



DELIVERING
**RESPONSIBLE
INFRASTRUCTURE
SOLUTIONS**

John Laing Group plc
Annual Report & Accounts **2019**

John laing
making infrastructure happen

WE ARE JOHN LAING

DELIVERING INFRASTRUCTURE SOLUTIONS

JOHN LAING IS DELIVERING INFRASTRUCTURE SOLUTIONS. WE ARE INVESTORS AND PARTNERS BEHIND RESPONSIBLE INFRASTRUCTURE PROJECTS WHICH RESPOND TO PUBLIC NEEDS, EMPOWER SUSTAINABLE GROWTH AND IMPROVE THE LIVES OF THE COMMUNITIES IN WHICH WE WORK.

CLARENCE CORRECTIONAL CENTRE,
ASIA PACIFIC



p / 18

THE INTERCITY EXPRESS PROGRAMME,
EUROPE AND MIDDLE EAST



p / 24

I-75 ROAD,
NORTH AMERICA



p / 32

RUTA DEL CACAO,
LATIN AMERICA



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Our Alignment to the United Nations Sustainable Development Goals

While our projects have overlaps across many of the UN SDGs, we have identified 5 priority SDGs which our investments most directly contribute to.

 For further information on this, please see page 64.

2019 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- NAV per share at 337p at 31 December 2019 (31 December 2018 – 323p)
- 4.3% increase since 31 December 2018; 7.2% increase before dividends paid;
- 10.7% increase at constant currency and before dividends paid¹
- Final dividend 7.66p per share (including a special dividend of 3.98p per share), giving a total dividend for 2019 of 9.50p
- Investment commitments of £184 million (2018 – £302 million)²
- Realisations of £143 million (2018 – £296 million)

OPERATIONAL HIGHLIGHTS

- Strong performance in asset management and project delivery
- Wind & solar investments:
 - Modest improvement to H1 write downs in second half of the year
 - Following second half review, all new investments in standalone wind and solar generation to cease
- Record pipeline: £3.2 billion (2018 – £2.4 billion)

Notes:

- ⁽¹⁾ 10.7% increase calculated after adding back the net FX loss of £55 million in 2019.
- ⁽²⁾ Based on new investment commitments secured in the year ended 31 December 2019; for further details see the Chief Executive Officer's Review.

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OUR BUSINESS TODAY

JOHN LAING IS AN INTERNATIONAL ORIGINATOR, ACTIVE INVESTOR AND MANAGER OF INFRASTRUCTURE PROJECTS. OUR BUSINESS IS FOCUSED ON MAJOR TRANSPORT, SOCIAL AND ENVIRONMENTAL INFRASTRUCTURE PROJECTS ACROSS EUROPE & MIDDLE EAST, ASIA PACIFIC, NORTH AMERICA AND LATIN AMERICA.

WHAT WE DO

We bring long-term value to communities through infrastructure projects which respond to the challenges facing society today. Challenges such as urbanisation, population growth and environmental impacts.

We look for new opportunities which deliver solutions to those challenges and help drive society forward.



OUR DIVERSIFIED PORTFOLIO

Investment portfolio spanning a broad range of sectors.



- Transport – rail and rolling stock **34%**
- Transport – roads and other **20%**
- Social infrastructure **11%**
- Environmental – wind & solar generation **33%**
- Environmental – waste & biomass **2%**

OUR APPROACH

- **Active asset management** – Our people work within the project at board and SPV level, and are on-site, actively involved in everything from design to completion.
- **Financial strength** – We invest our own money and stay fully committed to projects until they are fully operational and delivering the benefits promised.
- **Sustainability** – This is embedded throughout the project lifecycle from design and construction to operational delivery.
- **International, with a local presence** – We deliver our projects from a network of 10 offices together with various site offices in four regions – Europe and Middle East, Asia Pacific, North America and Latin America.
- **Partnership approach** – A track record of working closely with like-minded partners to deliver project success.
- **Highly capable teams** – In-depth sector expertise, matched by significant experience in complex infrastructure means our teams add measurable value to projects.
- **Holistic stakeholder approach** – Balancing the needs of our people, partners, communities and investors to create value for all.
- **Broad experience** – Bringing innovative solutions to complex infrastructure projects in road, rail, social and energy sectors.

📖 Read about our business model on pages 14-15



SUMMARY FINANCIAL INFORMATION

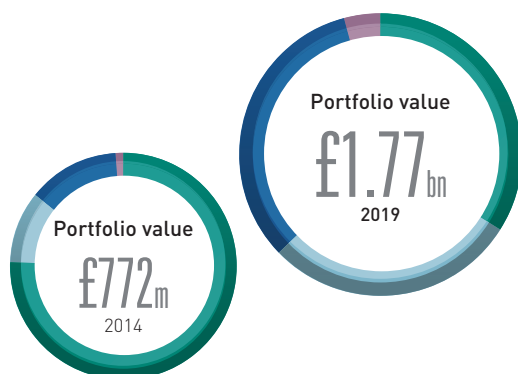
£ million (unless otherwise stated)	Year ended or as at 31 December 2019	Year ended or as at 31 December 2018
Net asset value (NAV)	1,658	1,587
NAV per share ¹	337p	323p
Profit before tax	100	296
Earnings per share (EPS) ²	20p	63p
Dividends per share	9.50p	9.50p
Primary Investment portfolio	907	868
Secondary Investment portfolio	861	692
Total investment portfolio	1,768	1,560
Future investment commitments backed by letters of credit or cash collateral	219	296
Gross investment portfolio	1,987	1,856
New investment committed during the period ³	184	302
Cash invested in projects	267	342
Proceeds from investment realisations	143	296
Cash yield from investments	57	34
Investment pipeline ³	3,172	2,373

Notes:

- (1) Calculated as NAV at 31 December 2019 of £1,658 million divided by the number of shares in issue at 31 December 2019 of 491.8 million
- (2) Basic EPS; see note 6 to the Group financial statements
- (3) For further details, see the Chief Executive Officer's Review

GROWING INTERNATIONAL PRESENCE

The percentage of UK investments in our portfolio has reduced from 66% at 31 December 2014, just before the IPO, to 24% at 31 December 2019.



- Europe & Middle East – 34% 2019 / 85% 2014
- North America – 29% 2019 / 7% 2014
- Asia Pacific – 33% 2019 / 8% 2014
- Latin America – 4% 2019 / 0% 2014

Read more in our Regional Review on page 20

BEING A RESPONSIBLE INVESTOR

We believe that responsible investment is key to fulfilling our purpose to foster sustainable growth. By identifying environmental, social and governance (ESG) considerations throughout the investment process, we can create value for our stakeholders not only in terms of minimising the downside risk and maximising the opportunities associated with these investments but also by improving the lives of communities around the world as we invest in infrastructure projects which respond to public needs.

