 614,042 | 25,774 | 944,018 |
| Dr Phil Nolan ¹ | 110,256 | 147,008 | N/A | N/A | 147,008 |
| David Rough | 35,256 | 47,007 | N/A | N/A | 47,007 |
| Will Samuel | – | 50,000 | N/A | N/A | 50,000 |
| Jeremy Beeton | 16,256 | 21,674 | N/A | N/A | 21,674 |
| Toby Hiscock | 20,500 | 27,278 | N/A | N/A | 27,278 |
| Anne Wade | 20,256 | 27,007 | N/A | N/A | 27,007 |
| Andrea Abt ² | N/A | – | N/A | N/A | – |

1. Resigned from the Board on 10 May 2018. Interests in shares are shown as at 10 May 2018.

2. Appointed to the Board on 10 May 2018.

Between 31 December 2018 and the date of this report there have been no changes in the Directors' shareholdings.

The guideline shareholding for Executive Directors for 2018 was 100% of salary. At 31 December 2018, Olivier Brousse and Patrick O'D Bourke held shares worth 167% and 289% of salary respectively. Under the new Policy, the guideline shareholding for Executive Directors has been increased to 200% of salary. Shares counting towards achievement of this guideline include beneficially owned shares and unvested shares (net of tax) held under the DSBP.

Of the total interests in shares held at 31 December 2018, the following shares are subject to a post-cessation holding requirement:

| | Vested LTIP awards ¹ | Outstanding LTIP awards ² |
|--------------------|---------------------------------|--------------------------------------|
| Olivier Brousse | 163,628 | 935,043 |
| Patrick O'D Bourke | 108,615 | 614,042 |

1. Shares vesting from the 2015 LTIP award (which are subject to a two year post-vesting holding requirement). These shares are included in the number of shares owned on 31 December 2018 in the table above.

2. Unvested LTIP awards will ordinarily lapse on cessation of employment. However, in certain circumstances (see page 86), participants are allowed to retain a right to the shares. In such circumstances, the shares will ordinarily vest on the normal vesting date and a two year post-vesting holding period still applies irrespective of employment status.

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 | 2018 | 2017 |
|---------------------------------------------------------|------|------|
| Remuneration paid to or receivable by all employees | 36.6 | 33.6 |
| Distributions to shareholders by way of dividends | 44.0 | 30.1 |
| Distributions to shareholders by way of share buy-backs | Nil | Nil |

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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 31 December 2017 and 31 December 2018 for the Chief Executive Officer compared to the average for other UK-based employees. This comparator group was used because the Committee believes 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 | 7.1% ¹ | 15.0% ² | 10.9% |
| Average for other UK employees | 2.6% | 3.5% | 5.3% |

1 The CEO's salary increase for 2018 is explained on page 59 of the 2017 Annual Report.

2 This is due to an increase of c.£200 in the medical insurance premium which was consistent with the increase for all UK employees.

The Committee considers internal and external relativities when making pay decisions.

With less than 250 UK employees, we are not required to disclose Chief Executive Officer to employee pay ratios. However, in order to increase the transparency of our reporting in this area, we are including the tables below ahead of the new reporting requirements. The ratios compare the total remuneration of the Chief Executive Officer, as set out in this report, against the total remuneration of the median UK and Group employees as well as UK and Group employees in the lower and upper quartiles. This disclosure will build up over time to cover a rolling 10-year period.

A significant proportion of the Chief Executive Officer's pay is delivered in LTIP awards which are in part linked to the Company's share price movements over the longer term. Therefore, the ratios will depend significantly on the outcomes of the LTIP and may fluctuate from one year to the next.

The tables also include ratios covering salary to enable a further comparison. The process to ensure that employees are paid fairly is set out on pages 47 to 50 of this report.

Group:

| Financial Year | Methodology | Pay Ratios | | | Calculation | Remuneration Values | | | |
|----------------|---------------|----------------------|--------------|----------------------|-----------------------------|-------------------------|----------------------|--------------|----------------------|
| | | P75 (Upper Quartile) | P50 (Median) | P25 (Lower Quartile) | | Chief Executive Officer | P75 (Upper Quartile) | P50 (Median) | P25 (Lower Quartile) |
| 2018 | A (see notes) | 8:1 | 14:1 | 22:1 | Total remuneration £000s | £2,069 | £257 | £145 | £93 |
| | Salary only | 3:1 | 6:1 | 7:1 | Salary only £000s | £465 | £138 | £78 | £64 |

UK:

| Financial Year | Methodology | Pay Ratios | | | Calculation | Remuneration Values | | | |
|----------------|---------------|----------------------|--------------|----------------------|-----------------------------|-------------------------|----------------------|--------------|----------------------|
| | | P75 (Upper Quartile) | P50 (Median) | P25 (Lower Quartile) | | Chief Executive Officer | P75 (Upper Quartile) | P50 (Median) | P25 (Lower Quartile) |
| 2018 | A (see notes) | 9:1 | 17:1 | 28:1 | Total remuneration £000s | £2,069 | £234 | £122 | £74 |
| | Salary only | 4:1 | 5:1 | 9:1 | Salary only £000s | £465 | £129 | £86 | £52 |

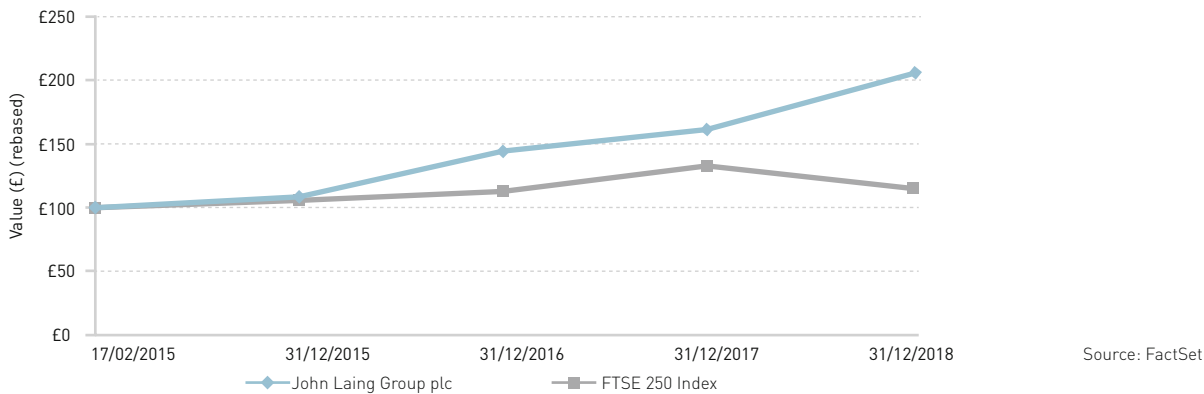
Notes:

- The employees at the 25th, 50th and 75th percentiles (lower, median and upper quartile) were determined as at 31 December 2018 based on full-time equivalent remuneration for all Group/UK employees other than for variable pay where the actual amount to be paid has been used.
- "Option A" methodology, as set out in the Companies (Miscellaneous Reporting) Regulations 2018, was selected as this is considered the most statistically accurate under the reporting regulations.
- Employees on reduced pay are excluded from the calculation.
- Joiners have been excluded as their annualised package may not be comparable to the Chief Executive Officer due to limited participation in the variable pay schemes.
- The data for the three individuals identified has been considered and fairly reflects pay at the relevant quartiles amongst the Group and UK employee population respectively. Each of the employees was a full-time employee during the year and none received an exceptional award which would otherwise inflate their pay figures.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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 2018. 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 2018) of £100 invested in John Laing Group plc on the date of admission to the Official List (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 to 2018 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.

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|-------|------|------------------|--------------|
| Total remuneration (£'000) | 1,535 | 759 | 1,702 | 2,069 |
| Annual bonus (% of maximum) | 70% | 63% | 79% | 82% |
| LTIP (% of maximum) | Nil | Nil | 78% ¹ | 96% |

1. Updated (see page 76)

The 2017 figure includes the 2015 LTIP award which vested in April 2018. The 2017 figure has been updated to reflect the final vesting percentage.

Voting outcome on Remuneration

The table below shows the most recent voting outcomes on the remuneration related resolutions:

| | AGM | Votes For | Votes Against | Votes Withheld |
|----------------------------------------------------------|-------------|--------------------------|------------------------|----------------|
| Resolution to approve the Annual Report on Remuneration | 10 May 2018 | 398,377,839 (99.92%*) | 321,063 (0.08%*) | 12,960,956 |
| 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 2019

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

| | |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salaries for Executive Directors | Olivier Brousse – £483,600 Patrick O'D Bourke – £346,300 (retiring from the Board on 9 May 2019) Luciana Germinario – £325,000 (to be appointed to the Board on 25 April 2019) |
| Benefits | No change |
| Pension | No change for incumbent Directors. The pension opportunity for new hires, including Luciana Germinario, has been reduced to 12% of salary in line with the maximum contribution rate offered to senior employees. |

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Application of the Remuneration Policy for 2019 (continued)

2019 Bonus Consistent with the approach taken since the IPO, the 2019 bonuses will be based on 80% corporate and 20% individual objectives. 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 2019 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.

Subject to approval of the Remuneration Policy, the maximum bonus opportunity for Olivier Brousse will be 150% of salary. Patrick O'D Bourke and Luciana Germinario will have a maximum opportunity of 100% of salary, pro-rated to reflect the period served.

2019 LTIP LTIP awards granted to Olivier Brousse and Luciana Germinario will be over shares worth 175% and 150% of salary respectively. Patrick O'D Bourke will not participate in the 2019 LTIP award cycle.

The 2019 LTIP awards will be measured over three years and 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 revised fees are as follows:

| | |
|-----------------------------------------------------------------|-----------------------|
| Chairman | £195,000 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 & Chairing the Nomination Committee | £15,000 ⁴ |

1. Increased from £180,000 to £200,000 in May 2018. On 18 October 2018, Will Samuel stepped down as Chair of the Nomination Committee. As a result of the change in role, the annual Chairman's fee was reduced to £195,000 effective the same date.

2. Increased from £45,000 as from 1 May 2018.

3. Increased from £10,000 as from 1 May 2018.

4. An additional fee of £5,000 was added to the newly combined role of Senior Independent Director and Chairman of the Nomination Committee as from 18 October 2018.

Retirement of Patrick O'D Bourke Patrick will continue to receive salary, benefits and pension contributions up until the date of cessation of employment. As his retirement has the agreement of the Board, under the terms of the Policy and respective incentive plans he will:

- Be eligible to receive, subject to performance, a pro-rata bonus for 2019. This will be paid on the normal payment date and as he will no longer be an employee of the Company at this point, will be paid solely in cash;
- Retain his outstanding DSBP awards, which will vest in full on cessation (as was the Policy for awards granted prior to May 2019); and
- Retain his outstanding LTIP awards, which will continue to vest on the normal vesting date and be subject to a post-vesting holding requirement and will be pro-rated for time served.

Appointment of Luciana Germinario Luciana will be appointed to the Board on 25 April 2019 and assume the role of Chief Financial Officer following the AGM on 9 May 2019. The terms of her service contract have been set in accordance with the Policy approved by shareholders in 2016. On appointment, she will receive a salary of £325,000, with an annual bonus and LTIP opportunity for 2019 of 100% and 150% of salary respectively. Her bonus for 2019 will be pro-rated to reflect actual service during the year and she will receive an award under the LTIP in the grant window following her date of joining.

Luciana will also receive a buyout award in compensation for cash-based long-term incentive awards that she will forfeit on leaving Eight Roads, her previous employer. The buy-out award, which has been designed to mirror the time horizon and expected value of the remuneration forfeit, will be primarily delivered in shares. The grant value of the buy-out award is approximately £240,000.

A pension provision of 12% of basic salary will be provided. The provisions for the pension are in line with the structure in place for the UK workforce and the rate is aligned with other senior employees below Board level. She will also receive private medical and dental insurance, permanent health insurance and life assurance.

By order of the Board

Anne Wade

CHAIR OF THE REMUNERATION COMMITTEE
4 MARCH 2019

DIRECTORS' REMUNERATION POLICY

This report sets out the updated Remuneration Policy for the Directors. The principal changes are described on page 71 of the Directors' Remuneration Report. The updated policy will be subject to a binding vote by shareholders at our AGM on 9 May 2019.

The updated policy promotes the delivery of sustainable long-term performance through the long-term nature of the incentive plans (bonus deferral and LTIP), the variety of performance measures used (aligning with the business strategy and supporting a rounded assessment of performance), and the balanced approach to target setting and performance assessment.

Remuneration Policy Table

The table below sets out the Remuneration Policy for the Executive Directors.

Salary

| | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose and link to strategy | 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. |
| Operation | Normally reviewed annually by the Committee 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. |
| Link to performance | 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. |
| Maximum opportunity | 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 2019 see the Annual Report on Remuneration on page 79. |

Benefits

| | |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose and link to strategy | To operate a competitive benefits structure for Executive Directors that aids in their recruitment and retention. |
| Operation | Provision of benefits such as private medical and dental insurance, life insurance, permanent health insurance and company sick pay. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company on the same basis as other eligible employees. Additional benefits may be provided from time to time if the Committee decides the payment of such benefits is appropriate or, where required, to facilitate the relocation of an Executive Director. Executive Directors are entitled to reimbursement of reasonable expenses incurred by them in the performance of their duties (including any tax payable thereon). |
| Link to performance | Not applicable. |
| Maximum opportunity | 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. |

Pension

| | |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose and link to strategy | To offer market competitive levels of pension and to recognise long-term commitment to the Group. |
| Operation | 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. |
| Link to performance | Not applicable |
| Maximum opportunity | Chief Executive Officer up to 15% of salary; As announced on 23 January 2019, Chief Financial Officer up to 12%; Future appointments to be aligned with the majority of the workforce. |

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Annual Bonus

| | |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose and link to strategy | To recognise and reward the delivery of short-term strategic and financial objectives which contribute towards long-term sustainable growth. |
| Operation | <p>The Executive Directors participate in the same overall bonus structure as other Group employees (except for those employees within JLCM).</p> <p>To the extent any bonus exceeds 60% of salary or where higher 60% of maximum bonus potential, 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. Dividend equivalents that accrue on the DSBP shares during the vesting period may be paid in cash and/or shares at the time of vesting.</p> <p>Clawback and, in the case of deferred share awards, malus provisions apply.</p> |
| Link to performance | <p>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 each financial year, with threshold, target and stretch levels of performance set for each measure. There is no fixed weighting between metrics.</p> <p>Details of the metrics used to determine the 2018 bonus are set out in the Annual Report on Remuneration on page 74 and the metrics to be used for the 2019 bonus are set out in the Annual Report on Remuneration on page 80.</p> <p>The Committee uses the scorecard as a guide to help it consider the overall performance of the business and the appropriate size of the bonus. The Committee will, in its absolute discretion, take into account all relevant circumstances when determining the size of the bonus, recognising that, given the long-term nature of the business, metrics relating to projects invested in may move from one year to another outside management's control. The Committee also has the discretion to reduce the size of the bonus if it feels that the level of bonus is not supported by the underlying financial and operational performance of the business.</p> <p>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 20% of the maximum.</p> <p>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.</p> |
| Maximum opportunity | <p>Up to 150% of salary (60% of maximum for target performance). For 2019, the maximum bonus will be limited to 100% of salary for the Chief Financial Officer.</p> <p>No more than 25% of maximum will be payable for threshold performance.</p> |

Long Term Incentive Plan (LTIP)

| | |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose and link to strategy | To incentivise and reward the creation of long-term shareholder value. |
| Operation | <p>At the discretion of the Committee, Executive Directors will normally 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).</p> <p>The awards are subject to the achievement of performance and service conditions.</p> <p>Executive Directors are required to retain any shares vesting under an LTIP award (net of tax) for a further two years post-vesting.</p> <p>Dividend equivalents that accrue on award shares during the vesting period may be paid at the time of vesting.</p> <p>Clawback and malus provisions apply.</p> |
| Link to performance | <p>Awards are subject to the achievement of performance targets linked to the long-term success of the Company.</p> <p>These targets are currently based 50% on growth in NAV per share and 50% on total shareholder return (TSR). However, different performance metrics/weightings may be set for future awards to ensure that the LTIP remains aligned to the Company's strategy.</p> <p>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.</p> |
| Maximum opportunity | <p>Up to 200% of salary.</p> <p>It is intended that awards for 2019 will be limited to 175% and 150% of salary for the Chief Executive Officer and Chief Financial Officer respectively.</p> |

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Shareholding guidelines

The Executive Directors are required to build and maintain a shareholding in the Company equivalent to 200% of 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.

The Committee notes the advice set out in the 2018 Code for executives to be required to retain a shareholding in the Company for a period post cessation of employment. The Committee has reviewed its policy in this regard and the revised policy is set out below:

| Share type | Retention requirement | Continued interest in shares post cessation of employment |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unvested shares under the DSBP and LTIP | Unvested share awards will ordinarily lapse on cessation of employment. However, in certain prescribed circumstances (see page 86), participants will be allowed to retain a right to the shares. In such circumstances, the shares will ordinarily continue to vest on the normal vesting date ¹ and for the LTIP awards, an additional holding period will apply. | Up to three years ¹ in respect of DSBP. Up to five years in respect of LTIP shares (remainder of performance period plus a two year post-vesting holding requirement). |
| Vested LTIP shares subject to a holding period | The holding period continues to apply irrespective of employment status. | Up to two years |
| Other beneficially owned shares | None | – |

1. See page 86, a different policy applies in respect of DSBP awards granted prior to 9 May 2019.

Having reviewed the Executive Directors' existing shareholdings, the Committee is satisfied that the above policy provides sufficient exposure for the executives to the long-term share price movement of the Company. Detail on the Executive Directors' current interests in shares and the proportion to which a post-employment retention requirement applies are set out on page 77.