Read more about our Sustainability on page 63



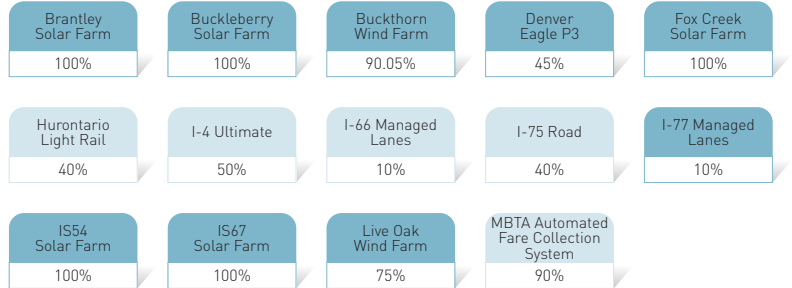
OUR GLOBAL REACH

JOHN LAING HAS A WELL ESTABLISHED PRESENCE

IN EACH OF ITS CORE MARKETS: EUROPE & MIDDLE EAST, NORTH AMERICA, ASIA PACIFIC AND LATIN AMERICA.

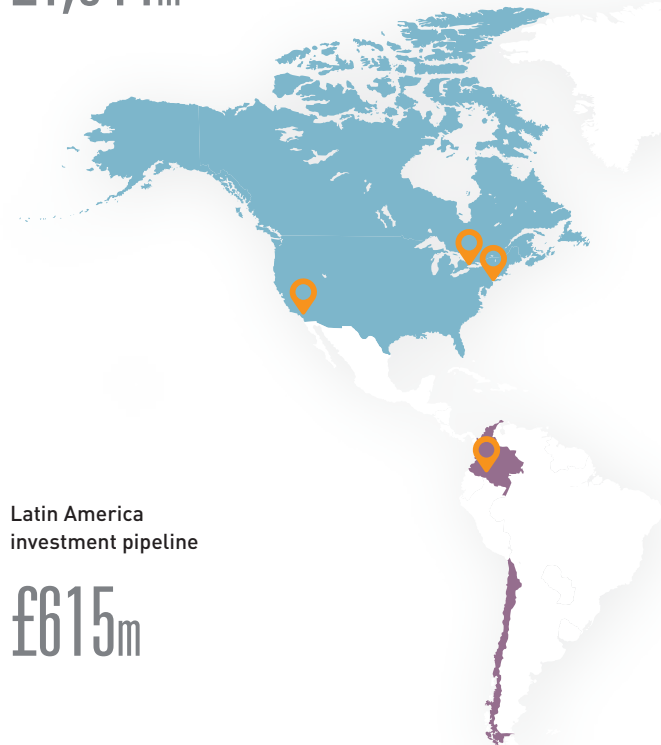
When selecting target regions, we look for an identifiable pipeline of projects coming to market, strong political will for utilising private investment and embracing ESG, a robust infrastructure-delivery supply chain, returns that meet our risk-adjusted hurdle rates and the existence of a market for operational investments or a strong expectation that one will develop. Typically we enter new geographies alongside one of our existing partners that already has an established local presence.

NORTH AMERICA



→ North America investment pipeline

£1,044m



→ Latin America investment pipeline

£615m


OUR SECTORS

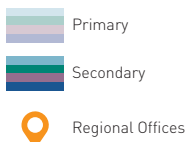
Our activities are focused on the following infrastructure sectors:

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

Environmental infrastructure, such as energy transition, biomass, water treatment and waste management.

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

 Read more about our Regional performance on pages 20 to 23



LATIN AMERICA

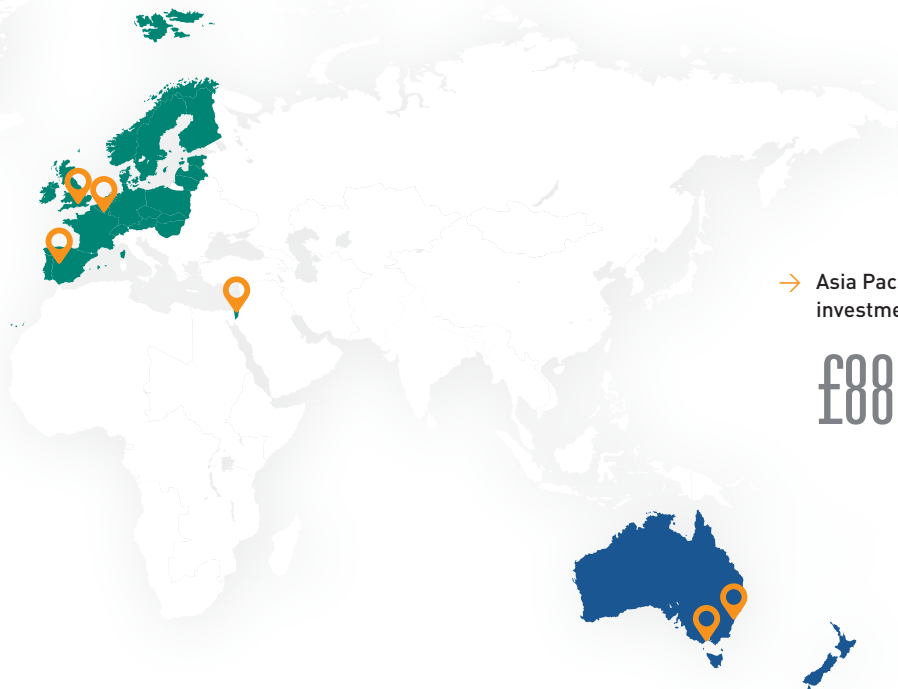


EUROPE & MIDDLE EAST

→ Europe & Middle East investment pipeline

£632m

A6 Parkway Netherlands 85%	A15 Netherlands 28%	A16 Road 47.5%	A130 100%	Alder Hey Children's Hospital 40%
Cramlington Biomass 44.7%	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%	University of British Student Accommodation 85%		



→ Asia Pacific investment pipeline

£881m

ASIA PACIFIC

Auckland South Corrections Facility 30%	Cherry Tree Wind Farm 100%	Clarence Correctional Centre 80%	East Rockingham Waste 40%	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%	Sunraysia Solar Farm 90.1%	Sydney Light Rail 32.5%

DELIVERING OUR PURPOSE



DESPITE THE CHALLENGES WE HAVE FACED THIS YEAR, WE HAVE DELIVERED A SOLID PERFORMANCE AND I AM CONFIDENT THAT WE ARE WELL POSITIONED TO BENEFIT FROM THE OPPORTUNITIES THAT LIE AHEAD."



We delivered a solid performance in 2019, despite facing challenges principally in our renewable energy portfolio. This highlights the resilience of our business model and is testament to the strength of our regional structure, which was put in place two years ago to enable our regional teams to focus more effectively on value creation. This model has delivered tangible benefits in 2019, with strong project delivery and value enhancements across the business. In a global environment where the development of responsible and sustainable infrastructure is key to economic growth and success, John Laing remains ideally placed to leverage new market opportunities in all four of our geographic regions.

Our purpose is clear. It is to create value for all our stakeholders by investing in, developing and actively managing infrastructure which respond to public needs, foster sustainable growth and improve the lives of communities around the world. John Laing is clearly differentiated from other participants in the infrastructure sector, focusing solely on greenfield infrastructure investments and investing its own capital.

Following the write-down taken in the first half of the year, we announced that we would be reassessing our activities in wind and solar generation investment. Having completed the review, we have taken the decision to cease investing in standalone wind and solar generation projects across all our geographies. In our view, these asset classes have become commoditised and returns for John Laing are insufficient to cover the external risks. As with all of our projects, our wind and solar assets are available for sale once construction is complete and steady operational performance has been achieved. We anticipate that these divestments will take place over the next two years and believe the secondary market for these assets to be strong.

Our business model is nimble and flexible, enabling us to respond to opportunities in new markets and geographies. This has helped to drive growth in our pipeline, which now stands at a record level despite the removal of standalone wind and solar generation investment. Alongside new opportunities in existing areas, such as transportation, the pipeline also includes new asset classes and new markets that fit our business model, which is centred on delivering innovative solutions for complex infrastructure problems. These new areas include digital infrastructure but currently do not include those related to the broader energy transition, such as the decarbonisation of transport.

2019 HIGHLIGHTS

→ NAV per share

337p

(31 Dec 2018 – 323p)

→ NAV per share growth
(before dividends paid)

7.2%

(31 Dec 2018 – 18.2%)

→ Pipeline

£3.2bn

(31 Dec 2018 – £2.4bn)

→ Total dividend
per share

9.50p

(2018 – 9.50p)

We also continued to expand our international footprint in 2019 and, following our investment in the Ruta del Cacao PPP road project in Colombia, we have established Latin America as our fourth region. In the year, we committed capital in each of our four regions, with the majority in North America and Latin America. Looking ahead, we expect this to continue as both regions have strong pipelines. Following a period of political uncertainty in Australia, we are seeing a pick up in activities, while Europe is expected to remain relatively subdued, in-line with underlying markets.

Since our IPO in 2015, we have grown NAV per share (including dividends paid) by 14% compound per annum (adjusted for the Rights Issue). Despite some challenging headwinds, the business delivered a solid financial performance in 2019:

- NAV grew to £1,658 million or 337p per share at 31 December 2019, from 323p per share at 31 December 2018, an increase of 7.2% including dividends (10.7% at constant currency);
- Investment commitments totalled £184m, with a record pipeline of £3.2 billion supporting our three year investment target of £1 billion; and
- Realisations of investments were £143m, with a great deal of activity in 2019 to prepare assets for sale in 2020 and 2021, supporting our three year realisations target of £1 billion.

Turning to the Board, Luciana Germinario became Chief Financial Officer in May 2019 following the retirement of Patrick O'D Bourke, Group Finance Director. Luciana has quickly established herself in the business and in particular has strengthened the Group's divestment process.

Toby Hiscock is retiring as Non-executive Director and Chair of the Audit & Risk Committee following the Annual General Meeting (AGM) on 7 May 2020, having joined John Laing in 2009. The Company owes much to Toby's diligence, experience and commitment for which I am most grateful. Philip Keller was appointed to the Board as a Non-executive Director and became a member of the Audit & Risk Committee with effect from 1 January 2020. He will succeed Toby as the Chair of this Committee following Toby's retirement. Philip is also a member of the Nomination and Remuneration Committees with effect from 1 January 2020.

I am delighted to welcome Philip to the Board of John Laing. He brings considerable financial and operational experience, with a deep understanding of investment businesses and global organisations, which will further strengthen the diverse mix of skills and experience on the Board.

After the year end, we also announced that Olivier Brousse had resigned from his position of Chief Executive Officer. He will remain with the Company to ensure a smooth transition. The process is underway to recruit a new Chief Executive Officer and we will provide updates as appropriate in due course. On behalf of the Board, I would like to express our sincere thanks to Olivier for his valuable contribution over the past five years, delivering the successful IPO and evolving the Group's geographic footprint and the diversification of the portfolio. Olivier will leave behind a strong management team and a Group that is in good shape.

As well as our regular Board meeting schedule, we took time away from the business in June and in October 2019 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, in particular, our approach to responsible investment and plans to improve diversity and to reduce the gender pay gap within the organisation. The Board complied with all applicable provisions of the UK Corporate Governance Code 2018 (the Code), which was published in July 2018 and applies for the first time this year.

On behalf of the Board, I would like to thank all employees for their dedication and commitment during a year of change. I would also like to extend the Board's thanks to all the Group's stakeholders for their continued support.

Our current dividend policy is unchanged and 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 2019 of 3.68p 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. Proceeds from sale of investments completed in the year were £143 million. We are also close to completing one further disposal and in advanced negotiations on another for aggregate proceeds of approximately £63 million. We also have other disposal processes underway for completion later in 2020. The Board is recommending a special dividend of 3.98p, by applying 9.5% to proceeds of £206 million, which includes the two disposals expected to complete soon.

The total final dividend for 2019 therefore amounts to 7.66p per share, which, together with the interim dividend of 1.84p per share paid in October 2019, makes a total dividend for 2019 of 9.50p per share, maintaining the 2018 level. The final dividend will be put to shareholders for their approval at the Company's AGM which will be held on 7 May 2020. At the Company's last AGM on 9 May 2019, all resolutions were approved by shareholders.

Despite the challenges we have faced this year, we have delivered a solid performance and I am confident that we are well positioned to benefit from the opportunities that lie ahead.

Will Samuel
Chairman

INVESTING STRATEGICALLY



A STRONG SECOND HALF OF THE YEAR IN TERMS OF ASSET MANAGEMENT AND PROJECT DELIVERY HAS ALLOWED US TO DELIVER ON OUR PROMISE FOR FURTHER VALUE ENHANCEMENTS. THIS HAS BEEN POSSIBLE BECAUSE OF OUR CONSISTENT ABILITY TO CREATE VALUE FROM A DIVERSE RANGE OF INVESTMENTS AND OUR BUSINESS MODEL THAT GIVES REGIONAL TEAMS RESPONSIBILITY FOR THEIR OWN PORTFOLIOS.

JOHN LAING IS A GREAT COMPANY WITH A FANTASTIC TEAM OF PEOPLE THROUGHOUT THE BUSINESS, MAKING MY DECISION TO LEAVE ALL THE MORE DIFFICULT. THEY BRING THE EXPERIENCE, COMMITMENT AND INNOVATION REQUIRED TO DELIVER INFRASTRUCTURE SOLUTIONS THAT DRIVE SOCIETY FORWARD AND ARE WELL PLACED TO TAKE ADVANTAGE OF THE OPPORTUNITIES AHEAD.”