Annual bonus performance metrics

The size of the overall bonus is assessed by the Committee taking into account performance against a scorecard of corporate metrics which reflect the growth of the business. The choice of metrics may change for future award cycles, but was the following for 2018:

| Metric | Link to strategy |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NAV ¹ | This measures growth in the value of the Group's net asset value. |
| 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. |

1. In 2018 the metrics were adjusted, as appropriate, to take into account the Rights Issue.

The majority of the bonus (currently 80% at an Executive Director level) is based on the above assessment of corporate performance. The remainder of the bonus (currently 20% at an Executive Director level) is assessed on individual performance.

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 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 comparator group consisting of 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.

For awards granted in respect of performance periods beginning on or after 1 January 2019, the Committee retains the ability to scale-back the extent to which any LTIP award vests, or to impose any additional conditions on vesting, where it considers it is appropriate to do so (for example, where the vesting outcome does not reflect wider Company or individual performance).

The Committee also retains the ability to adjust the metrics, weighting and targets 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, where 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. In addition, for awards granted in respect of performance periods beginning on or after 1 January 2019, the Company may also apply malus or clawback to an award where the Company suffers a material downturn in its operational or financial performance which is at least partly attributable to management failure and to which the relevant participant has made a material contribution; where the Company has suffered an instance of corporate failure resulting in the appointment of a liquidator or administrator; and/or where there is a failure of risk management and/or regulatory non-compliance resulting in material damage to the Company's business or reputation.

The Company may also clawback cash bonus awards or previously vested DSBP and LTIP awards in the circumstances 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 consults with major shareholders in advance of making any significant changes to remuneration arrangements.

Link to the remuneration policy for all employees

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. Other senior employees also participate in the same LTIP as the Executive Directors.

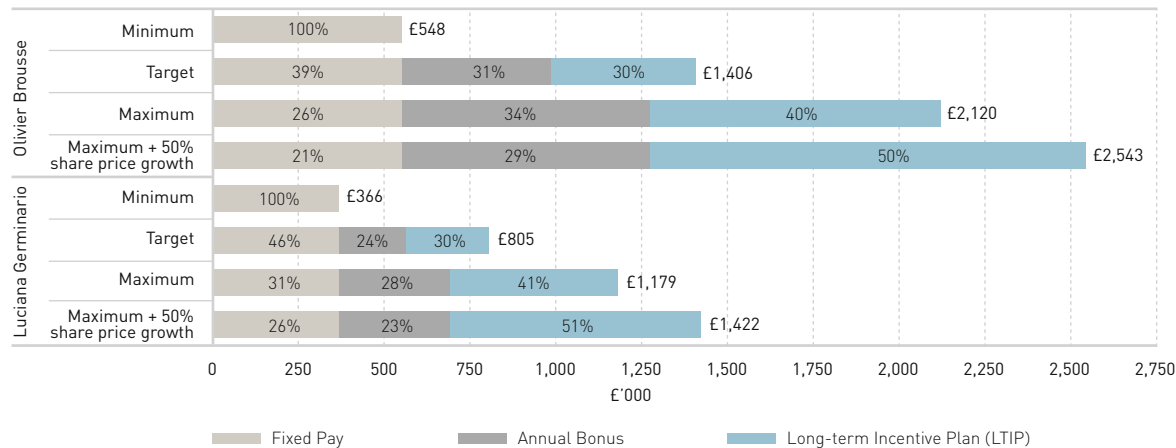
There are some differences in the structure of the remuneration policy for the Executive Directors compared to other employees, which the Committee believes are necessary to reflect the different levels of responsibility. The two main differences are the increased emphasis on performance-related pay 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).

The Committee did not formally consult with employees in respect of the design of the Directors' remuneration policy. However, a review of the workforce engagement programme is underway, including how the Company will engage with employees in respect of executive pay.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Remuneration reward scenarios

The total remuneration for the Executive Directors that could result from the remuneration policy in 2019 is shown below:



Notes:

1. Fixed pay consists of salary, benefits and pension. Salary is the amount to be paid in 2019 and benefits are based on the estimated value for 2019. Pension is shown as 12.9% of salary for the Chief Executive Officer and 12% for the Chief Financial Officer. For the Chief Financial Officer, full year equivalent values have been shown.
2. The maximum bonus opportunity for 2019 is 150% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer, with 60% of the maximum earned at target performance. The amount of any bonus in excess of 60% of salary is deferred in shares, which vest subject to continued employment over one, two and three years.
3. The maximum LTIP award for 2019 is 175% of salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer. An award of 50% of the maximum is assumed for target performance. LTIP awards are subject to a three year performance period and the number of shares that vest (net of tax) must be held for a further two years post vesting.
4. The minimum, target and maximum scenarios exclude the impact of possible share price appreciation. A further scenario has been included to illustrate the impact of a 50% increase in the share price on the value of LTIP awards in the maximum scenario. The basis of the calculation of the share price appreciation is that the share price used in the calculation for the further scenario is assumed to increase by 50% across the performance period. No assumptions have been made as to the value of dividend equivalents on share awards in any scenario.

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 an above inflation increase or increases, subject to his or her continued development in the role.
- Pension arrangements for new appointments to the Board will be aligned with the rate applying to the majority of the employees in the country in which the Executive Director is to be based.
- 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 for a specified period. The Committee may also approve the payment of one-off relocation-related expenses and legal fees.
- Maximum variable pay is limited under the policy to 350% of salary. However, the Committee may offer additional 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.

Executive Directors' service agreements

Olivier Brousse entered into a service agreement with the Company on 16 January 2015. Luciana Germinario entered into a service agreement with the Company on 22 January 2019. There is no fixed term and the contracts continue until terminated by either party giving 12 months' notice.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Policy on payment for departure from office

The Company is 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 service agreement to reduce the instalments where the Executive Director commences alternative employment during the notice period.

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). Outplacement services and reimbursement of legal costs may also be provided. Where appropriate, medical coverage may continue for a period post cessation.

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:

Voluntary resignation or termination for cause

| | |
|---------------------|----------------------------|
| Annual Bonus | No entitlement. |
| DSBP | Unvested awards will lapse |
| LTIP | Unvested awards will lapse |

Death, ill health, disability, redundancy or retirement agreed with the Board or for any other reason determined by the Committee

| | |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Bonus | Bonus may be payable subject to performance. Awards normally pro-rated based on the period worked during the financial year. If the executive has left employment by the payment date, the bonus will be paid wholly in cash. |
| DSBP | Unvested awards granted prior to 9 May 2019 will vest on the date of cessation with no pro-rata reduction. Awards granted after 9 May 2019 will continue to vest on the normal vesting date, unless the Committee determines that early vesting should apply. |
| LTIP | Awards will vest on the normal vesting date, subject to performance and a time pro-rata reduction. 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. The post-vesting holding requirement and post-employment shareholding policy continue to apply. |

Departure on agreed terms

Treatment will normally fall between the two treatments described above, subject to the discretion of the Committee and the terms of any termination agreement.

Any outstanding awards under an all employee share plan or separate buy-out arrangements entered into on the recruitment of an Executive Director will be treated in accordance with the terms of the relevant plan/award.

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 or that such awards should be adjusted in such manner as the Committee may determine.

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 services¹.

1. Olivier Brousse is a Non-executive Director of 1001 Fontaines. He does not receive any fees for this appointment. Patrick O'D Bourke is a Non-executive Director of Affinity Water Limited and received fees of £48,175 in 2018 (£47,587 in 2017).

Remuneration for the Chairman and Non-executive Directors

| Fee policy | <p>The Chairman is paid an all-inclusive fee for all Board responsibilities.</p> <p>The other Non-executive Directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities (e.g. for Chair of a Board Committee, the role of Senior Independent Director or other Board appointed role).</p> <p>The Non-executive Directors do not participate in any of the Company's incentive arrangements.</p> <p>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 80. Fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the scope and time commitment of the role and market levels in companies of comparable size and complexity and other broadly comparable companies. Additional fees may be paid as appropriate.</p> | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------|-----------------|----------------------|------------|-------------|------------------------|---------------|---------------------------------|------------------------|--------------|--------------------------------|------------------------|-------------|---------------------------------|------------------------|-----------|---------------------------------|------------------------|
| Expenses | <p>The Chairman and the Non-executive Directors are entitled to reimbursement of reasonable expenses (and any tax payable thereon).</p> | | | | | | | | | | | | | | | | | | | | | |
| Letters of appointment and policy on termination | <p>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).</p> <p>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.</p> | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Director</th> <th>Date of letter of appointment</th> <th>Unexpired term at 31 December 2018</th> </tr> </thead> <tbody> <tr> <td>Will Samuel</td> <td>7 December 2017</td> <td>1 year and 11 months</td> </tr> <tr> <td>Andrea Abt</td> <td>10 May 2018</td> <td>2 years and 4.3 months</td> </tr> <tr> <td>Jeremy Beeton</td> <td>18 December 2014^{1,2}</td> <td>2 years and 1.5 months</td> </tr> <tr> <td>Toby Hiscock</td> <td>16 January 2015^{1,2}</td> <td>2 years and 1.5 months</td> </tr> <tr> <td>David Rough</td> <td>17 December 2014^{1,2}</td> <td>2 years and 1.5 months</td> </tr> <tr> <td>Anne Wade</td> <td>17 December 2014^{1,2}</td> <td>2 years and 1.5 months</td> </tr> </tbody> </table> | Director | Date of letter of appointment | Unexpired term at 31 December 2018 | Will Samuel | 7 December 2017 | 1 year and 11 months | Andrea Abt | 10 May 2018 | 2 years and 4.3 months | Jeremy Beeton | 18 December 2014 ^{1,2} | 2 years and 1.5 months | Toby Hiscock | 16 January 2015 ^{1,2} | 2 years and 1.5 months | David Rough | 17 December 2014 ^{1,2} | 2 years and 1.5 months | Anne Wade | 17 December 2014 ^{1,2} | 2 years and 1.5 months |
| Director | Date of letter of appointment | Unexpired term at 31 December 2018 | | | | | | | | | | | | | | | | | | | | |
| Will Samuel | 7 December 2017 | 1 year and 11 months | | | | | | | | | | | | | | | | | | | | |
| Andrea Abt | 10 May 2018 | 2 years and 4.3 months | | | | | | | | | | | | | | | | | | | | |
| Jeremy Beeton | 18 December 2014 ^{1,2} | 2 years and 1.5 months | | | | | | | | | | | | | | | | | | | | |
| Toby Hiscock | 16 January 2015 ^{1,2} | 2 years and 1.5 months | | | | | | | | | | | | | | | | | | | | |
| David Rough | 17 December 2014 ^{1,2} | 2 years and 1.5 months | | | | | | | | | | | | | | | | | | | | |
| Anne Wade | 17 December 2014 ^{1,2} | 2 years and 1.5 months | | | | | | | | | | | | | | | | | | | | |
| | <p>1. The agreements were conditional on and did not become effective until the Company's admission to the Official List on 17 February 2015.</p> <p>2. Amendments to the letters of appointment were signed in January 2018, extending the terms by a further three years to 16 February 2021.</p> | | | | | | | | | | | | | | | | | | | | | |
| Recruitment policy | <p>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.</p> | | | | | | | | | | | | | | | | | | | | | |

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of John Laing Group plc (the Company) together with its subsidiary undertakings (the Group) for the year ended 31 December 2018. The Directors' Report and the Strategic Report, which includes the trends and factors likely to affect the future development, performance and position of the business and a description of the principal risks and uncertainties of the Group (which can be found on pages 6 to 55 and is incorporated by reference), collectively comprise the management report as required under the Disclosure and Transparency Rules (the DTR) (DTR4.1.5R).

Additional Disclosures

In accordance with the UK Financial Conduct Authority's Listing Rules, the information to be included in the 2018 Annual Report and Accounts, where applicable, under Listing Rule 9.8.4, is set out in this Directors' report.

The information required by Listing Rule 9.8.4R is disclosed on the following pages:

| Disclosure | Page |
|----------------------------------------|---------|
| Long-term incentive schemes | 70-87 |
| Unaudited Financial Information | 156-158 |
| Contracts of significance | 91 |
| Shareholder waiver of dividends | 88 |
| Shareholder waiver of future dividends | 88 |

Disclosures relating to capitalised interest, waiver of emoluments or of future emoluments by a Director, non-pro-rata allotments for cash (issuer or major subsidiaries), parent participation in placing by a listed company, provision of services by a controlling shareholder or agreements with controlling shareholders do not apply to the Company.

Principal 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 2018 can be found in note 13 to the Company financial statements on page 148 of this Annual Report.

The principal activity of the Company is to act as the holding company of the Group.

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

Results and Dividends

The Group's results for the year ended 31 December 2018 are set out in the Group Income Statement on page 100. The Group profit before tax for the year ended 31 December 2018 was £296.6 million (2017 – £126.0 million).

The Company-only profit after tax for the year was £293.9 million (see page 138) (2017 – £139.4 million).

The Board proposes, subject to the approval of shareholders at the AGM to be held on 9 May 2019, that a base dividend of 3.6 pence per ordinary share, plus a special dividend of 4.1 pence per ordinary share, totalling a final dividend of 7.7 pence per ordinary share be paid on 17 May 2019 to shareholders whose names are on the register of members at the close of business on 23 April 2019. Further information on the final dividend can be found on page 102. This payment, together with the interim dividend of 1.8 pence per ordinary share paid on 26 October 2018, makes a total for the year of 9.5 pence per share.

Sanne Fiduciary Services Limited, trustee of the John Laing Group Employee Benefit Trust, has waived its entitlement to dividends.

Performance Monitoring

The delivery of the Group's strategic objectives is monitored by the Board through Key Performance Indicators ("KPIs"), set out in the Summary Financial Information section, and regular periodic review of various aspects of the Group's operations. The Group considers that the KPIs listed on page 2 are appropriate measures to assess the delivery of the Group's strategy.

Board of Directors

The following were Directors of the Company during the year ended 31 December 2018 and at the date of this Report:

Will Samuel

Phil Nolan (resigned 10 May 2018)

Olivier Brousse

Patrick O'D Bourke (retiring and stepping down from the Board on 9 May 2019)

Andrea Abt (appointed 10 May 2018)

Jeremy Beeton

Toby Hiscock

David Rough

Anne Wade

In accordance with the Company's Articles of Association and the 2016 UK Corporate Governance Code guidelines, all those persons holding office as a Director of the Company on 31 December 2018 will retire and offer themselves for re-election at the 2019 Annual General Meeting, except for Patrick O'D Bourke who will be retiring, for Andrea Abt, who was appointed on 10 May 2018, and for Luciana Germinario who will be appointed on 25 April 2019.

Luciana will be appointed to the Board as Chief Financial Officer Designate on 25 April 2019 and will succeed Patrick O'D Bourke upon his retirement on 9 May 2019. Luciana has extensive financial experience at senior managerial level and significant experience in the investment and digital industrial sectors. She was previously Chief Financial Officer for Eight Roads, the principal investment division of Fidelity International Limited, with responsibility for the finance function, the real estate investment business and technology. Prior to this, she held a number of finance roles within General Electric and its worldwide subsidiaries covering industries such as healthcare, energy, media, plastic and financial services. Luciana holds an Honours (Capital Markets) degree from Bocconi University and an Executive MBA from the International Institute for Management Development. Andrea and Luciana will both stand for election for the first time at the 2019 AGM.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's Long Term Incentive Plan and Deferred Share Bonus Plan may cause unvested awards granted to Directors and employees to vest on a takeover.

Appointment and Removal of a Director

Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in a general meeting following nomination by the Board or a member entitled to vote at such meeting or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM; if he or she is to continue, he or she offers himself or herself for election. A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by an ordinary resolution of the Company.

Powers of the Directors

Subject to the Articles, the Companies Act 2006 (the Act) and any directions given by the Company by special resolution and any relevant statutes and regulations, the business of the Company will be managed by the Board who may exercise all the powers of the Company. Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are also included within the Articles, and such authorities are submitted for approval by shareholders at the AGM each year.

The Company has not utilised its authority to make market purchases of shares granted at the 2018 AGM but, in line with market practice, will be seeking to renew such authority at this year's AGM.

Directors' Interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report. Since the year end, there have been no changes to such interests.

In line with the requirements of the Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

The Company has in place procedures for managing conflicts of interest as noted in the Corporate Governance report on page 59. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, Directors will not be in breach of their duty under company law.

Directors' Indemnities

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Directors and Group Company Secretary of the Company and the directors of the Company's subsidiaries have the benefit of a third party indemnity provision, as defined by section 236 of the Act, pursuant to the Company's Articles of Association.

DIRECTORS' REPORT (CONTINUED)**Share Capital and Shareholder Voting Rights**

Details of the Company's issued share capital and the rights attached to the shares, together with details of movements in the issued share capital during the year, are shown in note 22 to the Group financial statements on pages 134 and 135 of this Annual Report. All ordinary shares, including those acquired through Company share schemes, rank equally with no special rights. There are no known arrangements that may restrict the transfer of shares or voting rights.

All shareholders are entitled to attend and speak at general meetings of the Company, appoint proxies, receive any dividends, exercise voting rights and transfer shares without restriction. On a show of hands at a general meeting every member present in person shall have one vote, and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held.

Significant Shareholders

Notifications of the following major voting interests in the Company's ordinary share capital (notifiable in accordance with Rule 5 of the FCA's DTR or section 793 of the Act) had been received by the Company up to 31 December 2018 and 4 March 2019, being the last practicable date. The information provided below was correct at the date of the notification. These holdings may have changed since the Company was last notified. However notification of any change is not required until the next notifiable threshold is crossed.

| Notifications received by | 31 December 2018 | % of issued share capital | 4 March 2019 | % of issued share capital |
|----------------------------|------------------|---------------------------|--------------|---------------------------|
| Standard Life Aberdeen plc | 72,615,779 | 14.80 | 73,864,748 | 15.05 |
| BlackRock, Inc. | 31,366,785 | 6.41 | 31,366,785 | 6.41 |
| Baillie Gifford & Co | 24,734,900 | 5.04 | 24,734,900 | 5.04 |
| Kames Capital Plc | 14,747,579 | 3.00 | 14,747,579 | 3.00 |
| Norges Bank | 14,728,606 | 3.00 | 14,728,606 | 3.00 |

The Company did not receive any notifications during the period between 31 December 2018 and 4 March 2019 except from Standard Life Aberdeen plc.