Olivier Brousse
Chief Executive Officer

2019 was an important year for John Laing on a number of fronts:

- **Strong year for asset management and project delivery:** translating into a high level of value enhancements, starting in the first half of the year and sustained into the second half, which helped to offset the H1 wind and solar write downs, and the impact of falling power prices. This resulted in NAV per share growth, before dividends paid in the year, of 7.2%. Excluding the net adverse foreign exchange impact in the year of £55 million, the growth was 10.7%. With almost £1 billion of assets under construction, we see significant embedded value in our existing portfolio. However, the high level of value enhancements in 2019 reflects the initial impact of the move in 2018 to a regional model and an increased focus on asset management in the year. We therefore expect a more normalised level of value enhancements in 2020, in the region of 3% to 5% of the opening portfolio value.
- **Wind and solar:** with the issues we encountered in Australia and Europe in the first half contained and appropriately priced, we have carefully re-assessed the risk/return profile of the wind and solar generation sector. Having concluded that the returns no longer reflect the risks, we have decided to cease investment in standalone wind and solar generation assets across all geographies. John Laing has built an attractive portfolio of operational wind and solar assets which, in-line with our model, we will divest into strong secondary markets over the next 1-2 years.

2019 HIGHLIGHTS

→ New investment commitments

£184m

(2018 – £302m)

→ Proceeds from investment realisations

£143m

(2018 – £296m)

→ Value enhancements

£157m

(2018 – £79m)

- **Refocusing to capitalise on a rapidly changing energy landscape:** wind and solar generation are only one part of the renewable energy industry, which itself represents only a portion of the wider energy transition market that is rapidly gaining momentum. We believe John Laing is well positioned to provide solutions to some of the complex infrastructure requirements that energy transition will involve, particularly decarbonisation. We also remain active in renewable energy more generally, including in waste to energy where we made our first investment in Australia during the year, leveraging experience gained in the UK.
- **Significant inroads into a new region:** with higher complexity and higher returns, Latin America is a region with an attractive pipeline, and our successful entry into Colombia demonstrates that the Public Private Partnerships (PPP) model continues to be embraced in many regions.

OUTLOOK FOR OUR MARKETS AND SECTORS

We believe the biggest drivers for new infrastructure to be a combination of population growth, urbanisation, the increasing role of data in societies and economies and climate change. As we enter a new decade these drivers are as strong as they have ever been.

We set our purpose to create value for all our stakeholders by investing in, developing and managing infrastructure projects which respond to public needs, foster sustainable growth and improve the lives of communities around the world. We believe John Laing is well positioned with the right experience and expertise to help governments make the right decisions and to contribute to achievement of their goals.

We see three major sectors in which we believe John Laing has an important part to play that are key to meeting this purpose: energy transition, including decarbonisation of transport, managed lanes and telecoms/broadband.

The global energy transition is gaining momentum and, as such, wind and solar generation will continue to play a key role as critical enablers of decarbonisation. John Laing was at the forefront of wind and solar investment through the 2010's, investing approximately £850 million in 38 projects across Europe and in Australia and the US. However, wind and solar are increasingly mature and commoditised sectors and today they offer limited value creation potential for an investor such as John Laing. We believe we can contribute more and create better value for our stakeholders by playing an active part in many of the other emerging infrastructure opportunities driven by the global energy transition. These include:

- technologies that enable high penetration of renewables;
- decarbonisation of other sectors e.g. electrification of transport;
- delivering increased energy efficiency.

We are now actively reviewing opportunities across these themes.

WHY WORK WITH JOHN LAING

AT JOHN LAING, WE BRING THE EXPERIENCE, COMMITMENT AND INNOVATION REQUIRED TO DELIVER INFRASTRUCTURE SOLUTIONS THAT DRIVE SOCIETY FORWARD.

/ 01

OUR BUSINESS MODEL MEANS WE ARE FULLY COMMITTED TO SUCCESSFUL PROJECT COMPLETION.

We invest our own money and we do not receive a return until a project is operational. That's why we actively manage.

/ 02

WE BELIEVE COMPLEX PROJECTS REQUIRE ON THE GROUND COMMITMENT LED BY HIGHLY EXPERIENCED PEOPLE.

No matter where in the world, we deploy senior specialists to drive forward improvements, working shoulder-to-shoulder with consortium partners. And our network means we can team up with the best partners from around the world to deliver locally.

/ 03

WE ARE PROVEN EXPERTS IN MAKING GREENFIELD DEVELOPMENT HAPPEN.

With credentials from investing in 150 projects around the world, some of them incredibly complex and innovative, we are experts in helping to improve the delivery of public services with new infrastructure.

 Read more about our project delivery on page 12 and in the Regional Review on pages 20 to 23

/ 04

WE HAVE A FLEXIBLE BUSINESS MODEL, WITH TRANSFERABLE EXPERIENCE THAT ENABLES US TO RESPOND TO NEW OPPORTUNITIES AS THEY EMERGE.

As the world changes, John Laing has evolved, bringing our expertise to new countries and sectors. We've expanded from the UK, first to Europe, then to Asia Pacific and North America and most recently Latin America. And we've continually sought to apply our model to more sectors as we have grown.

 Read more about our business model on pages 14 and 15

CHIEF EXECUTIVE OFFICER'S REVIEW continued

As part of this effort, John Laing officially joined the Hydrogen Council, a global group of industry and financial players focused on fostering the contribution of hydrogen-based technologies and solutions to decarbonisation of energy usage. We were among the first investors to join the Council and will look to bring our experience of complex project design and project finance discipline to facilitate the transition to models that allow efficient deployment of capital at a large scale.

Population growth and ongoing urbanisation are continuing to make the largest cities around the world more and more congested, placing further strains on existing transportation systems. There is an urgent need for the redevelopment and decarbonisation of transport systems to ease congestion and at the same time improve air quality. John Laing has expertise in both investing in and managing transport systems that would meet these needs. We currently invest in light-rail projects in Australia and Canada and we have invested in both phases of the Intercity Express Programme in the UK, which has already delivered 104 electric or bi-mode trains. Our biggest investment to date is in the I-66 Managed Lanes project, the second managed lanes project that we have invested in alongside Cintra Ferrovial, which will help to ease congestion in urban areas expecting population growth and already experiencing high levels of traffic.

The increasing role of data in modern societies is driving the need for investment in communications infrastructure. Broadband fibre networks are seen as the essential digital backbone of economies. Governments globally are actively supporting the deployment of networks, either directly by procuring or subsidising projects in low-density areas, or indirectly by promoting network competition as in the UK. The Conservative Government has stated its aim to deliver high-speed fibre broadband to all communities in the UK. This will require different models for urban and low-density rural areas and offer opportunities for the public and private sectors to work together in an efficient and focused manner. We are now actively engaged in this space in a number of countries.

There is an on-going need for new infrastructure around the world. Many countries are failing to keep pace with the changes brought about by these trends, with the infrastructure market as a whole historically under-invested.

There will always be pressures on public sector finances. This creates a strong incentive for the continued 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.

Our new investment commitments for 2019 are summarised in the table below:

Investment commitments	Region	Sector	Total £ million
University of Brighton student accommodation	Europe and Middle East	Social infrastructure	7
Live Oak wind farm	North America	Wind and solar generation	75
Ruta del Cacao road	Latin America	Roads and other	62
Hurontario light rail	North America	Rail and rolling stock	13
East Rockingham Resource Recovery Facility	Asia Pacific	Waste and biomass	27
Total			184

OBJECTIVES AND OUTCOMES

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

- In 2019, our NAV per share increased from 323p per share at 31 December 2018 to 337p per share at 31 December 2019, representing growth of 7.2% before dividends paid in the year. Excluding the net adverse impact from foreign exchange movements of £55 million, the growth was 10.7%.
- We are proposing a total dividend of 9.50p per share for 2019, maintaining the 2018 level.

The two core objectives in delivering our strategy are:

- growth in volume of primary investments in responsible and sustainable greenfield infrastructure projects over the medium term; and
- management and enhancement of our investment portfolio, with a clear focus on active management during construction and operational phases, 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 VOLUME OF PRIMARY INVESTMENTS

We have a healthy pipeline of new investment opportunities. This has benefited from the continued strong infrastructure market in the US and Canada, a resurgence of the PPP market in Australia and new infrastructure opportunities in Europe and Israel. We have built on the success of our first investment in Colombia, and our growing Latin American pipeline reflects buoyant markets as well as a maintained focus on disciplined investing. We are also seeing a strong pipeline of exciting projects in new asset classes, which we believe are a good match with our business model and offer the potential for good investment returns. Many of these new opportunities have come from our ongoing work to foster strong relationships with our international partners who see John Laing as a trusted partner for delivering complex infrastructure projects. At the same time, our funding position means we are well positioned to make the most of these opportunities. We will continue to focus on investments in PPP but our business model is nimble and flexible enough to enable us to respond to opportunities in other asset classes, providing a strong pipeline for future growth.

Our investment commitments for 2019 were £184m. While this was relatively low compared to previous years, this growing pipeline and a strong capital base underpins our guidance of £1 billion over the three year period 2019 to 2021, although given the nature of PPP procurement and its potential for delays, this could be lumpy and back-ended.

We entered 2020 with a strong pipeline of £3,172 million of investment opportunities expected to complete predominantly over the next three years. Within this pipeline, we have one preferred bidder position, seven shortlisted positions and one exclusive position representing a total potential investment of approximately £443 million.

- North America:** we built strong momentum in the US through 2017 and 2018 and whilst this year was quieter for us, with some deals being delayed, we see a lot of opportunities for investment over the next few years including managed lanes deals. We have four shortlisted positions on PPP deals. In the US, public sector procurement for greenfield infrastructure, including PPP, takes place predominantly at state or city, rather than federal, level and we are seeing some form of PPP-enabling legislation across all states with major metropolitan areas.
- Asia Pacific:** we remain very active in the Australian PPP market. We are working on a number of PPP bids in 2020 including three shortlisted positions which should reach financial close in 2020 and 2021. 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. We continue to explore new sectors, like waste to energy – completing the East Rockingham Resource Recovery Facility investment in 2019 – social housing and energy storage. We are also seeing infrastructure opportunities emerge in new countries in the region, with Vietnam of particular interest where there are strong infrastructure fundamentals supported by a need for major investment in sectors such as transport and healthcare.
- Europe and Middle East:** the market for new infrastructure projects across Europe is relatively subdued but, despite this, we have a preferred bidder position on the Via15 PPP project in the Netherlands and we continue to look at opportunities across the region. Most notably, our team is looking at opportunities in Poland, where we have invested successfully in the past, and Israel, which has an active pipeline of transport and renewable energy projects and which 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.
- Latin America:** our current pipeline in Latin America reflects the progress we have made in the region. We have long seen the attraction in investing in Colombia, a country that joined the OECD in 2018 and has a substantial PPP programme, particularly in the transportation sector. We secured our first investment in Colombia in 2019 and we now have a well established team in our Bogota office. We continue to see a large pipeline of opportunities here and in other countries in Latin America such as Peru and Chile, which we continue to explore with our network of existing partners.

Pipeline – estimated equity investment £ million	At 31 December 2019					At 31 December 2018				
	Asia Pacific	Europe and Middle East	North America	Latin America	Total	Asia Pacific	Europe and Middle East	North America	Latin America	Total
Transport	361	336	826	531	2,054	149	315	563	175	1,202
Social infrastructure	260	21	53	–	334	157	7	29	–	193
Environmental	175	42	75	–	292	28	18	–	–	46
Utilities	85	38	53	84	260	–	–	60	–	60
Telecoms	–	195	37	–	232	–	20	39	–	59
Wind & solar generation	–	–	–	–	–	370	56	387	–	813
Total	881	632	1,044	615	3,172	704	416	1,078	175	2,373

The total pipeline is broken down below according to the bidding stage of each project.

Pipeline by bidding stage at 31 December 2019	Number of projects	Asia Pacific £ million	Europe and Middle East £ million	North America £ million	Latin America £ million	Total £ million
Preferred bidder	1	–	22	–	–	22
Shortlisted / exclusive	8	181	20	220	–	421
Other	65	700	590	824	615	2,729
Total	74	881	632	1,044	615	3,172

CHIEF EXECUTIVE OFFICER'S REVIEW continued

The preferred bidder position and the shortlisted positions are detailed in the table below:

Project	Financial close expected by	Region	Description
Redfern Communities Plus, Australia	Q1 2021	Asia Pacific	Social Housing Development in Sydney, Australia
North East Link	Q4 2020	Asia Pacific	Freeway in Melbourne, Australia
PPP project		Asia Pacific	
Jefferson Parkway, Colorado	Q2 2021	North America	9.2 mile four-lane limited access toll highway in Denver, Colorado
Dartmouth Green Energy, New Hampshire	Q4 2020	North America	Utility system project for Dartmouth College
NYS Thruway Service Plazas	Q3 2020	North America	Redevelopment of multiple rest stops located along New York Thruway, New York
Sepulveda Transit Corridor	H1 2024	North America	13 mile transit link in Los Angeles, California
Via15, Netherlands ¹	Q3 2020	Europe and Middle East	12km greenfield road including a major bridge in the east of the Netherlands

¹ Preferred bidder position

MANAGEMENT AND ENHANCEMENT OF OUR INVESTMENT PORTFOLIO

At 31 December 2019, our portfolio comprised investments in 48 infrastructure projects (31 December 2018 – 48 projects plus our shareholding in JLEN Environmental Assets Group Limited (“JLEN” – previously John Laing Environmental Assets Group Limited)). Our year end portfolio value was £1,768 million (31 December 2018 – £1,560 million). The portfolio value increased by £267 million as a result of cash invested in projects, offset by proceeds from realisations of £143 million and cash yield received from project companies of £57 million. Fair value movements of £141 million – equivalent to 8.7% of the cash rebased portfolio value or 12.2% excluding foreign exchange losses – increased the portfolio value to £1,768 million at 31 December 2019.

As described earlier, we wrote down the value of our wind and solar projects during the year, principally as a result of market-driven and other external factors such as transmission issues in Australia, lower wind yield on our European wind assets and lower power price forecasts. Active asset management by our teams resulted in a significant level of value enhancements across all of our portfolio which, together with the embedded growth, more than offset these losses.