The processes by which the Company seeks to understand the views of its major shareholders are described on page 63.

Articles of Association

In accordance with the Act, the Articles of Association may only be amended by a special resolution of the Company's shareholders in a general meeting.

Transactions with Related Parties

During the period, the Company did not enter into any material transactions with any related parties.

Political Donations

The Group made no political donations during 2018 (2017: £nil). It remains the Company's policy not to make political donations. However, the application of the relevant provisions of the Act is potentially very broad in nature and, as it did last year, the Board will be seeking shareholder authority to make political donations up to a defined limit to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority.

Greenhouse Gas Emissions

Greenhouse gas emissions are detailed in the Strategic Report on pages 54 to 55.

Branches

The Company and its subsidiaries have established branches in certain of the countries in which the Group operates.

Auditor

The Company's auditor is Deloitte LLP (the External Auditor). A resolution proposing the reappointment of Deloitte LLP is included in the Notice of Meeting and will be put to shareholders at the 2019 AGM.

Statement of Disclosure of Information to the External Auditor

In accordance with Section 418(2) of the Act, each Director in office at the date the Directors' Report is approved confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's External 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 External Auditor is aware of that information.

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 6 to 55. The Strategic Report includes the Financial Review on pages 32 to 39, the viability statement on page 40 and the principal risks facing the Group on pages 41 to 46.

Research and Development

Neither the Company nor any of its subsidiaries undertake any research or development activities.

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 18 to the Group financial statements.

Post Balance Sheet Events

Post balance sheet events are detailed in note 28 to the Group financial statements.

Material Contracts

The Group's £650 million committed corporate banking facilities dated 25 July 2018, currently comprise £500 million committed until 25 July 2023 and £150 million until 25 January 2021 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 outstanding utilisations would need to be made by the incoming owners. 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, which were cancelled on 25 July 2018, had also included a change of control clause. Separately, the Group's £50 million liquidity facilities, originally due to mature in March 2018, but extended to February 2019 and then cancelled on 25 July 2018, had contained 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 employees and resultant queries are handled by the relevant business heads or Executive Committee members 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 employees. 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 pages 47 to 50 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 4 March 2019.

Governance Arrangements

Information regarding the Company's governance arrangements is set out in the Corporate Governance Report on pages 58 to 63. These pages are incorporated by reference into the Directors' Report.

On behalf of the Board

Clare Underwood

GROUP COMPANY SECRETARY
4 MARCH 2019

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 4 March 2019 and is signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
4 MARCH 2019

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
4 MARCH 2019

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 of John Laing Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 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 (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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 which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and parent company balance sheets;
- the Group and parent company statements of changes in equity;
- the Group and parent company cash flow statements; and
- the related notes 1 to 28 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 IFRSs 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 Financial Reporting Council's (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 | <p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • <i>Valuation of investments</i> • <i>Valuation of defined benefit pension scheme liabilities.</i> <p>The above key audit matters are consistent with the prior year.</p> |
| Materiality | <p>The materiality that we used for the Group financial statements was £21 million (December 2017: £21 million) which was determined on the basis of shareholders' equity and was retained at the same level as the prior year. The materiality that we used for the parent company financial statements was £19 million (December 2017: £19 million). This is 1.3% of shareholders' equity for the Group and 1.2% of shareholders' equity for the parent company (December 2017: 1.9% and 1.7% respectively).</p> |
| Scoping | <p>Our audit scope primarily focused on the fair value of those Public Private Partnership (PPP) and Renewable Energy investments which are significant to the Group. This year our audit included local valuation specialists to undertake audit work on the valuation of a sample of Asia Pacific assets. This reflects that the valuation of these assets is now undertaken locally. The Group does not perform the valuation of the North American assets locally and therefore our approach to the audit of these investments remained unchanged.</p> |
| Significant changes in our approach | <p>There has been no significant change in our audit approach in the current year other than the use of valuation specialists in Asia Pacific as noted above.</p> |

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 3(b) 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 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 considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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 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 41 to 46 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 41 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 40 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 in the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. There has been no change in the key audit matters in the current year from what we reported last year.

VALUATION OF INVESTMENTS

Key audit matter description

The Group holds a range of investments in PPP and Renewable Energy assets. The total value of these assets at 31 December 2018 was £1,560 million (31 December 2017 – £1,194 million) as disclosed in note 13 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 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 considered whether there was 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 valuation is obtained from a third party in respect of the fair market value of the portfolio as a whole 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 in the Audit & Risk Committee report on page 65 and note 4 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.
- Deloitte valuation specialists in Australia assisted in auditing the value of a sample of Asia Pacific assets which entailed the procedures as described below.
- We met with the Group's independent 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 independent valuer. We also assessed the competence and independence of the external valuer.
- We assessed 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. For new investments we also reviewed the project model audit report.
- We also visited the US and Australian operations of the Group which included a site visit to a sample of assets. We also discussed asset performance with members of the Asset Management team and considered the impact of operational challenges on the value of key projects.
- 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 our work identified 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 to be appropriate and within an acceptable range taking into account the range of discount rates observed within the market and the work of the independent valuer.
- The level of transactional evidence on the value of investments has increased over the past four years as the Group has divested assets. The price obtained on divestments over this period supports the valuations ascribed by the company excluding the valuation uplift on the sale in 2018 of the Group's investment in IEP (Phase 1).
- We consider the disclosures in respect of the valuation of investments to be appropriate and in accordance with IFRSs as adopted by the EU.

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

VALUATION OF DEFINED BENEFIT PENSION SCHEMES

| | |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Key audit matter description | <p>The Group has two defined benefit pension schemes (The John Laing Pension Fund and The John Laing Pension Plan) which had a combined deficit of £33 million at 31 December 2018 (deficit of £32 million at 31 December 2017).</p> <p>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.</p> <p>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.'</p> <p>The Group has recorded a charge and an additional pension liability of £21 million for the costs of Guaranteed Minimum Payment (GMP) equalisation.</p> <p>See note 20 of the Group financial statements for further information and the Audit & Risk Committee report on page 66 and the Group's disclosures around critical accounting judgements and key sources of estimation uncertainty in note 4.</p> |
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none"> • 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 tested 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, external legal advice obtained by management and the actuarial schedule of contributions. • Our pension specialists assessed the impact of the GMP equalisation charge. • We checked that the disclosure requirements of IAS 19R <i>Employee Benefits</i> had been fulfilled. |
| Key observations | <ul style="list-style-type: none"> • We consider the judgements adopted by the Group in valuing the pension scheme liabilities (the discount, inflation and mortality assumptions) to be appropriate and consistent with our own internal benchmarks. • 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. • The methodology adopted by the company for calculating the impact of the GMP equalisation is appropriate. • We also consider the disclosures around the valuation of the defined benefit pension schemes to be appropriate and in accordance with IFRSs as adopted by the EU. |

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 as follows:

| | GROUP FINANCIAL STATEMENTS | PARENT COMPANY FINANCIAL STATEMENTS |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Materiality | £21 million (December 2017 – £21 million) | £19 million (December 2017 – £19 million) |
| Basis for determining materiality | 1.3% of Group shareholders' equity (December 2017 – 1.9%) | 1.2% of Parent Company shareholders' equity (December 2017 – 1.7%) |
| 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 £750,000 (2017: £500,000), 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 project 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. The Group audit team visited the Group's North American and Asia Pacific operations in the year which was combined with a site visit to a sample of the Group's investments. Over the past three years the Group audit team has visited 10 of the Group's investments which covered 25% of the investment portfolio by value at 31 December 2018.

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.

We have nothing to report in respect of these matters.

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 is fair, balanced and understandable and provides 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 & Risk Committee reporting – the section describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk 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.

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.

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

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the Audit & Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and involving relevant internal specialists, including tax and pensions specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: the discount rate assumption in the valuation of the investment portfolio and the assumptions including the adoption of the appropriate discount rate, inflation rate and mortality assumptions in determining the defined benefit pension scheme liabilities; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified the valuation of investments and the valuation of the defined benefit pension scheme liabilities as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 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 auditor 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 auditor at the Annual General Meeting on 10 May 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ended 31 December 2008 to 31 December 2018.

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).

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.

Claire Faulkner FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2019

GROUP INCOME STATEMENT

for the year ended 31 December 2018

| | Notes | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|----------------------------------------------------------------------------|-------|------------------------------------------------|------------------------------------------------|
| Net gain on investments at fair value through profit or loss | 13 | 366.5 | 166.3 |
| Other income | 8 | 30.9 | 30.4 |
| Operating income | 5 | 397.4 | 196.7 |
| Administrative expenses (excluding GMP equalisation charge) | | (65.6) | (58.9) |
| GMP equalisation charge | 20 | (21.3) | - |
| Total administrative expenses | | (86.9) | (58.9) |
| Profit from operations | 9 | 310.5 | 137.8 |
| Finance costs | 11 | (13.9) | (11.8) |
| Profit before tax | 5 | 296.6 | 126.0 |
| Tax (charge)/credit | 12 | (0.3) | 1.5 |
| Profit for the year attributable to the Shareholders of the Company | | 296.3 | 127.5 |
| Earnings per share (pence)¹ | | | |
| Basic | 6 | 63.1 | 31.9 |
| Diluted | 6 | 62.4 | 31.5 |

1. Earnings per share for the year ended 31 December 2017 have been restated from those previously reported; see note 6 for details.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

| | Notes | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|------------------------------------------------------------|-------|------------------------------------------------|------------------------------------------------|
| Profit for the year | | 296.3 | 127.5 |
| Exchange differences on translation of overseas operations | | - | 0.1 |
| Actuarial (loss)/gain on retirement benefit obligations | 20 | (2.9) | 6.4 |
| Other comprehensive (loss)/income for the year | | (2.9) | 6.5 |
| Total comprehensive income for the year | | 293.4 | 134.0 |

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 2018

| | Notes | Share capital £ million | Share premium £ million | Other reserves £ million | Retained earnings £ million | Total equity £ million |
|------------------------------------------------|--------|----------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------|
| Balance at 1 January 2018 | | 36.7 | 218.0 | 5.9 | 863.3 | 1,123.9 |
| Profit for the year | | - | - | - | 296.3 | 296.3 |
| Other comprehensive loss for the year | | - | - | - | (2.9) | (2.9) |
| Total comprehensive income for the year | | - | - | - | 293.4 | 293.4 |
| Share-based incentives | 7 | - | - | 2.7 | - | 2.7 |
| Vesting of share-based incentives | 7, 22 | 0.2 | - | (2.5) | 2.3 | - |
| Net proceeds from issue of shares | 22, 23 | 12.2 | 198.3 | - | - | 210.5 |
| Dividends paid ¹ | | - | - | - | (44.0) | (44.0) |
| Balance at 31 December 2018 | | 49.1 | 416.3 | 6.1 | 1,115.0 | 1,586.5 |

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 | 7 | - | - | 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 |

1. Dividends paid:

| | Year ended 31 December 2018 pence | Year ended 31 December 2017 pence |
|------------------------------|--------------------------------------------|--------------------------------------------|
| Dividends on ordinary shares | | |
| Per ordinary share: | | |
| - final paid | 7.17^b | 6.30 |
| - interim proposed and paid | 1.80 | 1.75 ^a |
| - final proposed | 7.70 | 7.17 ^b |

a The interim dividend for 2017 of 1.91p per share paid in October 2017 became 1.75p per share after adjustment for the Rights Issue.

b The final dividend for 2017 was originally reported in the 2017 Annual Report and Accounts as 8.70p per share. This was adjusted for the Rights Issue to 7.17p per share and paid in May 2018.

The total estimated amount to be paid in May 2019 in respect of the proposed final dividend for 2018 is £37.8 million based on the number of shares in issue as at 31 December 2018. The final dividend paid for 2018 will depend on the number of share-based incentives vesting before the final dividend is paid.

GROUP BALANCE SHEET

as at 31 December 2018

| | Notes | 31 December 2018 £ million | 31 December 2017 £ million |
|---------------------------------------------------------------|-------|----------------------------------|----------------------------------|
| Non-current assets | | | |
| Plant and equipment | | 0.1 | 0.1 |
| Investments at fair value through profit or loss | 13 | 1,700.5 | 1,346.4 |
| Deferred tax asset | 19 | - | 0.5 |
| | | 1,700.6 | 1,347.0 |
| Current assets | | | |
| Trade and other receivables | 14 | 7.9 | 7.6 |
| Cash and cash equivalents | | 5.7 | 2.5 |
| | | 13.6 | 10.1 |
| Total assets | | 1,714.2 | 1,357.1 |
| Current liabilities | | | |
| Current tax liabilities | | (0.4) | (1.4) |
| Borrowings | 16 | (65.7) | (173.2) |
| Trade and other payables | 15 | (20.0) | (17.3) |
| | | (86.1) | (191.9) |
| Net current liabilities | | (72.5) | (181.8) |
| Non-current liabilities | | | |
| Retirement benefit obligations | 20 | (40.1) | (40.3) |
| Provisions | 21 | (1.5) | (1.0) |
| | | (41.6) | (41.3) |
| Total liabilities | | (127.7) | (233.2) |
| Net assets | | 1,586.5 | 1,123.9 |
| Equity | | | |
| Share capital | 22 | 49.1 | 36.7 |
| Share premium | 23 | 416.3 | 218.0 |
| Other reserves | | 6.1 | 5.9 |
| Retained earnings | | 1,115.0 | 863.3 |
| Equity attributable to the Shareholders of the Company | | 1,586.5 | 1,123.9 |

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 4 March 2019. They were signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
4 March 2019

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
4 March 2019

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2018

| | Notes | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|----------------------------------------------------------------------------|-------|------------------------------------------------|------------------------------------------------|
| Net cash outflow from operating activities | 24 | (53.9) | (47.3) |
| Investing activities | | | |
| Net cash transferred from investments at fair value through profit or loss | 13 | 12.4 | 77.4 |
| Purchase of plant and equipment | | - | (0.1) |
| Net cash from investing activities | | 12.4 | 77.3 |
| Financing activities | | | |
| Proceeds from issue of shares | | 210.5 | - |
| Dividends paid | | (44.0) | (30.1) |
| Finance costs paid | | (15.3) | (10.0) |
| Proceeds from borrowings | | 14.5 | 11.0 |
| Repayment of borrowings | | (121.0) | - |
| Net cash from/(used in) financing activities | | 44.7 | (29.1) |
| Net increase in cash and cash equivalents | | 3.2 | 0.9 |
| Cash and cash equivalents at beginning of the year | | 2.5 | 1.6 |
| Cash and cash equivalents at end of the year | | 5.7 | 2.5 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2018

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.

2 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS that are effective for the current year

In 2018, the Group adopted two new IFRS, together with a number of amendments to IFRS and Interpretations, issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018 (and have been endorsed for use within the EU).

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments arising from Annual Improvements to IFRS 2014 – 2016 Cycle

Other than IFRS 9 and IFRS 15, the other amendments and interpretations do not have an impact on the consolidated financial statements of the Group.

The nature and effect of the changes as a result of the adoption of IFRS 9 and IFRS 15 are described below.

Impact of initial application of IFRS 9 Financial Instruments

The Group has applied IFRS 9 Financial Instruments in the current year in accordance with the transition provisions set out in the standard. The transition provisions of IFRS 9 allow an entity not to restate comparative figures.

IFRS 9 primarily introduced new requirements for:

- 1) Classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) Hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

(a) Classification and measurement of financial assets

All recognised financial assets that fall within the scope of IFRS 9 are required to be measured at fair value on initial recognition and subsequently at amortised cost or fair value on the basis of the entity's business model for managing such financial assets and their contractual cash flow characteristics.

The Group's principal financial asset is its investment in its directly-owned subsidiary, John Laing Holdco Limited, which is measured at fair value through profit or loss (FVTPL). The adoption of IFRS 9 has not impacted the classification and measurement of this investment.

Other financial assets (other than cash and cash equivalents) include trade receivables which were previously classified as loans and receivables under IAS 39 and held at amortised cost. These continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows which consist solely of payments of principal and any interest on the principal amount outstanding.

(b) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as held at FVTPL attributable to changes in the credit risk of the issuer.

The Group has no financial liabilities designated as at FVTPL and therefore the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**(c) Impairment of financial assets**

IFRS 9 requires an expected credit loss model as opposed to the incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group does not have material financial assets other than its investment in John Laing Holdco Limited which is already held at FVTPL. Trade and other receivables at 31 December 2018 were only £7.9 million, or 0.5% of the Group's net assets, and therefore any credit risk in relation to the impairment of trade and other receivables is considered to be immaterial. Cash and cash equivalents in the Company and consolidated recourse subsidiaries at 31 December 2018 were only £5.7 million. A further £133.9 million of cash balances at 31 December 2018 was held in recourse subsidiaries held at FVTPL and therefore included in investment at FVTPL in the Group Balance Sheet. All bank balances are assessed to have low credit risk as they are held with reputable international banking institutions.

(d) Hedge accounting

The Group uses derivative financial instruments to hedge certain risk exposures but these instruments are held in recourse subsidiaries that are held at FVTPL rather than consolidated. Regardless of this, hedge accounting is not applied to any of the derivatives.

(e) Impact of initial application of IFRS 9

The initial application of IFRS 9 has not resulted in any reclassification or change in the measurement of financial assets or financial liabilities.

Impact of initial application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and other related interpretations and applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement when applying each step of the five-step model. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group's accounting policies for its revenue streams are disclosed in note 3c) below. The Group's principal revenue stream is net gain on investments held at fair value through profit or loss (FVTPL), which is accounted for under IFRS 9 Financial Instruments rather than IFRS 15. Consequently the adoption of IFRS 15 has not impacted the accounting for this revenue stream.

The Group's other material revenue streams comprise fees from asset management services (including fees for the management of Jura Infrastructure Limited (Jura – formerly JLIF) and JLEN and fees for the management of projects in which the Group and other parties invest). The Group also earns revenue from the recovery of bid costs, typically once the project for which the Group has bid reaches financial close. These revenue streams have been assessed for a potential change in the recognition of revenue based on the five-step model under IFRS 15.

Fees for asset management services (including fees for the management of Jura and JLEN) include a single performance obligation, to deliver asset management services. The transaction price for these services is fixed annually in advance. Fees for the management of Jura and JLEN are based on a percentage of the value of each fund's portfolio and consequently these fees constitute variable consideration. The Group is able to ascertain with appropriate accuracy these fees such that it is highly probable that there will not be a material reversal in the amount of revenue recognised. The fees for other asset management services are fixed annually in advance.

The Group recognises fees from asset management services over time as the services are delivered to the customer. This is in line with the previous revenue recognition policy. As regards recoveries of bid costs, these are recognised as revenue under IFRS 15 when there is a contract with the customer (the project company), typically when the project reaches financial close. This is the same as under the previous standard.

The adoption of IFRS 15 has therefore had no impact on the financial position and/or financial performance of the Group for the year ended 31 December 2018 except that additional disclosures to comply with the standard have been made within these financial statements.

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and amended IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS 2015 – 2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment and Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 Uncertainty over Income Tax Treatments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 Leases

Whilst IFRS 16 Leases is effective from periods beginning on or after 1 January 2019, the Group has performed an early assessment of the impact of the changes in lease accounting as a result of adopting this new standard.

IFRS 16 will require the Group, as a lessee, to recognise all leases, apart from where exemptions may apply, as right-of-use assets and lease liabilities in its Group Balance Sheet. This is in contrast to the previous accounting treatment of operating leases under IAS 17, where the cost of the operating leases was expensed in the Group Income Statement.

The Group is adopting the cumulative catch-up method for accounting for leases with effect from the date of transition, 1 January 2019. This will involve measuring the right-of-use asset at an amount equal to the lease liability at the transition date. Under this method, comparative amounts for the year ended 31 December 2018 will not be restated. The Group will take advantage of the exemptions available under the new standards not to bring onto the balance sheet leases with a lease term of less than 12 months from the transition date and leases where the underlying asset is of low value.

An early assessment of all leases that the Group had at 31 December 2018 has shown that the net impact of recognising an asset and liability on the Group Balance Sheet is likely to be £nil as at 31 December 2019. It is estimated that an asset of £4.5 million and a liability of £4.5 million will be recognised as at 1 January 2019 (transition date). The impact on the Group Income Statement from recognising an interest expense on the lease liability and depreciation of the right-of-use asset for the year ending 31 December 2019 in contrast to the operating lease charge, which would have applied under IAS 17, is estimated at a net £0.1 million credit.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The Group financial statements have been prepared in accordance with IFRS as adopted by the EU and are presented in pounds sterling.

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 its investment in John Laing Holdco Limited and 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 in project companies take the form of equity and/or subordinated debt;
- (iii) the Group's business model is to originate, invest in, and actively 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

b) 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 £500 million corporate banking facilities committed until July 2023, together with additional £150 million facilities committed until January 2021. 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 banking 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 foreign exchange, credit, price, liquidity, interest rate and capital risks are set out in note 18.

c) 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).

(ii) Net gain on investments at FVTPL

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

*(iii) Revenue from contracts with customers**Fees from asset management services*

Fees from asset management services comprise fees for the management of Jura and JLEN as well as certain projects in which the Group and other parties invest. These fees are earned under contracts that have a single performance obligation which is to deliver asset management services to the customer. Revenue is recognised in accordance with the contract to the extent the performance obligation is met which is considered to be over time as the asset management services are provided.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recovery of bid costs

The recovery of costs incurred in respect of bidding for new primary investments is recognised when a contract to recover costs is entered into with either the entity procuring the project or the project company, typically at financial close. This is the point at which the performance obligation has been met.

Revenue from contracts with customers excludes VAT and the value of intra-group transactions between recourse subsidiaries held at FVTPL and those that are consolidated.

d) 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.

e) Financial instruments

Financial assets and financial liabilities are recognised in the Group Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

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 recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

The financial assets that the Group holds are classified as follows:

- Investments at FVTPL are measured subsequently at FVTPL.

Investments 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 e)(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.

- Trade and other receivables and cash and cash equivalents are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss and is netted off within finance costs on corporate banking facilities in the "finance costs" line item (see note 11).

- 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, where there is a right to offset against corresponding cash balances.

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

(ii) *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group's trade and other receivables at 31 December 2018 were only £7.9 million, or 0.5% of the Group's net assets, and therefore any credit risk in relation to the impairment of trade and other receivables is considered to be immaterial.

(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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(iv) *Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The Group's financial liabilities, which comprise interest-bearing loans and borrowings and trade and other payables, are all measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(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. The Group does not apply hedge accounting to its derivative financial instruments.

f) **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.

g) **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 on a straight-line basis over the remaining facility term.

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

h) **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.

i) **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 that is consolidated 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**j) 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 GMP equalisation charge for 2018 has been presented separately in the Group Income Statement as it was deemed to be a material amount in the context of total administrative expenses.

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.

k) 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. Effective from 1 January 2019, the Group is applying the new leasing standard, IFRS 16 Leases. The effect of applying this new standard and adopting the new accounting policy is described in note 2 above.

l) 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.

m) Employee benefit trust

In June 2015, the Group established the John Laing Group Employee Benefit Trust (EBT) as described further in note 7. 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 as defined by IFRS. 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.

4 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, a risk premium is added to reflect the additional risk during the construction phase. The construction risk premium reduces 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.

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

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, a risk premium is added during the construction phase to reflect the additional risks throughout construction. This premium reduces 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 2018 were in the range of 6.8% to 11.7% (31 December 2017 – 6.8% to 11.8%). Note 18 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 18 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 deviate materially year on year.

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 2018 was £40.1 million (31 December 2017 – £40.3 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 was 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 2018 and the sensitivity of the pension liabilities to certain changes in these assumptions are illustrated in note 20.

Brexit

While the outcome is uncertain, the Group has considered the potential impact of Brexit on the Group's results. The most likely impact would come from any resulting macroeconomic changes, including changes in interest rates, which could impact discount rates in relation to both the Group's investment portfolio and its retirement benefit obligations, inflation and sterling exchange rates. The above sections on key sources of estimation uncertainty provide more details on these areas.

5 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 2018, 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 Jura's and JLEN's portfolios plus fee income and associated costs from project management services.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

5 OPERATING SEGMENTS (CONTINUED)

The following is an analysis of the Group's operating income and profit before tax for the years ended 31 December 2018 and 31 December 2017:

| | Year ended 31 December 2018 | | | | | |
|----------------------------------------------------------------|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------|
| | Reportable segments | | | Segment Sub-total £ million | Non-segmental results £ million | Total £ million |
| | Primary Investment £ million | Secondary Investment £ million | Asset Management £ million | | | |
| Net gain on investments at FVTPL | 308.3 | 53.1 | – | 361.4 | 5.1 | 366.5 |
| Other income | 4.0 | – | 26.0 | 30.0 | 0.9 | 30.9 |
| Operating income | 312.3 | 53.1 | 26.0 | 391.4 | 6.0 | 397.4 |
| Administrative expenses (excluding GMP equalisation charge) | (27.3) | (6.4) | (26.2) | (59.9) | (5.7) | (65.6) |
| GMP equalisation charge | – | – | – | – | (21.3) | (21.3) |
| Profit from operations | 285.0 | 46.7 | (0.2) | 331.5 | (21.0) | 310.5 |
| Finance costs | (8.7) | (2.5) | – | (11.2) | (2.7) | (13.9) |
| Profit before tax | 276.3 | 44.2 | (0.2) | 320.3 | (23.7) | 296.6 |

| | Year ended 31 December 2017 | | | | | |
|----------------------------------|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------|
| | Reportable segments | | | Segment Sub-total £ million | Non-segmental results £ million | Total £ million |
| | Primary Investment £ million | Secondary Investment £ million | Asset Management £ million | | | |
| Net gain on investments at FVTPL | 179.9 | (21.5) | – | 158.4 | 7.9 | 166.3 |
| Other income | 3.7 | – | 25.1 | 28.8 | 1.6 | 30.4 |
| Operating income | 183.6 | (21.5) | 25.1 | 187.2 | 9.5 | 196.7 |
| Administrative expenses | (24.4) | (4.4) | (23.6) | (52.4) | (6.5) | (58.9) |
| Profit from operations | 159.2 | (25.9) | 1.5 | 134.8 | 3.0 | 137.8 |
| Finance costs | (8.4) | (2.2) | – | (10.6) | (1.2) | (11.8) |
| Profit before tax | 150.8 | (28.1) | 1.5 | 124.2 | 1.8 | 126.0 |

Non-segmental results include results from corporate activities.

Since 1 January 2018, the Group's Asset Management segment has not charged an internal fee to the Primary Investment and Secondary Investment segments. Therefore the segmental results for the year ended 31 December 2017 as originally reported in the 2017 Annual Report and Accounts have been restated above to exclude this internal fee in order to make the results in both years comparable. The effect of the restatement is shown below:

| | Year ended 31 December 2017 | | |
|------------------------------------------------|-------------------------------------|-------------------------|-----------------------|
| | As previously reported £ million | Adjustment £ million | Restated £ million |
| Primary Investment – administrative expenses | (37.9) | 13.5 | (24.4) |
| Secondary Investment – administrative expenses | (8.2) | 3.8 | (4.4) |
| Asset Management – other income | 42.4 | (17.3) | 25.1 |

For the year ended 31 December 2018, the Group had two investments (2017 – three investments) from which it received more than 10% of its operating income. The operating income from the two investments was £184.1 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 13) 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.

| | 31 December 2018 | 31 December 2017 |
|--------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Segment assets | | |
| Primary Investment | 868.6 | 580.3 |
| Secondary Investment | 691.6 | 613.5 |
| Investment portfolio | 1,560.2 | 1,193.8 |
| Other assets and liabilities | 140.3 | 152.6 |
| Investments at FVTPL | 1,700.5 | 1,346.4 |
| Other assets | 13.7 | 10.7 |
| Total assets | 1,714.2 | 1,357.1 |
| Retirement benefit obligations | (40.1) | (40.3) |
| Other liabilities | (87.6) | (192.9) |
| Total liabilities | (127.7) | (233.2) |
| Group net assets | 1,586.5 | 1,123.9 |

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

In January 2018, the Group initiated an internal reorganisation under which the Primary Investment and Asset Management teams in each of the three core geographical regions now report to a single regional head. The principal objective behind this revised structure was to enable the Group to focus more effectively on value creation in each region. Accordingly, certain regional performance targets for 2018 were set, principally in relation to the investment portfolio in each region and including movement in fair value. Additional analysis, based on the regional reorganisation, is presented below showing net gain on investments at FVTPL and portfolio valuation by region.

In the light of this internal reorganisation and greater focus on regional value creation, from January 2019 the information reported internally, including to the Group's Board, is now based on the Group's core geographical regions. Accordingly, the Group's reportable segments under IFRS 8 have changed and this will be reflected in the June 2019 interim report.

| | Net gain on investments at FVTPL | | Portfolio valuation | |
|--------------------|--------------------------------------------|-----------------------------------|-----------------------------|---------------------|
| | Year ended 31 December 2018 | Year ended 31 December 2017 | 31 December 2018 | 31 December 2017 |
| | £ million | £ million | £ million | £ million |
| Europe | 187.2 | 78.4 | 579.9 | 609.1 |
| North America | 84.7 | 44.1 | 465.3 | 283.2 |
| Asia Pacific | 82.1 | 37.3 | 505.1 | 291.2 |
| Investment in JLEN | 0.2 | 0.9 | 9.9 | 10.3 |
| Other | 12.3 | 5.6 | - | - |
| Total | 366.5 | 166.3 | 1,560.2 | 1,193.8 |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

6 EARNINGS PER SHARE

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

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 ¹ £ million |
|------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| Earnings | | |
| Profit for the purpose of basic and diluted EPS | 296.3 | 127.5 |
| Profit for the year | 296.3 | 127.5 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic EPS | 469,502,029 | 399,828,392 |
| Dilutive effect of ordinary shares potentially issued under share-based incentives | 5,535,545 | 5,330,145 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 475,037,574 | 405,158,537 |
| EPS (pence/share) | | |
| Basic | 63.1 | 31.9 |
| Diluted | 62.4 | 31.5 |

In accordance with IAS 33 Earnings Per Share, EPS for all periods shown above have been calculated as if the bonus element of the Rights Issue in March 2018 had arisen proportionately at the start of each respective period. In the calculation of the number of shares used to calculate EPS, the number of shares in issue (and potentially issued for the purposes of the diluted EPS) prior to the Rights Issue has been adjusted by a bonus factor ("the Rights Issue bonus factor") of 0.918. This bonus factor is calculated as follows:

$$\frac{\text{Rights Issue theoretical ex-rights fair value per share (pence)}}{\text{Closing share price on the day the Rights Issue was announced (pence)}} = \frac{241.95}{263.60} = 0.918$$

¹ As a result of the above, the EPS disclosed for the year ended 31 December 2017 have been restated from that previously reported.

7 SHARE-BASED INCENTIVES

Long-term incentive plan (LTIP)

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 share-based performance condition, total shareholder return (TSR) (50% of the award), and a non-share 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 was as follows:

| | Number of share awards under LTIP | |
|-----------------------------------------------|--------------------------------------|-----------|
| | 2018 | 2017 |
| At 1 January | 5,258,970 | 3,774,330 |
| Granted | 1,747,340 | 1,557,430 |
| Adjustment to awards granted in prior periods | – | 35,500 |
| Adjustment for the Rights Issue bonus factor | 436,067 | – |
| Lapsed | (842,082) | (108,290) |
| Vested | (1,383,367) | – |
| At 31 December | 5,216,928 | 5,258,970 |

Following the Rights Issue in March 2018, the number of outstanding awards at the time of the Rights Issue was adjusted by a bonus factor ("the Rights Issue bonus factor") of 0.918 (see note 6). This resulted in an increase to the number of awards of 436,067.

7 SHARE-BASED INCENTIVES (CONTINUED)

In April 2018, 1,747,340 share awards were granted (2017 – 1,557,430). The weighted average fair value of the awards was 191p per share (2017 – 136.26p per share) for the share-based performance condition, determined using the Stochastic valuation model, and 285p per share (2017 – 291.09p per share) for the non-share based performance condition determined using the Black Scholes model. The weighted average fair value of awards granted during the year from both models was 238.02p per share (2017 – 213.69p per share). The significant inputs into the model were the share price of 286p (2017 – 291.2p) at the grant date, expected volatility of 17.28% (2017 – 12.79%), expected dividend yield of 3.12% (2017 – 2.80%), an expected award life of three years and an annual risk-free interest rate of 0.88% (2017 – 0.14%). The volatility measured at the standard deviation of continuously compounded share returns was based on statistical analysis of daily share prices over three years. The weighted average exercise price of the awards granted during 2018 was £nil (2017 – £nil).

The 2015 LTIP award vested in April 2018. As detailed in the Directors' Remuneration Report, vesting was at 78.4% of the maximum, taking into account the TSR and NAV performance conditions over the relevant performance period, which resulted in 1,383,367 shares vesting. In addition, a further 77,115 shares were issued in lieu of dividends payable since the grant date on the vested shares (see note 22).

During the year ended 31 December 2018, a total of 842,082 awards lapsed (2017 – 108,290), of which 380,350 awards lapsed on the vesting of the 2015 LTIP award (2017 – nil) and a further 461,732 awards lapsed as a result of leavers in the year (2017 – 108,290).

Of the 5,216,928 awards outstanding at 31 December 2018 (2017 – 5,258,970), none were exercisable at 31 December 2018 (2017 – nil). 1,987,075 awards are due to vest or lapse on 15 April 2019, 1,558,533 awards are due to vest or lapse on 18 April 2020 and 1,671,320 awards are due to vest or lapse on 17 April 2021 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2018 was £nil (31 December 2017 – £nil).

Deferred Share Bonus Plan

The Group operated a Deferred Share Bonus Plan (DSBP) in 2018 for Executive Directors and certain senior executives under which any amount over 60% of their base 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, 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 was as follows:

| | Number of share awards under DSBP | |
|--------------------------------------------------|-----------------------------------|----------|
| | 2018 | 2017 |
| At 1 January | 63,121 | 84,439 |
| Granted | 138,987 | 9,762 |
| Adjustment to awards granted in the prior period | (8) | 5,000 |
| Adjustment for the Rights Issue bonus factor | 5,647 | – |
| Vested in the period | (32,606) | (36,080) |
| At 31 December | 175,141 | 63,121 |

Following the Rights Issue in March 2018, the number of outstanding awards at the time of the Rights Issue was adjusted by the Rights Issue bonus factor of 0.918 (see note 6). This resulted in an increase to the number of awards of 5,647.

In April 2018, 138,987 share awards were granted (2017 – 9,762). The weighted average fair value of the awards was 286p per share (2017 – 269p per share). The significant inputs into the model were the share price of 286p (2017 – 269.2p) at the grant date, expected volatility of 17.28% (2017 – 12.63%), expected dividend yield of 3.12% (2017 – 3.03%), an expected award life of three years and an annual risk-free interest rate of 0.88% (2017 – 0.07%). The volatility measured at the standard deviation of continuously compounded share returns was based on statistical analysis of daily share prices over three years. The weighted average exercise price of the awards granted during 2018 was £nil (2017 – £nil).

During the year ended 31 December 2018, 32,606 shares vested under the 2016 DSBP and 2017 DSBP. A further 1,559 shares were awarded in lieu of dividends payable since the grant date on the vested shares (see note 22).

Of the 175,141 awards outstanding at 31 December 2018 (2017 – 63,121), none were exercisable at 31 December 2018 (2017 – nil). 78,937 awards are due to vest in March and April 2019, 49,870 awards are due to vest in March and April 2020 and 46,334 awards are due to vest in April 2021 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2018 was £nil (31 December 2017 – £nil).

The total expense recognised in the Group Income Statement for awards granted under share-based incentive arrangements for the year ended 31 December 2018 was £2.7 million (2017 – £3.2 million).