The fair value movement is analysed further in the Portfolio Valuation section.

Elsewhere in the portfolio, our teams were instrumental in the Sydney Light Rail project reaching agreement on a settlement in June 2019 following a prolonged period of disputes. Subsequently, first passenger service commenced on 14 December 2019 and full service for both stages is expected by Q1 2020.

We also played a leading role in the Denver Eagle P3 project reaching substantial completion for the final line in March 2019, leading to full revenue service being achieved in April 2019.

Both are examples of our active asset management, helping to resolve complex issues before delivering completed assets and creating value for our stakeholders.

In 2019, we completed realisations totalling £143 million from the sale of two PPP and two renewable energy investments, as well as the sale of our remaining shares in JLEN. The disposal of our interest in Optus Stadium was our first sale of an operational asset in Australia and the disposal of the Rocksprings and Sterling wind farms in the US were our first sales in the US. Aggregate prices achieved were in line with valuation.

The cash yield in 2019 was £57 million (2018 – £34 million), including a large distribution from the Denver Eagle P3 project following the end of construction.

Overall our investment portfolio is well-diversified in terms of geography, currency, revenue type and sector.

Further details on the investment portfolio in each of our regions is provided in the following Regional Review section.

External asset management

In June 2019, the Company completed the sale of its remaining fund management activities by way of a novation of the Investment Advisory Agreement (IAA) with JLEN to Foresight Group, including the transfer of the investment advisory team. The sale allows the Company to focus on its core business of investment in and active management of greenfield infrastructure projects. The JLEN IAA made a relatively small contribution to our profits compared to the fair value movements from our investing activities.

The IAA with Jura Limited (formerly JLIF) formally terminated on 31 December 2019.

ORGANISATION AND STAFF

Our staff numbers were 153 at 31 December 2019 compared to 169 at the end of 2018. 24 staff left the Group during the year as we exited from the fund management business. Staff numbers increased in Latin America, as we grew the local team in Bogota, and in the Central teams as we continue to reinforce the oversight function, in particular in respect of risk management for new investments and of the portfolio. We now have 55% of staff located outside the UK (31 December 2018 – 44%), consistent with our increasing internationalisation. We have a diverse workforce comprising around 25 nationalities.

Our high quality individuals and experienced teams responded to the issues in our wind and solar portfolio by achieving a significant level of value enhancements, above our long-term average, across all regions and across the entire portfolio. This is evidence that the reorganisation we put in place at the beginning of 2018 is working well, where the Primary Investment and Asset Management teams in each of our regions report to single regional heads, each of whom in turn reports to me. This structure allows 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. I would like to thank our employees for their continued contribution in what was a challenging year.

PRINCIPLES, PEOPLE AND PERFORMANCE

We distinguish ourselves from other investors by our clear commitment to making investment decisions that not only benefit the client and other commercial stakeholders but deliver benefits to local communities. These benefits include cleaner air, reduced congestion, better rehabilitation, improved public facilities, cheaper public transport and better accessibility.

We have a clear set of values that drive our work internally and externally:

- Ownership
- Empowerment
- Growth mindset
- Shared prosperity

These values reflect our purpose, which is to invest in responsible infrastructure projects that respond to public needs, empower sustainable growth and improve the lives of the communities in which we work. Our investment decisions are a function of this purpose and our values, as well as of our commercial considerations.

CURRENT TRADING AND GUIDANCE

We have a strong investment pipeline which at 31 December 2019 totalled £3.2 billion, including one preferred bidder position and eight shortlisted or exclusive positions with a total investment opportunity of approximately £443 million. This supports our guidance of approximately £1 billion of new investment commitments over the three year period 2019-2021. The growth in our pipeline during the year is especially pleasing given our decision to cease investment in standalone wind and solar generation. Investment activity over the next two years will therefore be concentrated on PPP opportunities where we see strong demand, albeit these are typically lumpier and their timing more reliant on public procurement processes. We expect investment activity to gain momentum during 2020, with this year's pipeline weighted to the second half.

With a large and diverse secondary portfolio and several sales processes already underway, divestment activity should ramp up through the second half of 2020, and we continue to expect realisations over the same period to be broadly in line with investment commitments.

As set out in more detail in the Portfolio Valuation and Financial Review sections, certain of the Group's income earned in 2019 will either cease, in the case of fund management income, or return to more normalised levels in respect of fair value movements from the portfolio. At the same time, certain of the losses on the portfolio experienced in the year are not expected to reoccur. Overall, we enter 2020 with a renewed focus and confidence in our business model and its ability to benefit from the opportunities that lie ahead.

Olivier Brousse
Chief Executive Officer

A STRATEGY TO DELIVER LONG-TERM SUSTAINABLE GROWTH

OUR PURPOSE IS TO CREATE VALUE FOR ALL OUR STAKEHOLDERS BY INVESTING IN, DEVELOPING AND MANAGING INFRASTRUCTURE PROJECTS WHICH RESPOND TO PUBLIC NEEDS, FOSTER SUSTAINABLE GROWTH AND IMPROVE THE LIVES OF COMMUNITIES AROUND THE WORLD.

→ COMMITTED TO OUR PURPOSE

Our purpose provides the focus for our activity. It is at the heart of our wider strategy and forms an essential part of our decision making when assessing new investment opportunities

RESPONSIBLE INVESTOR COMMITMENT

We have actively embedded ESG principles across our business: in new markets and investment assessment frameworks, in our choice of partners and in the way we design and deliver projects.

See page 63 for more details on John Laing being a responsible investor

PROJECTS THAT RESPOND TO PUBLIC NEEDS

Large infrastructure projects can have a positive impact on communities and the environment. In assessing new investment opportunities, we have adopted a more rigorous approach to assessing ESG considerations.

See the case studies on pages 18, 24, 32 and 42 which highlight the positive impact projects within our existing portfolio are having on local communities and the environment

PROJECTS THAT FOSTER SUSTAINABLE GROWTH

An increasing focus on global sustainability means that significant infrastructure projects need to demonstrate a commitment to sustainability. Equally, there is an increase in the number of projects that are driven by the need for populations to live and work sustainably. The percentage of our investment portfolio made up of sustainability related projects is likely to grow as we focus on new priorities such as supporting the energy transition industry or alleviating congestion in major metropolitan areas.

See page 11 for details of the Group's investment pipeline

PROJECTS THAT IMPROVE THE LIVES OF COMMUNITIES

Infrastructure assets deliver services that are essential to long-term economic and social growth. However, as investors, we must also seek to ensure that communities are directly involved in projects, can benefit from them and, where possible, that we minimise short term disruption to those who live and work nearby.

See page 42 for a case study on our new investment in the Ruta del Cacao road in Colombia

→ OUR STRATEGY

CONTINUED COMMITMENT TO OUR FOCUS ON LARGE SCALE, COMPLEX INFRASTRUCTURE PROJECTS

- Economic growth in emerging markets and renewal of aging assets in more mature economies will continue to drive a robust medium-term pipeline of projects in core infrastructure.
- The PPP model is embraced in emerging regions as the most effective way to deliver core infrastructure.