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

7 SHARE-BASED INCENTIVES (CONTINUED)**Employee Benefit Trust (EBT)**

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 through the acquisition and distribution of shares in the Company. The EBT is able to acquire shares in the Company to satisfy obligations under the Company's share-based incentive arrangements.

During the year ended 31 December 2018, 1,495,458 shares in John Laing Group plc were issued to the EBT and after satisfying obligations under share-based incentive arrangements for 1,494,647 shares, 811 shares remained. These shares were held by the EBT as at 31 December 2018.

8 OTHER INCOME

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|-------------------------------------|----------------------------------------------------------|------------------------------------------------|
| Fees from asset management services | 26.9 | 26.7 |
| Recovery of bid costs | 4.0 | 3.7 |
| Other income | 30.9 | 30.4 |

Other income represents revenue from contracts with customers under IFRS 15 Revenue From Contracts with Customers.

The Group estimates that £16.1 million of revenue will be recognised in 2019 as performance conditions are satisfied over the remaining term of the twelve month notice periods on its material contracts for providing asset management services.

9 PROFIT FROM OPERATIONS

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ 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 and Group financial statements | (0.1) | (0.1) |
| The audit of the annual accounts of the Company's subsidiaries | (0.2) | (0.2) |
| Total audit fees | (0.3) | (0.3) |
| Audit related assurance services | (0.1) | (0.1) |
| Other assurance services | - | - |
| Non-assurance related services | (0.3) | - |
| Total non-audit fees | (0.4) | (0.1) |
| Operating lease charges: | | |
| - rental of land and buildings | (1.5) | (1.2) |
| Depreciation of plant and equipment | (0.1) | (0.3) |

9 PROFIT FROM OPERATIONS (CONTINUED)

The fee payable for the audit of the Company and Group financial statements was £151,576 (2017 – £93,449). The fees payable for the audit of the annual accounts of the Company's subsidiaries were £186,744 (2017 – £190,212).

Fees for audit related assurance services comprised £42,200 (2017 – £48,500) for a review of the Group interim report and £12,875 (2017 – £12,500) for a FCA regulatory review. Fees for other assurance services of £15,000 (2017 – £nil) were paid for agreed upon procedures.

Fees for non-assurance related services of £276,000 (2017 – £nil) were paid for reporting accountant services in relation to the Rights Issue of the Company in March 2018, which have been deducted from share premium as an expense on the issue of equity shares. Total non-audit fees paid in 2018 were £346,075 (2017 – £61,000).

10 EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|--------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Employee costs comprise: | | |
| Salaries | (27.1) | (25.1) |
| Social security costs | (3.2) | (2.9) |
| Pension charge | | |
| – defined benefit schemes (note 20) ¹ | (22.9) | (1.3) |
| – defined contribution | (1.6) | (1.1) |
| Share-based incentives (note 7) | (2.7) | (3.2) |
| | (57.5) | (33.6) |

1 The cost for 2018 includes a one-off GMP equalisation charge of £21.3 million.

Annual average employee numbers (including Directors):

| | Year ended 31 December 2018 No. | Year ended 31 December 2017 No. |
|--------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Staff | 168 | 160 |
| UK | 99 | 101 |
| Overseas | 69 | 59 |
| Activity | | |
| Primary investments, asset management and central activities | 168 | 160 |

Details of Directors' remuneration for the year ended 31 December 2018 can be found in the audited sections of the Directors' Remuneration Report.

11 FINANCE COSTS

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|-------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Finance costs on corporate banking facilities | (9.5) | (9.2) |
| Amortisation of debt issue costs | (3.3) | (1.3) |
| Net interest cost of retirement obligations (note 20) | (1.1) | (1.3) |
| Finance costs | (13.9) | (11.8) |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

12 TAX (CHARGE)/CREDIT

The tax (charge)/credit for the year comprises:

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|------------------------------------------|------------------------------------------------|------------------------------------------------|
| Current tax: | | |
| UK corporation tax credit – current year | – | 0.5 |
| UK corporation tax credit – prior year | 0.2 | 1.6 |
| Foreign tax charge | – | (0.1) |
| | 0.2 | 2.0 |
| Deferred tax: | | |
| Deferred tax charge – prior year | (0.5) | (0.5) |
| | (0.5) | (0.5) |
| Tax (charge)/credit | (0.3) | 1.5 |

The tax (charge)/credit for the year can be reconciled to the profit in the Group Income Statement as follows:

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Profit before tax | 296.6 | 126.0 |
| Tax at the UK corporation tax rate | (56.3) | (24.3) |
| Tax effect of expenses and other similar items that are not deductible | (4.7) | (1.1) |
| Non-taxable movement on fair value of investments | 69.6 | 32.0 |
| Adjustment for management charges to fair value group | (6.6) | (6.1) |
| Other movements | (2.0) | (0.1) |
| Prior year – current tax credit | 0.2 | 1.6 |
| Prior year – deferred tax charge | (0.5) | (0.5) |
| Total tax (charge)/credit | (0.3) | 1.5 |

The tax charge for the year ended 31 December 2018 of the Company and the recourse group subsidiary entities that are consolidated is primarily in relation to a group relief 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 credit within 'net gain on investments at FVTPL' on the Group Income Statement.

For the year ended 31 December 2018 a tax rate of 19% has been applied (2017 – 19.25%). The UK Government has announced its intention to reduce the main corporation tax rate by 2% to 17% from 1 April 2020.

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December 2018 | | | | |
|------------------------------------------------|-----------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------------------|-----------------------------------------------|
| | Investments in project companies £ million | Listed investment £ million | Portfolio valuation sub-total £ million | Other assets and liabilities £ million | Total investments at FVTPL £ million |
| Opening balance | 1,183.5 | 10.3 | 1,193.8 | 152.6 | 1,346.4 |
| Distributions | (33.2) | (0.6) | (33.8) | 33.8 | – |
| Investment in equity and loans | 342.1 | – | 342.1 | (342.1) | – |
| Realisations from investment portfolio | (296.1) | – | (296.1) | 296.1 | – |
| Fair value movement | 354.0 | 0.2 | 354.2 | 12.3 | 366.5 |
| Net cash transferred from investments at FVTPL | – | – | – | (12.4) | (12.4) |
| Closing balance | 1,550.3 | 9.9 | 1,560.2 | 140.3 | 1,700.5 |

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

| | Investments in project companies £ million | Listed investment £ million | 31 December 2017 | | Total investments at FVTPL £ million |
|---------------------------------------------------------------------|-----------------------------------------------|--------------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|
| | | | Portfolio valuation sub-total £ million | Other assets and liabilities £ 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 |

Included within other assets and liabilities at 31 December 2018 above is cash collateral of £131.7 million (31 December 2017 – £133.1 million) in respect of future investment commitments to the I-66 Managed Lanes and I-77 Managed Lanes projects (31 December 2017 – I-66 Managed Lanes and I-77 Managed Lanes).

The investment disposals that have occurred in the years ended 31 December 2018 and 2017 are as follows:

Year ended 31 December 2018

During the year ended 31 December 2018, the Group disposed of shares and subordinated debt in three PPP project companies for £296.1 million.

Details were as follows:

| | Date of completion | Original holding % | Holding disposed of % | Retained holding % |
|------------------------------------------------------|--------------------|--------------------|-----------------------|--------------------|
| Acquired by Jura | | | | |
| Regenter Myatts Field North Holdings Company Limited | 30 May 2018 | 50.0 | 50.0 | - |
| Sold to other parties | | | | |
| Agility Trains West (Holdings) Limited | 18 May 2018 | 15.0 | 15.0 | - |
| INEOS Runcorn (TPS) Holding Limited | 21 December 2018 | 37.43 | 37.43 | - |

The Group's shareholding in a non-portfolio investment, A mobil Services GmbH, was also sold for £0.1 million.

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). 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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) at the time of this disposal.

14 TRADE AND OTHER RECEIVABLES

| | 31 December 2018 £ million | 31 December 2017 £ million |
|---------------------------------|-------------------------------|-------------------------------|
| Current assets | | |
| Trade receivables | 6.5 | 6.2 |
| Other taxation | – | 0.1 |
| Other receivables | 0.2 | 0.3 |
| Prepayments and contract assets | 1.2 | 1.0 |
| | 7.9 | 7.6 |

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 2018 £ million | 31 December 2017 £ million |
|------------------|-------------------------------|-------------------------------|
| Sterling | 7.1 | 6.9 |
| Other currencies | 0.8 | 0.7 |
| | 7.9 | 7.6 |

Other currencies mainly comprise trade and other receivables in Canadian dollars (31 December 2017 – Canadian dollars).

Included in the Group's trade receivables are debtors with a carrying value of £0.5 million which were overdue at 31 December 2018 (31 December 2017 – £0.1 million). The overdue balances have an ageing of up to 3 years (31 December 2017 – up to 2 years). The Group has not recorded any credit risk adjustment against these receivables on the basis that any credit risk would not be material. 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 2018 (31 December 2017 – £nil).

15 TRADE AND OTHER PAYABLES

| | 31 December 2018 £ million | 31 December 2017 £ million |
|------------------------------------|----------------------------------|----------------------------------|
| Current liabilities | | |
| Trade payables | (1.3) | (1.5) |
| Other taxation and social security | (1.3) | (0.7) |
| Accruals | (17.3) | (15.0) |
| Contract liability | (0.1) | (0.1) |
| | (20.0) | (17.3) |

16 BORROWINGS

| | 31 December 2018 £ million | 31 December 2017 £ million |
|--------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Current liabilities | | |
| Interest-bearing loans and borrowings net of unamortised financing costs (note 17 c and note 18) | (65.7) | (173.2) |
| | (65.7) | (173.2) |

17 FINANCIAL INSTRUMENTS

a) Financial instruments by category

| 31 December 2018 | 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* | - | - | 1,700.5 | - | 1,700.5 |
| Current assets | | | | | |
| Trade and other receivables | - | 7.0 | - | - | 7.0 |
| Cash and cash equivalents | 5.7 | - | - | - | 5.7 |
| Total financial assets | 5.7 | 7.0 | 1,700.5 | - | 1,713.2 |
| Current liabilities | | | | | |
| Interest-bearing loans and borrowings | - | - | - | (65.7) | (65.7) |
| Trade and other payables | - | - | - | (18.6) | (18.6) |
| Total financial liabilities | - | - | - | (84.3) | (84.3) |
| Net financial instruments | 5.7 | 7.0 | 1,700.5 | (84.3) | 1,628.9 |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

17 FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category (continued)

| 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 |

* Investments at FVTPL are split between: Level 1, investment in JLEN, which is a listed investment fair valued at £9.9 million (31 December 2017 – £10.3 million) using a quoted market price; and Level 3 investments in project companies fair valued at £1,550.3 million (31 December 2017 – £1,183.5 million). Level 1 and Level 3 investments are fair valued in accordance with the policy and assumptions set out in note 3e). The investments at FVTPL include other assets and liabilities in investment entity subsidiaries as shown in note 13. Such other assets and liabilities are recorded at amortised cost that the Directors believe approximates to their fair value.

The tables above 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 have been no transfers of financial instruments between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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 13. Level 3 financial assets are those relating to investments in project companies.

All items in the above table are measured at amortised cost other than the investments at FVTPL. The Directors believe that the amortised cost of these financial assets and liabilities approximates to their fair value.

b) Foreign currency and interest rate profile of financial assets (excluding investments at FVTPL)

| Currency | 31 December 2018 | | | 31 December 2017 | | |
|--------------------|----------------------------|-----------------------------------|--------------------|----------------------------|-----------------------------------|--------------------|
| | Floating rate £ million | Non-interest bearing £ million | Total £ million | Floating rate £ million | Non-interest bearing £ million | Total £ million |
| Sterling | 1.3 | 6.4 | 7.7 | 0.5 | 6.5 | 7.0 |
| Euro | - | 0.4 | 0.4 | - | 0.2 | 0.2 |
| Canadian dollar | - | 0.9 | 0.9 | - | 0.4 | 0.4 |
| US dollar | - | 0.7 | 0.7 | - | 0.3 | 0.3 |
| New Zealand dollar | - | 0.5 | 0.5 | - | 0.7 | 0.7 |
| Australian dollar | - | 2.5 | 2.5 | - | 0.8 | 0.8 |
| Total | 1.3 | 11.4 | 12.7 | 0.5 | 8.9 | 9.4 |

17 FINANCIAL INSTRUMENTS (CONTINUED)

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2018 were £84.3 million (31 December 2017 – £189.7 million), of which £65.7 million (31 December 2017 – £173.2 million) related to short-term cash borrowings of £69.5 million (31 December 2017 – £176.0 million) net of unamortised finance costs of £3.8 million (31 December 2017 – £2.8 million).

| Currency | 31 December 2018 | | | Total £ million | 31 December 2017 | | Total £ million |
|-------------------|-------------------------|----------------------------|-----------------------------------|--------------------|-------------------------|-----------------------------------|--------------------|
| | Fixed rate £ million | Floating rate £ million | Non-interest bearing £ million | | Fixed rate £ million | Non-interest bearing £ million | |
| Sterling | (51.2) | (14.5) | (11.9) | (77.6) | (173.2) | (12.0) | (185.2) |
| Euro | - | - | (0.9) | (0.9) | - | (1.0) | (1.0) |
| US dollar | - | - | (2.0) | (2.0) | - | (1.2) | (1.2) |
| Australian dollar | - | - | (3.3) | (3.3) | - | (1.9) | (1.9) |
| Other | - | - | (0.5) | (0.5) | - | (0.4) | (0.4) |
| Total | (51.2) | (14.5) | (18.6) | (84.3) | (173.2) | (16.5) | (189.7) |

18 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 2018 the Group held investments in 42 overseas projects (31 December 2017 – 31 overseas projects) all of which are fair valued based on the spot exchange rate at 31 December 2018. 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 12 forward currency contracts open as at 31 December 2018 (31 December 2017 – eight). The fair value of these contracts was a net asset of £0.5 million (31 December 2017 – net asset of £1.3 million) and is included in investments at FVTPL.

At 31 December 2018, the Group's most significant currency exposure was to the US dollar (31 December 2017 – US dollar).

Foreign currency exposure of investments at FVTPL:

| | 31 December 2018 | | | Total £ million | 31 December 2017 | | | Total £ million |
|--------------------|--------------------------------|--------------------------------|-------------------------------------------|--------------------|--------------------------------|--------------------------------|-------------------------------------------|--------------------|
| | Project companies £ million | Listed investment £ million | Other assets and liabilities £ million | | Project companies £ million | Listed investment £ million | Other assets and liabilities £ million | |
| Sterling | 361.3 | 9.9 | 2.9 | 374.1 | 405.0 | 10.3 | 2.1 | 417.4 |
| Euro | 218.6 | - | 1.5 | 220.1 | 204.1 | - | 5.8 | 209.9 |
| Australian dollar | 482.9 | - | 4.6 | 487.5 | 269.4 | - | 2.7 | 272.1 |
| US dollar | 465.3 | - | 131.3 | 596.6 | 283.2 | - | 142.0 | 425.2 |
| New Zealand dollar | 22.2 | - | - | 22.2 | 21.8 | - | - | 21.8 |
| | 1,550.3 | 9.9 | 140.3 | 1,700.5 | 1,183.5 | 10.3 | 152.6 | 1,346.4 |

Investments in project companies are fair valued based on the spot exchange rate at the balance sheet date. As at 31 December 2018, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£59.4 million. The Group's profit before tax would be impacted by the same amounts. There would be no additional impact on equity.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2018 | | | 31 December 2017 | | |
|-------------------------------------------------------|---------------------------------------------|-----------------------------------|--------------------|---------------------------------------------|-----------------------------------|--------------------|
| | 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 | – | 1,700.5 | 1,700.5 | – | 1,346.4 | 1,346.4 |
| Trade and other receivables | – | 7.0 | 7.0 | – | 6.9 | 6.9 |
| Cash and cash equivalents | 1.3 | 4.4 | 5.7 | 0.5 | 2.0 | 2.5 |
| Financial assets exposed to interest rate risk | 1.3 | 1,711.9 | 1,713.2 | 0.5 | 1,355.3 | 1,355.8 |

An analysis of the movement between opening and closing balances of investments at FVTPL is given in note 13. Investments in project companies are principally valued on a discounted cash flow basis. At 31 December 2018, the weighted average discount rate was 8.6% (31 December 2017 – 8.8%). For investments in project companies, changing the discount rate used to value the underlying instruments would alter their fair value. As at 31 December 2018, a 0.25% increase in the discount rate would reduce the fair value by £35.1 million (31 December 2017 – £40.7 million) and a 0.25% reduction in the discount rate would increase the fair value by £37.0 million (31 December 2017 – £42.6 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 2018 | | | | 31 December 2017 | | |
|---------------------------------------|------------------------------------------|---------------------------------------------|-----------------------------------|--------------------|------------------------------------------|-----------------------------------|--------------------|
| | Interest-bearing fixed rate £ million | Interest-bearing floating rate £ million | Non-interest bearing £ million | Total £ million | Interest-bearing fixed rate £ million | Non-interest bearing £ million | Total £ million |
| Interest-bearing loans and borrowings | (51.2) | (14.5) | – | (65.7) | (173.2) | – | (173.2) |
| Trade and other payables | – | – | (18.6) | (18.6) | – | (16.5) | (16.5) |
| Total financial liabilities | (51.2) | (14.5) | (18.6) | (84.3) | (173.2) | (16.5) | (189.7) |

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 their value. 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 five of the larger PPP investments by value at 31 December 2018, a 0.25% increase in inflation is estimated to increase the value of PPP investments by c.£14 million and a 0.25% decrease in inflation is estimated to decrease the value of PPP investment by c.£13 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 counterparty 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.

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2018, 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 £17.6 million and a 5% decrease in power price forecasts is estimated to decrease the value of renewable energy investments by £17.7 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 2018.

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.

Maturity of financial assets

The maturity profile of the Group's financial assets (excluding investments at FVTPL) is as follows:

| | 31 December 2018 Less than one year £ million | 31 December 2017 Less than one year £ million |
|----------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------|
| Trade and other receivables | 7.0 | 6.9 |
| Cash and cash equivalents | 5.7 | 2.5 |
| Financial assets (excluding investments at FVTPL) | 12.7 | 9.4 |

Other than certain trade and other receivables, as detailed in note 14, none of the financial assets is either overdue or impaired.

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

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-----------------------------------|-------------------------------------------|----------------------------------|
| In one year or less, or on demand | (84.3) | (189.7) |
| Total | (84.3) | (189.7) |

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 2018 | | | |
| Fixed interest rate instruments – loans and borrowings | 2.73 | (51.2) | (51.2) |
| Floating interest rate instruments – loans and borrowings | 2.78 | (14.5) | (14.5) |
| Non-interest bearing instruments* | n/a | (18.6) | (18.6) |
| | | (84.3) | (84.3) |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

| | 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) |

* Non-interest bearing instruments relate to trade payables and accruals.

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 its net debt and a reconciliation of net debt can be found in note 25.

At 31 December 2018, the Group had committed corporate banking facilities of £650.0 million, £500 million expiring in July 2023 and £150 million expiring in January 2020 (extended in January 2019 until January 2021).

The Group has requirements for both borrowings and letters of credit, which at 31 December 2018 were met by its £650.0 million committed facilities and related ancillary facilities (31 December 2017 – £525.0 million). Issued at 31 December 2018 were letters of credit of £163.9 million (31 December 2017 – £202.3 million), related to future capital and loan commitments, and contingent commitments and performance and bid bonds of £10.4 million (31 December 2017 – £7.5 million). The committed facilities and amounts drawn therefrom are summarised below:

| | 31 December 2018 | | | | |
|----------------------------------------|----------------------------|-----------------------|--------------------------|--------------------------------------------------------|-------------------------|
| | Total facilities £ million | Loans drawn £ million | Bank overdraft £ million | Letters of credit in issue/other commitments £ million | Total undrawn £ million |
| Committed corporate banking facilities | 650.0 | (55.0) | (14.5) | (174.3) | 406.2 |
| Total | 650.0 | (55.0) | (14.5) | (174.3) | 406.2 |

| | 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 |

19 DEFERRED TAX

The movements in the deferred tax asset relating to other deductible temporary differences were:

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------|----------------------------|----------------------------|
| Opening asset | 0.5 | 1.0 |
| Charge to income – prior year | (0.5) | (0.5) |
| Closing asset | – | 0.5 |

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.

20 RETIREMENT BENEFIT OBLIGATIONS

| | 31 December 2018 £ million | 31 December 2017 £ million |
|---------------------------------------|----------------------------------|----------------------------------|
| Pension schemes | (32.6) | (32.3) |
| Post-retirement medical benefits | (7.5) | (8.0) |
| Retirement benefit obligations | (40.1) | (40.3) |

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 2018, John Laing made deficit reduction contributions of £26.5 million (2017 – £24.5 million) in cash.

The liability at 31 December 2018 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 2018 (2017 – 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 2018 | Deferred | Pensioners | Total |
|------------------|----------|------------|-------|
| JLPF | 3,928 | 4,015 | 7,943 |
| The Plan | 99 | 321 | 420 |

| 31 December 2017 | Deferred | Pensioners | Total |
|------------------|----------|------------|-------|
| JLPF | 4,126 | 3,960 | 8,086 |
| The Plan | 106 | 334 | 440 |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

20 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 2018 % | 31 December 2017 % |
|---------------------------------------------------|--------------------------|--------------------------|
| Discount rate | 2.85 | 2.50 |
| Rate of increase in non-GMP pensions in payment | 3.10 | 3.00 |
| Rate of increase in non-GMP pensions in deferment | 2.10 | 2.00 |
| Inflation – RPI | 3.20 | 3.10 |
| Inflation – CPI | 2.10 | 2.00 |

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 (i) any hedging entered into by JLPF, (ii) 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 2018 | |
|----------------------------------|----------------------------------------------------------------------|----------------------------------------|
| | Increase in assumption £ million | Decrease in assumption £ million |
| 0.25% on discount rate | 40.9 | (43.4) |
| 0.25% on inflation rate | (30.6) | 29.9 |
| 1 year post-retirement longevity | (45.8) | 51.5 |

Mortality

Mortality assumptions at 31 December 2018 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 2017 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 2017 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 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.

The table below summarises the life expectancy implied by the mortality assumptions used:

| | 31 December 2018 Years | 31 December 2017 Years |
|-----------------------------------------------------|------------------------------|------------------------------|
| Life expectancy – of member aged 65 in 2018 | | |
| Males | 22.1 | 22.3 |
| Females | 24.2 | 24.2 |
| Life expectancy – of member reaching age 65 in 2038 | | |
| Males | 23.1 | 23.3 |
| Females | 25.3 | 25.4 |

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of the major categories of assets held by the Schemes

| | 31 December 2018 £ million | % | 31 December 2017 £ million | % |
|--------------------------------------------|-------------------------------|--------------|-------------------------------|-------|
| Bond and other debt instruments | | | | |
| UK corporate bonds | 88.8 | | 84.4 | |
| UK government gilts | 262.4 | | 192.4 | |
| UK government gilts – index linked | 147.2 | | 157.4 | |
| | 498.4 | 45.8 | 434.2 | 37.5 |
| Equity instruments | | | | |
| UK listed equities | 105.8 | | 140.7 | |
| European listed equities | 36.1 | | 39.9 | |
| US listed equities | 126.8 | | 132.6 | |
| Other international listed equities | 83.1 | | 92.6 | |
| | 351.8 | 32.4 | 405.8 | 35.1 |
| Aviva bulk annuity buy-in agreement | 218.0 | 20.0 | 231.0 | 20.0 |
| Property | | | | |
| Industrial property | – | | 2.1 | |
| | – | – | 2.1 | 0.2 |
| Cash and equivalents | 19.8 | 1.8 | 82.9 | 7.2 |
| Total market value of assets | 1,088.0 | 100.0 | 1,156.0 | 100.0 |
| Present value of Schemes' liabilities | (1,120.6) | | (1,188.3) | |
| Net pension liability | (32.6) | | (32.3) | |

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 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.

A significant proportion of JLPF's assets are held either as liability-matching holdings (including an Aviva bulk annuity buy-in agreement and index-linked UK government gilts) or to provide hedges against the impact on liabilities from movements in interest rates and inflation (other bonds and gilts). The JLPF Trustee has adopted a long-term asset allocation strategy that has been determined as being most appropriate to meet JLPF's current and future liabilities. JLPF's agreed investment strategy is such that, in combination with an agreed recovery plan, it is expected to reach full funding on a gilts flat basis between 2023 and 2028 ("the Journey Plan"). The Trustee has established a de-risking programme, whereby JLPF's funding level is monitored regularly, and if it moves ahead of the Journey Plan, the Trustee will lock-in the benefit by de-risking the portfolio to target a lower expected return. During 2018, as part of this de-risking programme, approximately £23.9 million of equity instruments were sold and re-invested in liability matching assets. The net loss on the returns from equity instruments during 2018 was c.£30 million.

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 2018, the underlying insurance policy was valued at £218.0 million (31 December 2017 – £231.0 million), being substantially equal to the IAS 19 valuation of the related liabilities.

The pension liability of £32.6 million at 31 December 2018 (31 December 2017 – £32.3 million) is net of a surplus under IAS 19 of £1.9 million in the Plan (31 December 2017 – £2.9 million).

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of amounts charged to operating profit

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|---------------------------|------------------------------------------------|------------------------------------------------|
| Current service cost* | (1.6) | (1.3) |
| GMP equalisation charge** | (21.3) | – |
| | (22.9) | (1.3) |

* The Schemes no longer have any active members. Therefore, under the projected unit method of valuation the current service cost for JLPP will increase as a percentage of pensionable payroll as members approach retirement. The current service cost has been included within administrative expenses.

** Following the High Court ruling on the Lloyds Banking Group Guaranteed Minimum Pension (GMP) equalisation case in October 2018, a £21.3 million non-recurring charge has been made. This represents the additional costs to JLPP arising from the judgement, estimated at 1.90% of JLPP's liabilities.

Analysis of amounts charged to finance costs

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|------------------------------------|------------------------------------------------|------------------------------------------------|
| Interest on Schemes' assets | 28.1 | 30.8 |
| Interest on Schemes' liabilities | (29.0) | (31.9) |
| Net charge to finance costs | (0.9) | (1.1) |

Analysis of amounts recognised in Group Statement of Comprehensive Income

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|---------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above) | (61.9) | 55.9 |
| Experience loss arising on Schemes' liabilities | (4.5) | (5.1) |
| Changes in financial assumptions underlying the present value of Schemes' liabilities | 56.1 | (61.1) |
| Changes in demographic assumptions underlying the present value of Schemes' liabilities | 7.2 | 17.0 |
| Actuarial (loss)/gain recognised in Group Statement of Comprehensive Income | (3.1) | 6.7 |

The cumulative gain recognised in the Group Statement of Changes in Equity is £3.6 million gain (31 December 2017 – £6.7 million).

Changes in present value of defined benefit obligations

| | 2018 £ million | 2017 £ million |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| Opening defined benefit obligation | (1,188.3) | (1,171.2) |
| Current service cost | (1.6) | (1.3) |
| Interest cost | (29.0) | (31.9) |
| GMP equalisation charge | (21.3) | – |
| Experience loss arising on Schemes' liabilities | (4.5) | (5.1) |
| Changes in financial assumptions underlying the present value of Schemes' liabilities | 56.1 | (61.1) |
| Changes in demographic assumptions underlying the present value of Schemes' liabilities | 7.2 | 17.0 |
| Benefits paid (including administrative costs paid) | 60.8 | 65.3 |
| Closing defined benefit obligation | (1,120.6) | (1,188.3) |

The weighted average life of JLPP liabilities at 31 December 2018 is 15.6 years (31 December 2017 – 16.4 years).

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Changes in the fair value of Schemes' assets

| | 31 December 2018 | 31 December 2017 |
|---------------------------------------------------------------------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Opening fair value of Schemes' assets | 1,156.0 | 1,109.9 |
| Interest on Schemes' assets | 28.1 | 30.8 |
| Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above) | (61.9) | 55.9 |
| Contributions by employer | 26.6 | 24.7 |
| Benefits paid (including administrative costs paid) | (60.8) | (65.3) |
| Closing fair value of Schemes' assets | 1,088.0 | 1,156.0 |

Analysis of the movement in the deficit during the year

| | 31 December 2018 | 31 December 2017 |
|-------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Opening deficit | (32.3) | (61.3) |
| Current service cost | (1.6) | (1.3) |
| GMP equalisation charge | (21.3) | – |
| Finance cost | (0.9) | (1.1) |
| Contributions | 26.6 | 24.7 |
| Actuarial (loss)/gain | (3.1) | 6.7 |
| Pension deficit | (32.6) | (32.3) |

History of the experience gains and losses

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------|
| Difference between actual and expected returns on assets: | | |
| Amount (£ million) | (61.9) | 55.9 |
| % of Schemes' assets | 5.7 | 4.8 |
| Experience loss on Schemes' liabilities: | | |
| Amount (£ million) | (4.5) | (5.1) |
| % of present value of Schemes' liabilities | 0.4 | 0.4 |
| Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax): | | |
| Amount (£ million) | (3.1) | 6.7 |
| % of present value of Schemes' liabilities | 0.3 | (0.6) |

b) Post-retirement medical benefits

The Company provides post-retirement medical insurance benefits to 57 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 2018 | 31 December 2017 |
|----------------------------------------------------------------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Post-retirement medical benefits liability – opening | (8.0) | (8.0) |
| Other finance costs | (0.2) | (0.2) |
| Contributions | 0.5 | 0.5 |
| Experience loss* | (0.1) | (0.2) |
| Changes in financial assumptions underlying the present value of scheme's liabilities* | 0.2 | (0.2) |
| Changes in demographic assumptions underlying the present value of liabilities* | 0.1 | 0.1 |
| Post-retirement medical benefits liability – closing | (7.5) | (8.0) |

* These amounts are actuarial gains/(losses) that go through the Group Statement of Comprehensive Income.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

b) Post-retirement medical benefits (continued)

The annual rate of increase in the per capita cost of medical benefits was assumed to be 5.2% in 2018 (2017 – 5.1%). It is expected to increase in 2019 and thereafter at RPI plus 2.0% per annum (2017 – 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 2018:

| | 1% increase £ million | 1% decrease £ million |
|---------------------------------------------------|--------------------------|--------------------------|
| Post-retirement medical benefits liability | (8.3) | (6.9) |

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 2018:

| | 1 year increase £ million | 1 year decrease £ million |
|------------------------|---------------------------------|---------------------------------|
| Life expectancy | (8.2) | (7.0) |

21 PROVISIONS

| | At 1 January 2018 £ million | Charge to Group Income Statement £ million | At 31 December 2018 £ million |
|-------------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|
| Non-current provisions | | | |
| Retained liabilities | (1.0) | (0.5) | (1.5) |
| Total provisions | (1.0) | (0.5) | (1.5) |

| | At 1 January 2017 £ million | Credit to Group Income Statement £ million | At 31 December 2017 £ million |
|-------------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------------|
| Non-current provisions | | | |
| Retained liabilities | (1.5) | 0.5 | (1.0) |
| Total provisions | (1.5) | 0.5 | (1.0) |

Provisions of £1.5 million as at 31 December 2018 (31 December 2017 – £1.0 million) relate to retained liabilities from the legacy construction and home building businesses.

22 SHARE CAPITAL

| | 31 December 2018 No. | 31 December 2017 No. |
|-------------------------------|----------------------------|----------------------------|
| Authorised: | | |
| Ordinary shares of £0.10 each | 490,775,636 | 366,960,134 |
| Total | 490,775,636 | 366,960,134 |

22 SHARE CAPITAL (CONTINUED)

| | 31 December 2018 | | 31 December 2017 | |
|----------------------------------------------------------|------------------|-----------|------------------|-----------|
| | No. | £ million | No. | £ million |
| Allotted, called up and fully paid: | | | | |
| At 1 January | 366,960,134 | 36.7 | 366,923,076 | 36.7 |
| Issued under Rights Issue | 122,320,044 | 12.2 | - | - |
| Issued under LTIP | 1,383,367 | | - | |
| Issued under LTIP – granted in lieu of dividends payable | 77,115 | | - | |
| Issued under DSBP | 32,606 | | 36,080 | |
| Issued under DSBP – granted in lieu of dividends payable | 1,559 | | 978 | |
| Issued under share-based incentive arrangements – total | 1,494,647 | 0.2 | 37,058 | - |
| Shares in issue | 490,774,825 | 49.1 | 366,960,134 | 36.7 |
| Retained by EBT | 811 | - | - | - |
| At 31 December | 490,775,636 | 49.1 | 366,960,134 | 36.7 |

As shown in the table above, during the year ended 31 December 2018, 122,320,044 shares were issued as part of the Rights Issue in March 2018. Additionally 1,494,647 shares were issued to the EBT to satisfy awards vesting under share-based incentive arrangements (see note 7). Of these, 1,460,482 (2017 – nil) shares were issued under the Group's LTIP and 34,165 (2017 – 37,058) shares were issued under the Group's DSBP. As at 31 December 2018, 811 shares were retained by the EBT, which are excluded from the equity in the Group Balance Sheet.

The Company has one class of ordinary shares which carry no right to fixed income.

23 SHARE PREMIUM

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------|-------------------------------|-------------------------------|
| Opening balance | 218.0 | 218.0 |
| Share premium on Rights Issue | 204.3 | - |
| Costs of Rights Issue | (6.0) | - |
| Closing balance | 416.3 | 218.0 |

24 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|-----------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Profit before tax | 296.6 | 126.0 |
| Adjustments for: | | |
| Finance costs | 13.9 | 11.8 |
| Unrealised profit arising on changes in fair value of investments (note 13) | (366.5) | (166.3) |
| Depreciation of plant and equipment | 0.1 | 0.3 |
| Share-based incentives | 2.7 | 3.2 |
| IAS 19 service cost | 1.6 | 1.3 |
| GMP equalisation reserve | 21.3 | - |
| Contribution to JLPF | (26.6) | (24.7) |
| Increase/(decrease) in provisions | 0.5 | (0.5) |
| Operating cash outflow before movements in working capital | (56.4) | (48.9) |
| (Increase)/decrease in trade and other receivables | (0.1) | 0.6 |
| Increase in trade and other payables | 2.6 | 1.0 |
| Net cash outflow from operating activities | (53.9) | (47.3) |

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

25 RECONCILIATION OF NET DEBT

| | At 1 January 2018 £ million | Cash movements £ million | Non-cash movements £ million | At 31 December 2018 £ million |
|---------------------------|--------------------------------------|--------------------------------|------------------------------------|----------------------------------------|
| Cash and cash equivalents | 2.5 | 3.2 | – | 5.7 |
| Borrowings | (173.2) | 106.5 | 1.0 | (65.7) |
| Net debt | (170.7) | 109.7 | 1.0 | (60.0) |

| | 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) |

The cash movements from borrowings make up the net amount of proceeds from borrowings and repayment of borrowings in the Group Cash Flow Statement.

26 GUARANTEES AND OTHER COMMITMENTS

At 31 December 2018, the Group had future equity and loan commitments in PPP and renewable energy projects of £295.6 million (31 December 2017 – £335.4 million) backed by letters of credit of £163.9 million (31 December 2017 – £202.3 million) and cash collateral of £131.7 million (31 December 2017 – £133.1 million). There were also contingent commitments, performance and bid bonds of £10.4 million (31 December 2017 – £7.5 million).