STRATEGIC ENTRY INTO NEW MARKETS

- We apply agreed criteria when looking at new geographical markets; this includes an identifiable pipeline of projects coming to market, strong political will for utilising private investment and embracing ESG, a robust infrastructure-delivery supply chain, returns that meet our risk-adjusted hurdle rates and the existence of a secondary market for operational investments or a good expectation that one will develop. We typically enter new markets alongside one of our existing partners that already have an established local presence.
- Recent geographical market entries for John Laing are Israel, where we are actively looking at investment opportunities, and Colombia, where we made our first investment in the Latin America region in 2019.

NEW SECTORS AND ASSET CLASSES

The Company is currently focused on new opportunities in three key areas that are underpinned by strong long-term economic and social drivers:

- The requirements for new types of infrastructure driven by the global energy transition agenda (e.g. energy efficiency and decarbonisation of transport).
- The challenges of urbanisation, such as congestion.
- The increasing importance of data in modern societies, requiring investment in infrastructure such as fibre networks.

→ OUR CORE 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.



INVESTMENT

GROWTH IN VOLUME OF PRIMARY INVESTMENT

in responsible and sustainable greenfield infrastructure projects over the medium term.

Read more about our new investments and pipeline on page 10



ACTIVE MANAGEMENT

MANAGEMENT AND ENHANCEMENT OF OUR INVESTMENT PORTFOLIO

with a clear focus on active management during construction and operational phases, accompanied by realisations of investments which, combined with our corporate banking facilities and operational cash flows, enable us to finance new investment commitments.

Read more about our active asset management on page 12

→ OUR KEY AREAS OF ACTIVITY

Our business model has two key areas of activity aligned with the above strategic objectives:

PRIMARY INVESTMENT

We source, originate, bid for and win greenfield infrastructure projects, typically as part of a consortium in the case of PPP projects.

ASSET MANAGEMENT

We actively manage our investment portfolio. This involves our teams helping the projects to deliver assets through to the end of their construction, protecting and increasing the value of our investments and preparing our operational assets for potential divestment, should funding for new investment be required or opportunities to realise or create value arise.

→ HOW WE CREATE VALUE



We create shareholder value by securing new investments in greenfield infrastructure projects at attractive risk-adjusted base case returns before first protecting and then enhancing these returns through active asset management during construction and into operations.

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.

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 can be held to maturity or sold to secondary market investors, who are targeting a lower rate of return consistent with the reduction in risk.

Our asset management activities focus on management and reduction of project risks, especially during the construction phase, together with enhancement of project cash flows. The latter involves identifying and implementing value enhancement initiatives that can increase future cash flows beyond the cash flows originally forecast at the start of the project. We look at a wide range of such value enhancements, for example:

Extending the useful lives of projects;

Optimisation of operating costs, 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;

Refinancing senior debt within projects at favourable terms; 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.

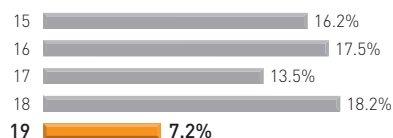
A STRONG TRACK RECORD

MEASURING OUR PERFORMANCE

WE MEASURE OUR PERFORMANCE THROUGH FIVE FINANCIAL AND THREE NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs). OUR KPIs ARE ALIGNED WITH OUR STRATEGY AND LINKED INTO OUR REMUNERATION INCENTIVES.

→ FINANCIAL KPIs

NAV PER SHARE GROWTH BEFORE DIVIDENDS PAID



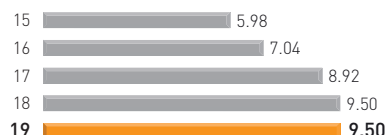
Why is it a KPI: Our strategy focuses on NAV per share growth as a key measure for shareholders.

2019 performance: the lower growth compared to previous years is as a result of losses of c.£150 million on our standalone wind and solar generation assets from external factors and more adverse impact from foreign exchange movements, offset by higher value enhancements in the year (see the Portfolio Valuation and Financial Review sections for more details). On a constant currency basis, the NAV per share growth before dividends paid for 2019 was 10.7%.

7.2%

[Link to remuneration on page 100](#)

TOTAL DIVIDEND PER SHARE (PENCE)



Why is it a KPI: Our strategy focuses on dividends as a key measure for shareholders and as such requires close monitoring.

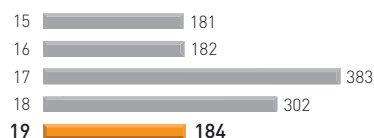
2019 performance: whilst the realisations of investments in 2019 of £143 million was lower than that for 2018 (£296 million), we have been able to keep total dividends per share for 2019 at the same level as 2018. We are confident of delivering a significant level of disposals in 2020 and to demonstrate this confidence we have taken into account in calculating the special dividend for 2019 two disposals for aggregate proceeds of approximately £63 million, that are agreed or in advance negotiations with the buyers and expected to complete soon.

Change from 2018

[Link to remuneration on page 97](#)

Dividends paid before March 2018 have been adjusted for the Rights Issue bonus factor.

NEW INVESTMENT COMMITTED (£m)



Why is it a KPI: Growth in volume of primary investments is one of our two core objectives in delivering our strategy.

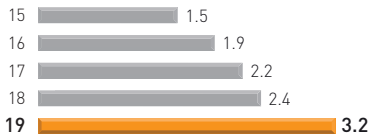
2019 performance: 2019 was a year of transition for John Laing during which we decided to make no further new investments in standalone wind & solar generation assets and, with certain PPP procurements in our core regions delayed, our focus moved to asset management and project delivery, including preparing our existing portfolio of wind & solar assets for sale in the short to medium term to take advantage of a strong demand for operational renewable energy assets.

Change from 2018

-39%

[Link to remuneration on page 97](#)

INVESTMENT PIPELINE (£bn)



Why is it a KPI:

Growth in volume of primary investments is one of our two core objectives in delivering our strategy. A growing pipeline of future investment opportunities is important in achieving this objective.

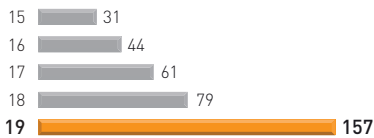
2019 performance: Our business model is nimble and flexible, enabling us to respond to opportunities in new markets and geographies. This has helped to drive the growth in our pipeline, which now stands at record level despite the removal of standalone wind and solar generation investment. This includes new asset classes and new markets that fit our business model, which is centred on delivering innovative infrastructure solutions for complex infrastructure problems.

Change from 2018

34%

[Link to remuneration on page 97](#)

VALUE ENHANCEMENTS (£m)



Why is it a KPI:

Our strategy focuses on NAV per share growth as a key measure for shareholders. Growth in the portfolio is a key driver, which is partially driven by value enhancements.