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 2018 £ million | | | 31 December 2017 £ million |
|----------------------------------------|----------------------------------|------------|------------|----------------------------------|
| | Land and buildings | Other | Total | Total |
| Within one year | 1.1 | 0.1 | 1.2 | 1.1 |
| In the second to fifth years inclusive | 3.3 | 0.1 | 3.4 | 3.1 |
| After five years | 1.7 | – | 1.7 | 2.2 |
| | 6.1 | 0.2 | 6.3 | 6.4 |

27 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 2018 £ million | 31 December 2017 £ million |
|-----------------------------------|----------------------------------|----------------------------------|
| For the year ended: | | |
| Services income* | 9.4 | 9.3 |
| Balances as at: | | |
| Amounts owed by project companies | 0.5 | 3.0 |
| 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.

27 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 2018 £ million | 31 December 2017 £ million |
|--------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------|
| For the year ended: | | |
| Management charge payable to the Group by recourse subsidiary entities held at FVTPL | 31.3 | 27.1 |
| Net interest receivable by the Group from recourse subsidiary entities held at FVTPL | 4.1 | 0.7 |
| Net cash transferred from investments at FVTPL (note 13) | 12.4 | 77.4 |
| Balances as at: | | |
| Net amounts owed to the Group by recourse subsidiary entities held at FVTPL | 214.7 | 48.9 |

Transactions with other related parties

There were no transactions with other related parties during the year ended 31 December 2018.

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 2018 £ million | Year ended 31 December 2017 £ million |
|----------------------------------------|----------------------------------------------------------|------------------------------------------------|
| Cash/vested basis | | |
| Short-term employee benefits | 4.0 | 2.9 |
| Post-employment benefits | 0.2 | 0.2 |
| Awards under long-term incentive plans | 2.8 | – |
| Social security costs | 0.8 | 0.4 |
| | 7.8 | 3.5 |
| Award basis | | |
| Short-term employee benefits | 4.2 | 2.9 |
| Post-employment benefits | 0.2 | 0.2 |
| Awards under long-term incentive plans | 1.4 | 1.2 |
| Social security costs | 0.4 | 0.4 |
| | 6.2 | 4.7 |

The average number of key management personnel during 2018 was 14, an increase from 11 during 2017. This is primarily due to the addition of the three regional heads to the Executive Committee in September 2017.

The awards under long-term incentive plans on a cash/vested basis are the awards that vested in April 2018 in relation to the 2015 LTIP. The remuneration amount is based on the number of shares issued to key management valued at the market price of the shares on the day of vesting. No awards under long-term incentive plans vested in 2017.

The awards under long-term incentive plans on an award basis are those outstanding during the year ended 31 December 2018 on all LTIPs, including the 2018 LTIP. The remuneration amount is calculated in accordance with IFRS 2 based on the fair value of the awards at the time of being granted, with an adjustment to the fair value for the non-share based performance condition depending on the Group's NAV per share.

28 EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

COMPANY BALANCE SHEET

for the year ended 31 December 2018

| | Notes | 31 December 2018 £ million | 31 December 2017 £ million |
|--------------------------------------------------|-------|----------------------------------|----------------------------------|
| Non-current assets | | | |
| Investments at fair value through profit or loss | 4 | 1,390.4 | 1,094.9 |
| Total non-current assets | | 1,390.4 | 1,094.9 |
| Current assets | | | |
| Trade and other receivables | 5 | 299.6 | 245.6 |
| Cash and cash equivalents | | 3.6 | 1.1 |
| Total current assets | | 303.2 | 246.7 |
| Total assets | | 1,693.6 | 1,341.6 |
| Current liabilities | | | |
| Borrowings | 6 | (65.7) | (173.2) |
| Trade and other payables | 7 | (17.9) | (21.5) |
| Total current liabilities | | (83.6) | (194.7) |
| Total liabilities | | (83.6) | (194.7) |
| Net assets | | 1,610.0 | 1,146.9 |
| Equity | | | |
| Share capital | 8 | 49.1 | 36.7 |
| Share premium | 9 | 416.3 | 218.0 |
| Other reserves | | 6.1 | 5.9 |
| Retained earnings | | 1,138.5 | 886.3 |
| Total equity | | 1,610.0 | 1,146.9 |

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 2018 was £293.9 million (2017 – £139.4 million).

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 4 March 2019. They were signed on its behalf by:

Olivier Brousse
CHIEF EXECUTIVE OFFICER
4 March 2019

Patrick O'D Bourke
GROUP FINANCE DIRECTOR
4 March 2019

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

| | Share capital £ million | Share premium £ million | Other reserves £ million | Retained earnings £ million | Total equity £ million |
|------------------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------------|---------------------------|
| Balance at 1 January 2018 | 36.7 | 218.0 | 5.9 | 886.3 | 1,146.9 |
| Profit for the year | - | - | - | 293.9 | 293.9 |
| Total comprehensive income for the year | - | - | - | 293.9 | 293.9 |
| Share-based incentives | - | - | 2.7 | - | 2.7 |
| Vesting of share-based incentives | 0.2 | - | (2.5) | 2.3 | - |
| Net proceeds from issue of shares | 12.2 | 198.3 | - | - | 210.5 |
| Dividends paid | - | - | - | (44.0) | (44.0) |
| Balance at 31 December 2018 | 49.1 | 416.3 | 6.1 | 1,138.5 | 1,610.0 |

| | 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 |

The Company had distributable reserves of £393.2 million at 31 December 2018 which are sufficient 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 2018

| | Year ended 31 December 2018 £ million | Year ended 31 December 2017 £ million |
|--------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Operating activities | | |
| Profit from operations | 292.9 | 138.9 |
| Unrealised profit on changes in fair value of investments at FVTPL | (295.5) | (142.2) |
| Share-based incentives | 2.7 | 3.2 |
| Decrease in trade and other receivables | 0.3 | 0.8 |
| Increase/(decrease) in trade and other payables | 0.1 | (0.1) |
| Net cash inflow from operating activities | 0.5 | 0.6 |
| Investing activities | | |
| Interest received | 2.6 | 3.5 |
| Dividends received | 3.0 | 1.9 |
| (Increase)/decrease in intercompany loans | (54.9) | 18.0 |
| Net cash (outflow)/inflow from investing activities | (49.3) | 23.4 |
| Financing activities | | |
| Net proceeds from issue of shares | 210.5 | - |
| Interest paid | (8.7) | (3.8) |
| Dividends paid | (44.0) | (30.1) |
| Proceeds from borrowings | 14.5 | 11.0 |
| Repayment of borrowings | (121.0) | - |
| Net cash inflow/(outflow) from financing activities | 51.3 | (22.9) |
| Net increase in cash and cash equivalents | 2.5 | 1.1 |
| Cash and cash equivalents at beginning of the year | 1.1 | - |
| Cash and cash equivalents at end of the year | 3.6 | 1.1 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2018

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 70 to 87.

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 108, 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 set out below.

New and amended IFRS that are effective for the current year

In 2018, the Company adopted two new IFRS together with a number of amendments to IFRS and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018 (and have been endorsed for use within the EU).

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments arising from Annual Improvements to IFRS 2014 – 2016 Cycle

Other than IFRS 9 the above amendments do not have an impact on the financial statements of the Company. The Company's revenue is dividends from its underlying investments and interest income which are not within the scope of IFRS 15 'Revenue from Contracts with Customers.'

The key changes in IFRS9 compared to the previous standard around financial instruments (IAS39) are disclosed in the Group financial statements on page 105. The adoption of IFRS9 has not had a material impact on the Company financial statements. The Company's main financial assets (other than cash and cash equivalents) are its investment in John Laing Holdco Limited which is held at fair value through profit and loss (FVTPL) and receivables from subsidiary undertakings. The Company's business model for its receivables is to hold them to collect the contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These receivables therefore continue to be held at amortised cost. The Company has assessed that expected credit risk on these receivables is immaterial. The Company has no derivative financial instruments.

New and amended IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS 2015 – 2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment and Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 Uncertainty over Income Tax Treatments

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

2 ACCOUNTING POLICIES (CONTINUED)**a) Basis of accounting (continued)**

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. The Company has not entered into lease agreements, therefore IFRS 16 Leases does not apply.

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.

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 IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement.

2 ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

(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. All financial assets are initially measured at fair value. They are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

The financial assets that the Company holds are classified as follows:

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. Amounts owed by subsidiary undertakings are held at amortised cost as the Company's business model is to hold these receivables to collect contractual cash flows which comprise payments of principal and interest.

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 provision for 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. All financial liabilities are initially measured at fair value. Subsequent measurement of financial liabilities depends on whether they are equity instruments or financial liabilities.

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 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 (CONTINUED)

for the year ended 31 December 2018

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 consistent with those for the Group as set out in note 4 to the Group financial statements.

4 INVESTMENTS

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------------|----------------------------------|----------------------------------|
| At 1 January | 1,094.9 | 952.7 |
| Fair value movement | 295.5 | 142.2 |
| At 31 December | 1,390.4 | 1,094.9 |
| Investments at FVTPL* | 1,375.4 | 1,079.9 |
| Investments at cost less impairment | 15.0 | 15.0 |
| | 1,390.4 | 1,094.9 |

* Net gain on investments at FVTPL for the year ended 31 December 2018 is £295.5 million (2017 – £142.2 million).

Details of the Company's direct investments and how they are recognised in the accounts are as follows:

| Investments | Treatment | 2018 | 2017 |
|-------------------------------------------------------------|----------------------|------|------|
| 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 (Colombia) Limited | Cost less impairment | 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 (Spain) Limited | Cost less impairment | 100% | – |
| Laing Investments Management Services Limited | Cost less impairment | 100% | 100% |

All entities are incorporated in the United Kingdom.

As set out in note 3a) 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 financial statements.

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 financial statements 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 financial statements.

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 financial statements 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.

5 TRADE AND OTHER RECEIVABLES

| | 31 December 2018 | 31 December 2017 |
|-----------------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Due within one year: | | |
| Amounts owed by subsidiary undertakings | 299.6 | 245.6 |

The amounts owed by subsidiary undertakings at 31 December 2018 and 2017 are repayable on demand and interest is charged at arm's length interest rates.

6 BORROWINGS

| | 31 December 2018 | 31 December 2017 |
|--------------------------------------------------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Interest bearing loans and borrowings net of unamortised financing costs | (65.7) | (173.2) |

Reconciliation of net debt:

| | At 1 January 2018 | Cash movements | Non-cash movements | At 31 December 2018 |
|---------------------------|----------------------------------|---------------------------|-------------------------------|------------------------------------|
| | £ million | £ million | £ million | £ million |
| Cash and cash equivalents | 1.1 | 2.5 | - | 3.6 |
| Borrowings | (173.2) | 106.5 | 1.0 | (65.7) |
| Net debt | (172.1) | 109.0 | 1.0 | (62.1) |

| | At 1 January 2017 | Cash movements | Non-cash movements | At 31 December 2017 |
|---------------------------|----------------------------------|---------------------------|-------------------------------|------------------------------------|
| | £ million | £ million | £ million | £ 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) |

7 TRADE AND OTHER PAYABLES

| | 31 December 2018 | 31 December 2017 |
|-----------------------------------------|-----------------------------|---------------------|
| | £ million | £ million |
| Amounts owed to subsidiary undertakings | (17.2) | (20.3) |
| Accruals and deferred income | (0.7) | (1.2) |
| | (17.9) | (21.5) |

8 SHARE CAPITAL

| | 31 December 2018 | 31 December 2017 |
|-------------------------------|-----------------------------|---------------------|
| | No. | No. |
| Authorised: | | |
| Ordinary shares of £0.10 each | 490,775,636 | 366,960,134 |
| | 490,775,636 | 366,960,134 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

8 SHARE CAPITAL (CONTINUED)

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Allotted, called up and fully paid: | | |
| 490,775,636 ordinary shares of £0.10 (31 December 2017 – 366,960,134 of £0.10) each | 49.1 | 36.7 |
| | 49.1 | 36.7 |

The Company has one class of ordinary shares which carry no right to fixed income.

| | 31 December 2018 | | 31 December 2017 | |
|----------------------------------------------------------|------------------|-----------|------------------|-----------|
| | No. | £ million | No. | £ million |
| Allotted, called up and fully paid: | | | | |
| At 1 January | 366,960,134 | 36.7 | 366,923,076 | 36.7 |
| Issued under Rights Issue | 122,320,044 | 12.2 | – | – |
| Issued under LTIP | 1,383,367 | | – | |
| Issued under LTIP – granted in lieu of dividends payable | 77,115 | | – | |
| Issued under DSBP | 32,606 | | 36,080 | |
| Issued under DSBP – granted in lieu of dividends payable | 1,559 | | 978 | |
| Issued under share-based incentive arrangements – total | 1,494,647 | 0.2 | 37,058 | – |
| Shares in issue | 490,774,825 | 49.1 | 366,960,134 | 36.7 |
| Retained by EBT | 811 | – | – | – |
| At 31 December | 490,775,636 | 49.1 | 366,960,134 | 36.7 |

9 SHARE PREMIUM

| | 31 December 2018 £ million | 31 December 2017 £ million |
|-------------------------------|----------------------------------|----------------------------------|
| Opening balance | 218.0 | 218.0 |
| Share premium on Rights Issue | 204.3 | – |
| Costs of Rights Issue | (6.0) | – |
| Closing balance | 416.3 | 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 13 to the Group financial statements.

| 31 December 2018 | Cash and cash equivalents £ million | Loans and receivables £ million | Assets at FVTPL £ million | Investments at cost less impairment £ 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 | - | - | 1,375.4 | 15.0 | - | 1,390.4 |
| Current assets | | | | | | |
| Trade and other receivables | - | 299.6 | - | - | - | 299.6 |
| Cash and cash equivalents | 3.6 | - | - | - | - | 3.6 |
| Total financial assets | 3.6 | 299.6 | 1,375.4 | 15.0 | - | 1,693.6 |
| Current liabilities | | | | | | |
| Interest-bearing loans and borrowings | - | - | - | - | (65.7) | (65.7) |
| Trade and other payables | - | - | - | - | (17.9) | (17.9) |
| Total financial liabilities | - | - | - | - | (83.6) | (83.6) |
| Net financial instruments | 3.6 | 299.6 | 1,375.4 | 15.0 | (83.6) | 1,610.0 |

| 31 December 2017 | Cash and cash equivalents £ million | Loans and receivables £ million | Assets at FVTPL £ million | Investments at cost less impairment £ 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 |

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 2018 £ million | Year ended 31 December 2017 £ million |
|-----------------------------------------|------------------------------------------------|------------------------------------------------|
| Amounts owed by subsidiary undertakings | 299.6 | 245.6 |
| Amounts owed to subsidiary undertakings | (17.2) | (20.3) |
| Dividends received | 3.0 | 1.9 |
| Interest income received | 5.8 | 2.5 |
| Interest paid | (0.7) | (0.8) |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

12 GUARANTEES AND OTHER COMMITMENTS

On 25 July 2018 the Group refinanced its £475 million facility and two £25 million term facilities (HSBC and Barclays) with a £650 million syndicated, committed, revolving credit facility. At 31 December 2018, the Company was a guarantor under the Group's £650 million facility and associated credit facilities. The total amount utilised under these facilities, and hence guaranteed by the Company, was £196.6 million (31 December 2017 - £335.8 million). At 31 December 2017, the Company had been a guarantor under the Group's £475 million syndicated, committed, revolving credit facility and associated credit facilities dated 17 February 2015 and amended on 21 June 2016 and 6 October 2017.

On 8 April 2016, the Company became an indemnitor to each of two uncommitted bonding facilities, one from Euler Hermes UK and the other QBE Insurance Limited, which were each subsequently utilised to the sum of £25 million. At 31 December 2018 the sums outstanding on these facilities were Nil (31 December 2017 - £50 million) with no outstanding guarantees by the Company.

On 23 February 2018, the Company became an indemnitor to an uncommitted bonding facility from Tokio Marine HCC. At 31 December 2018 the sum outstanding on this facility was £24.9 million (2017 - Nil).

On 14 August 2018 and 5 October 2018, the Company became an indemnitor to utilisations on an uncommitted bonding facility from Chubb. At 31 December 2018 the sum outstanding on this facility was £7.8 million (31 December 2017 - Nil).

On 24 November 2016, the Company became a Guarantor to each of two committed £25 million term facilities backing the bonding facilities from Euler Hermes and QBE. One facility was provided by Barclays Bank plc and the other HSBC Bank plc. On 9 February 2018, the HSBC term facility was extended until February 2019 and was amended and made available for general corporate purposes. On 23 February 2018, the Barclays term facility was extended until February 2019 and was made available for the surety facility provided by Tokio Marine HCC. Both of these facilities were undrawn when cancelled on 25 July 2018 (31 December 2017 - undrawn).

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 2018 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 (Colombia) 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 (Spain) 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 |
| | | | | Note 1 |
| Investment Entity subsidiaries (measured at fair value) | | | | |
| Argon Ventures Limited | ** | United Kingdom | 100% | Note 1 |
| Denver Rail (Eagle) Holdings Inc. | ** | United States | 100% | Note 8 |
| Hungary M6 Limited | ** | United Kingdom | 100% | Note 1 |
| Hyder Investments Limited | ** | United Kingdom | 100% | Note 1 |
| John Laing AFC Holdco Corp | ** | United States | 100% | Note 8 |
| John Laing Buckthorn Wind HoldCo Corp | ** | United States | 100% | Note 8 |

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

| Name | | Country of incorporation | Ownership interest | Registered office |
|---------------------------------------------------------------------|----|--------------------------|--------------------|-----------------------------------------------------------------------------------------------------------|
| John Laing Cambridge Limited | ** | United Kingdom | 100% | Note 1 |
| John Laing Funding Limited | ** | United Kingdom | 100% | Note 1 |
| John Laing GHIB Holdco Corp | ** | Canada | 100% | 120 Adelaide Street West, Suite 2201, Toronto, Ontario, Canada |
| 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-75 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 Limited | ** | United Kingdom | 100% | Note 1 |
| John Laing Investments (Cherry Tree) Pty Ltd | ** | Australia | 100% | Note 4 |
| John Laing Investments (Grafton) BV | ** | Netherlands | 100% | Note 3 |
| John Laing Investments (Granville) 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 (Hornsdale 3) Pty Limited | ** | Australia | 100% | Note 4 |
| John Laing Investments (LBAJQ) BV | ** | Netherlands | 100% | Note 3 |
| John Laing Investments (Melbourne Metro) BV | ** | Netherlands | 100% | Note 3 |
| John Laing Investments Netherlands Holdings 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 Investments (SLR) BV | ** | Netherlands | 100% | Note 3 |
| John Laing Investments (Sunraysia) BV | ** | Netherlands | 100% | Note 3 |
| John Laing Limited | ** | United Kingdom | 100% | Note 1 |
| 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 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

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 USA |
| AEM Wind LLC | ** | United States | 92.5% | 645 N. Michigan, Suite 980, Chicago, IL 60611 USA |
| 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 Trust 3 | ** | Australia | 100% | Note 4 |
| Boston AFC 2.0 Holdco LLC | ** | United States | 90% | Note 8 |
| Boston AFC 2.0 Opco LLC | ** | United States | 90% | Note 8 |
| Brantley Farm Solar LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Brantley HoldCo LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Buckthorn Wind Class B Holdco LLC | ** | United States | 90.05% | Note 8 |
| Buckthorn Wind John Laing OpCo 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 |
| Buckleberry HoldCo LLC | ** | United States | 90.1% | Note 9 |
| Buckleberry Solar LLC | ** | United States | 90.1% | Note 9 |
| CCP-PL Lessor III LLC | ** | United States | 90.1% | Note 8 |
| CCP-PL Lessor IV LLC | ** | United States | 90.1% | Note 8 |
| CCP-PL Lessor V LLC | ** | United States | 90.1% | Note 8 |
| CCP-PL Managing Member III LLC | ** | United States | 100% | Note 8 |
| CCP-PL Managing Member IV LLC | ** | United States | 100% | Note 8 |
| CCP-PL Managing Member V LLC | ** | United States | 100% | Note 8 |
| Cherry Tree Finance Company Pty Ltd | ** | Australia | 100% | Note 4 |
| Cherry Tree Hold Co Pty Ltd | ** | Australia | 100% | Note 4 |
| Cherry Tree Hold Trust | ** | Australia | 100% | Note 4 |
| Cherry Tree Project Trust | ** | Australia | 100% | Note 4 |
| Cherry Tree Wind Farm Pty Ltd | ** | Australia | 100% | Note 4 |
| CountyRoute (A130) Plc | ** | United Kingdom | 100% | Note 2 |
| CountyRoute 2 Limited | ** | United Kingdom | 100% | Note 2 |
| CountyRoute Limited | ** | United Kingdom | 100% | Note 2 |
| Courtibeaux (Holdings) 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 |
| Cypress Creek Fund 11 LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Cypress Creek Fund 11 Managing Member LLC | ** | United States | 100% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Cypress Creek Fund 12 LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Cypress Creek Fund 12 Managing Member LLC | ** | United States | 100% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| 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 |

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

| Name | | Country of incorporation | Ownership interest | Registered office |
|-----------------------------------------------|----|--------------------------|--------------------|------------------------------------------------------------------------------|
| Education Support (Southend) Limited | ** | United Kingdom | 100% | Note 1 |
| Finley Solar Holdings Pty Ltd | ** | Australia | 100% | Note 4 |
| Finley Solar Farm Pty Ltd | ** | Australia | 100% | Note 4 |
| Finley Solar Finance Pty Ltd | ** | Australia | 100% | Note 4 |
| Finley Solar Trust | ** | Australia | 100% | Note 4 |
| Fox Creek Farm Solar LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| Fox Creek HoldCo LLC | ** | United States | 90.1% | 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 USA |
| 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 |
| Innovative Solar 54 LLC | ** | United States | 90.1% | Note 9 |
| Innovative Solar 67 LLC | ** | United States | 90.1% | Note 9 |
| IS54 HoldCo LLC | ** | United States | 90.1% | Note 9 |
| IS67 HoldCo LLC | ** | United States | 90.1% | Note 9 |
| John Laing US Solar Corp | ** | United States | 100% | Note 9 |
| 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 |
| 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 |
| Nordergrunde Holdco GmbH | ** | Germany | 100% | Lise-Meitner-Strasse 5, 28359 Bremen, Germany |
| NorthernPathways Holding Pty Ltd | ** | Australia | 80% | Note 4 |
| NorthernPathways Pty Ltd | ** | Australia | 80% | Note 4 |
| NorthernPathways Project Trust | ** | Australia | 80% | Note 4 |
| NorthernPathways Holding Trust | ** | Australia | 80% | Note 4 |
| Parc Eolien des Courtibeaux SAS | ** | France | 100% | 1 Rue des Arquebusiers, 67000 Strasbourg, France |
| Parc Eolien des Tournevents du Cos SAS | ** | France | 100% | 1 Rue des Arquebusiers, 67000 Strasbourg, 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 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

| Name | | Country of incorporation | Ownership interest | Registered office |
|----------------------------------------------------|----|--------------------------|--------------------|---------------------------------------------------------------------|
| Rocksprings Val Verde Wind LLC | ** | United States | 95.3% | Note 8 |
| Rocksprings Wind John Laing OpCo LLC | ** | United States | 100% | 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% | 1 Rue des Arquebusiers, 67000 Strasbourg, France |
| Solar House Holdings | ** | France | 80% | 6 Avenue du Coq, 75009 Paris, France |
| Solar House 1 | ** | France | 80% | 6 Avenue du Coq, 75009 Paris, France |
| Solar House 2 | ** | France | 80% | 6 Avenue du Coq, 75009 Paris, France |
| Solar House 3 | ** | France | 80% | 6 Avenue du Coq, 75009 Paris, France |
| Solar House 4 | ** | France | 80% | 6 Avenue du Coq, 75009 Paris, France |
| Sterling Wind John Laing Op Co. LLC | ** | United States | 100% | Note 8 |
| Sunraysia Solar Farm Holdings Pty Ltd | ** | Australia | 90.1% | Level 4, 5 Talavera Road Macquarie Park, NSW 2113, Australia |
| Sunraysia Solar Project Pty Ltd | ** | Australia | 90.1% | Level 4, 5 Talavera Road Macquarie Park, NSW 2113, Australia |
| Sunraysia Solar Project Holdings Trust | ** | Australia | 90.1% | Level 4, 5 Talavera Road Macquarie Park, NSW 2113, Australia |
| Sunraysia Solar Project Trust | ** | Australia | 90.1% | Level 4, 5 Talavera Road Macquarie Park, NSW 2113, Australia |
| Sunraysia Solar Finance Pty Ltd | ** | Australia | 90.1% | Level 4, 5 Talavera Road Macquarie Park, NSW 2113, Australia |
| 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 (Holdings) Limited | ** | United Kingdom | 100% | Note 1 |
| Uliving@Brighton (Holdco) Limited | ** | United Kingdom | 85% | Linkcity, Becket House, 1 Lambeth Palace Road, London SE1 7EU |
| Uliving@Brighton Limited | ** | United Kingdom | 85% | Linkcity, Becket House, 1 Lambeth Palace Road, London SE1 7EU |
| US Solar John Laing Op Co LLC | ** | United States | 100% | Note 8 |
| 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 |

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Details of the Company's joint ventures and other investments at 31 December 2018 were as follows:

| Name | | Country of incorporation | Ownership interest | Registered office |
|-----------------------------------------------------------------|----|-----------------------------|-----------------------|---------------------------------------------------------------------------|
| Non-recourse | | | | |
| Joint venture project companies (measured at fair value) | | | | |
| 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% | Westkanaaldijk 2, Utrecht, Netherlands |
| 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 Securitisation Pty Limited | ** | Australia | 17.26% | c/- Royal Adelaide Hospital, Port road, Adelaide SA 5000, Australia |
| Celsus Trust | ** | 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 2 |
| Cramlington Renewable Energy Developments Limited | ** | United Kingdom | 44.72%*** | Note 2 |
| Cross Yarra Partnership | ** | Australia | 30% | Level 8, 136 Exhibition St, Melbourne VIC 3000, Australia |
| De Groene Boog Holding BV | ** | Netherlands | 47.5% | Marten Meesweg 25, Rotterdam, Netherlands |
| De Groene Boog BV | ** | Netherlands | 47.5% | Marten Meesweg 25, Rotterdam, Netherlands |
| 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 |
| Granville Harbour Holdings Pty Ltd | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Granville Harbour Holdings Trust | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Granville Harbour Operations Pty Ltd | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Granville Harbour Operations Trust | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Hornsedale Asset Co Pty Limited | ** | Australia | 23.33% | 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 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2018

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

| Name | | Country of incorporation | Ownership interest | Registered office |
|------------------------------------------------|----|-----------------------------|-----------------------|----------------------------------------------------------------------------------|
| HWF 2 Pty Limited | ** | Australia | 20% | Note 5 |
| HWF 3 Pty Limited | ** | Australia | 20% | Note 5 |
| HWF Holdco 3 Pty Limited | ** | Australia | 20% | Note 5 |
| HWF FinCo 3 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 |
| I-66 Express Mobility Partners 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 |
| Laing/Gladedale (Hastings) Holdings Limited | ** | United Kingdom | 50% | Note 1 |
| Laing/Gladedale (Hastings) 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 |
| NGR Holding Trust | ** | Australia | 40% | c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia |
| NGR Project Trust | ** | Australia | 40% | c/- Allens, Level 33, 101 Collins Street, Melbourne VIC 3000, Australia |
| Oakland Corridor Partners HoldCo LLC | ** | United States | 40% | 1209 Orange St, Wilmington, Delaware 19801, USA |
| Oakland Corridor Partners LLC | ** | United States | 40% | 1209 Orange St, Wilmington, Delaware 19801, USA |
| OWP Nordergründe GmbH & Co. KG | ** | Germany | 30% | Stephanitorsbollwerk 3, 28217 Bremen, Germany |
| Palisade Granville Harbour Investments Pty Ltd | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Palisade Granville Harbour Investments Trust | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Rail Investments (Great Western) Limited | ** | United Kingdom | 50% | Note 1 |
| 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% | Note 1 |
| SPC Management Services BV | ** | Netherlands | 33.3% | Westkanaaldijk 2 Utrecht, Netherlands |

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

| Name | | Country of incorporation | Ownership interest | Registered office |
|-------------------------------------------------------|----|--------------------------|--------------------|---------------------------------------------------------------------------|
| Speyside Renewable Energy Partnership Hold Co Limited | ** | United Kingdom | 43.35%**** | 13 Queens Road, Aberdeen, Scotland, AB15 4YL |
| Speyside Renewable Energy Finance PLC | ** | United Kingdom | 43.35%**** | Note 2 |
| Speyside Renewable Energy Partnership Limited | ** | United Kingdom | 43.35%**** | 13 Queens Road, Aberdeen, Scotland, AB15 4YL |
| Transcend Property Limited | ** | United Kingdom | 50% | Note 1 |
| Westcoast Wind Pty Ltd | ** | Australia | 49.8% | Level 13, 664 Collins Street, Dockland VIC 3008, Australia |
| Westadium Project Holdco Pty Limited | ** | Australia | 50% | Note 4 |
| Westadium Project Co Pty Limited | ** | Australia | 50% | Note 4 |
| Westadium Project Unit Trust | ** | Australia | 50% | Note 4 |
| Westadium Project Unit Hold Trust | ** | 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 | 1.89% | 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:

- The registered office of these companies is: 1 Kingsway, London, WC2B 6AN
- The registered office of these companies is: 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
- The registered office of these companies is: Schiphol Boulevard 253 D-building, Schiphol, 1118 BH, The Netherlands
- The registered office of these companies is: Level 16, 15 Castlereagh Street, Sydney NSW 2000, Australia
- The registered office of these companies is: Suite 3 Level 14, 219-227 Elizabeth Street, Sydney NSW 2000, Australia
- The registered office of these companies is: 4th Floor 4 Cophthall Avenue, London, EC2R 7DA
- The registered office of these companies is: Münzstraße 21, D-10178 Berlin, Germany
- The registered office of these companies is: 251 Little Falls Drive, Wilmington, Delaware 19808, USA
- The registered office of these companies is: 2626 Glendwood Avenue Suite 550, Raleigh, North Carolina 27608, USA

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED)

DETAILS OF INVESTMENTS IN PROJECT COMPANIES

Details of the Group's investments in project companies as at 31 December 2018 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 a new hospital in Liverpool costing £167 million. | July 2015 | 30 | < £10 million |
| | Celsus Holding Pty Limited | New Royal Adelaide Hospital | 17.26% | Design, build, finance and operate a 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 Pty Ltd | Clarence Correctional Centre (formerly 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 |
| Environmental | | | | | | | |
| Biomass | Speyside Renewable Energy Partnership Limited | Speyside Biomass | 43.35% | Design, build, finance and operate a 14 MWe biomass CHP plant in Speyside. | Aug 2014 | 23 | £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 | Hornsdate Wind Farm (Phase 1) | 30% | Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia. | Aug 2015 | 31 | £10 – £25 million |
| | HWF 2 Pty Limited | Hornsdate Wind Farm (Phase 2) | 20% | Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia. | June 2016 | 31 | < £10 million |
| | HWF 3 Pty Limited | Hornsdate Wind Farm (Phase 3) | 20% | Design, build, finance and operate 35 turbines to give 109 MW total installed capacity in Australia. | Feb 2017 | 31 | < £10 million |
| | 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 | 31 | £10 – £25 million |
| | Société d'Exploitation du Parc Eolien Du Tonnerois | Pasily 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 | |

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) |
| Wind and solar (continued) | 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, US | 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 wind farm in Erath County, Texas, US. | Oct 2017 | 30 | £25 – £50 million |
| | John Laing US Solar Corp | Cypress Creek solar farms | 100% | Build, finance and operate a portfolio of five utility scale solar projects located in North Carolina. The total capacity of the portfolio is 258.5 MW. | Aug 2018 | 30 | £50 – £100 million |
| | Finley Solar Farm Pty Ltd | Finley solar farm | 100% | Design, build, finance and operate a 163 MW Solar PV farm in south west NSW, Australia. | Nov 2018 | 31 | £50 – £100 million |
| | Sunraysia Solar Project Pty Ltd | Sunraysia solar farm | 90.1% | Design, build, finance and operate a 255 MW Solar PV farm in south west NSW, Australia. | Oct 2018 | 31 | £50 – £100 million |
| | Granville Harbour Operations Pty Ltd | Granville wind farm | 49.8% | Build, finance and operate a 112 MW wind farm in Tasmania, Australia. | Nov 2018 | 31 | £50 – £100 million |
| Cherry Tree Wind Farm Pty Ltd | Cherry Tree wind farm | 100% | Design, build, finance and operate a 57.6 MW wind farm in north east Victoria, Australia. | Dec 2018 | 31 | £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 Express Mobility Partners 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 | 49 | > £100 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 |
| | 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 |

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 date | No. of years | Equity committed / invested (par value) |
| | 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 | Melbourne Metro | 30% | Design, build, finance, operate and maintain twin nine-kilometre tunnels and five new underground stations in Melbourne, Australia. | Dec 2017 | 31 | £25 – £50 million |
| | De Groene Boog BV | A16 Netherlands | 47.5% | Design, build and finance a new 11 km motorway connection on the north side of Rotterdam. | Jun 2018 | 25 | £25 – £50 million |
| | Oakland Corridor Partners LLC | I-75 Road | 40% | Design, build, finance and maintain a 5.5 mile existing section and 4 mile new section of the I-75 at a construction cost of \$629 million. | Nov 2018 | 30 | £10 – £25 million |
| | Boston AFC 2.0 Opco LLC | MBTA Automated Fare Collection System | 90% | Design, build, finance, maintenance and operation of a replacement to the automated fare collection system across the Boston public transport system at a construction cost of \$204 million. | Mar 2018 | 13 | £10 – £25 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 |
| Rail rolling stock | 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 |

SHAREHOLDER INFORMATION

FINANCIAL DIARY

| | |
|---------------|--------------------------------------|
| 5 March 2019 | Full year results presentation |
| 18 April 2019 | Ex-dividend date for final dividend |
| 23 April 2019 | Record date for final dividend |
| 9 May 2019 | Annual General Meeting |
| 17 May 2019 | Payment of final dividend |
| August 2019 | Announcement of half year results |
| October 2019 | Interim dividend expected to be paid |

Updates to the financial calendar will be made on the Company's website www.laing.com when they become available.

REGISTERED OFFICE AND COMPANY SECRETARY

The Company's Registered Office is:
1 Kingsway
London WC2B 6AN
Clare Underwood is the Group
Company Secretary

AUDITOR

Deloitte LLP
1 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
Canary Wharf
London E14 5HP

HSBC Bank plc
71 Queen Victoria Street
London EC4V 4AY

Australia and New Zealand Banking Group Limited
40 Bank Street
Canary Wharf
London E14 5EJ

MUFG Bank, 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

National Australia Bank Limited
88 Wood Street
London EC2V 7QQ

AIB Group (UK) P.L.C.
1 Undershaft
London EC3A 8AB

JOINT STOCKBROKERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4B

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ

INDEPENDENT VALUER

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

SHAREHOLDER INFORMATION (CONTINUED)

REGISTRARS

Equiniti Limited
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. 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.

DIVIDENDS

Shareholders holding shares directly may opt for dividends to be paid straight to their bank or building society account, rather than being paid by cheque. To elect for this swift and secure method of payment, contact the Registrars, visit www.shareview.com or fill in the mandate form that will be sent to you with your next dividend cheque.

SHARE DEALING SERVICES

The Registrars offer a real-time telephone and internet dealing service for UK residents. 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 8:30am to 5:30pm (UK time) Monday to Friday for dealing, excluding public holidays in England and Wales. For EEA residents, the Registrars offer a postal share dealing service. Details can be found at www.shareview.co.uk/dealing.

Photography:

Images of the CBD and South East Light Rail under construction in Sydney, Australia are reproduced with permission of Transport for NSW.

Production:

Designed and produced by **MAGEE** (www.magee.co.uk)

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John Laing Group plc

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Registered No. 05975300

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Further copies of this Annual Report & Accounts are available
by visiting the Company's website or at the address below

www.laing.com