2019 performance: Active asset management by our teams resulted in a significant level of value enhancements across all of our portfolio which, together with the embedded growth, more than offset the losses on our renewable energy portfolio. The high level of value enhancements in 2019 also reflects the initial impact of the move in 2018 to a regional model as well as preparation of assets for potential divestment in 2020-21; we therefore expect a more normalised level of value enhancements in 2020, in the region of closer to 3% to 5% of the opening portfolio value.

Change from 2018

99%

[Link to remuneration on page 97](#)

→ **NON-FINANCIAL KPIS**

EMPLOYEE TURNOVER

13.6%

EMPLOYEE ENGAGEMENT*

78%

WOMEN ON THE BOARD

37.5% (2018 – 25%)

In next year's Annual Report & Accounts, we will present figures for 2020 vs 2019 for all non-financial KPIS.

* Employees were asked in a survey in March 2019 how engaged they are with the organisation. Employee engagement is a property of the relationship between an organisation and its employees. An "engaged" employee is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organisation's reputation and interests.

ASIA PACIFIC

CLARENCE CORRECTIONAL CENTRE

BUILD COMMUNITIES AND IMPROVE LIVES

JOHN LAING HOLDS AN 80% INTEREST IN THE NORTHERNPATHWAYS CONSORTIUM WHICH IS RESPONSIBLE FOR THE FINANCING, DESIGN, BUILD AND OPERATION OF THE CLARENCE CORRECTIONAL CENTRE PROJECT, A CORRECTIONAL SERVICES FACILITY IN NEW SOUTH WALES, AUSTRALIA.

This facility is a forward-thinking, world class prison where the focus is on giving prisoners the opportunity to rehabilitate, achieve qualifications and develop the life skills and behaviours that will assist them to be responsible citizens at the end of their sentence and to not re-offend and return to prison.

During its construction, the prison will inject more than AUD\$560m into the economy. It will provide 1,250 jobs at the peak of construction and about 600 permanent jobs once operational at its full capacity of 1,700 prisoners.

Located just over 12 miles outside Grafton in northern New South Wales, the state-of-the-art facility will be the largest prison in Australia when it is completed in April 2020 and moves into the operational phase in July 2020.

The new Clarence Correctional Centre will replace the much smaller existing Grafton Jail built in 1864, which is to be closed. The integrated nature of the Clarence Correctional Centre means that prisoners can serve out an entire sentence as they move from maximum security classification to minimum security in a shared living environment, which has a stabilising effect on prisoners. It is also a better solution for families who have to date had their imprisoned family members transferred long distances between other maximum and minimum facilities in New South Wales – something that is very disruptive and destabilising for everyone involved.

SCOPE OF PROJECT

- Maximum capacity: 1,700 beds
- Local workforce: more than 1,250 at its peak, with 18% apprenticeships & re-skilling, 8% indigenous, 20% workforce aged less than 25 years and 3% women in non-traditional roles
- Anticipated permanent workforce: 600



ASIA PACIFIC

ESG IMPACT

The Project

Passive design achieved daylighting and in-cell temperature targets, reducing lifecycle replacement costs, power consumption and CO₂ emissions.

To address the unacceptable rates of suicide in the construction industry, an innovative mental health & wellbeing program was introduced which empowered workers to take control of their health and wellbeing, supported workers at times of crisis and challenged the industry culture through breaking down stigma and stereotypes, and promoted a caring environment with role modelling by project leaders.

During prison operations, a targeted supply chain approach will result in a reduction in waste costs of up to 35%.

Its community

One of the most important aspects of this project is ensuring we support the local community in which we are working. Alongside two of our partners, the Serco Foundation and John Holland, and the John Laing Charitable Trust the consortium has provided funds which allows projects to offer practical opportunities including formal work experience, training in sustainable and transferable skills, creating long-term community benefits

and providing dedicated and long-term support for young people and those in society who struggle more than most. This in turn helps to reduce the number of people turning to crime and facing prison as well as offering positive and useful skills, support and guidance within the local community.

The projects that benefitted from this support were:

New Neighbourhood School of Arts: Employed a youth worker for 12 months for a programme on mental health and well-being, suicide and self-harm, and renovation of amenities for homeless persons

Clarence River Domestic and Family Violence Specialist Services: Redevelopment of a community centre playground

Gurehlgam Corporation: Delivery of Indigenous programmes and services

Police Citizens Youth Club: Establish a series of youth-based programmes in conjunction with NSW Police

Nungera Co-op: Renovations to a community building in Maclean

Grafton Ngerrie Aboriginal Lands Council: Renovations to a community centre in South Grafton



ASIA PACIFIC



Justin Bailey
Regional Managing Director, Asia Pacific



2019 HAS BEEN ANOTHER BUSY YEAR FOR THE REGION. OUR APAC TEAM HAS BEEN VERY FOCUSED ON PROJECT DELIVERY, WITH SIGNIFICANT PROGRESS MADE ON A NUMBER OF OUR HIGH PROFILE PPP PROJECTS AND CONTINUED PROGRESS ON OUR FOUR REVIEWABLE ENERGY PROJECTS UNDER CONSTRUCTION DURING THE YEAR.

We have also been evaluating opportunities in new sectors which present attractive investment fundamentals. In December, we closed on the East Rockingham Resource Recovery Facility, which marked the 150th project for John Laing and is a measure of our success in developing a pipeline of diverse opportunities in the regions in which we operate. Finally, we were pleased to have completed our first divestment with the sale of Optus Stadium, demonstrating the appetite for high quality secondary assets in Australia.”

At 31 December 2019, our portfolio of investments in the region comprised 15 assets (31 December 2018 – 15) including seven in the Primary portfolio (31 December 2018 – eight) and eight in the Secondary portfolio (31 December 2018 – seven) with a total value of £587 million (31 December 2018 – £505 million). The increase in portfolio value of £82 million is due to cash invested in projects of £110 million and a net overall fair value gain of £12 million for the year, offset by disposals and cash yields received from projects totalling £40 million.

With regards to new investments, during the year we secured an investment of £27 million in the East Rockingham Resource Recovery facility, a waste to energy plant in Perth, Western Australia. The Primary Investment team had also been successful in achieving three shortlisted positions at 31 December 2019 on PPP deals in Australia, which are expected to close over the next 18 months.

Our active asset management in the region saw significant progress made on the Sydney Light Rail, New Generation Rollingstock and New Royal Adelaide Hospital projects.

2019 HIGHLIGHTS

- Significant progress made on our high profile PPP projects.
- Transmission issues relating to marginal loss factors on three of our renewable energy assets.
- First divestment achieved in the region with the sale of Optus Stadium.

SYDNEY LIGHT RAIL

- Following a settlement agreed by all parties in June 2019, the first passenger service commenced on 14 December 2019 and full service for both stages is expected by the end of Q1 2020.

NEW GENERATION ROLLINGSTOCK

- All 75 trains have now been accepted, in line with the re-based train delivery schedule agreed with the State of Queensland.
- The programme for undertaking various retrofitting and rectification issues is progressing well.
- This asset has moved into our Secondary portfolio at 31 December 2019.

NEW ROYAL ADELAIDE HOSPITAL

- Settlement commercially agreed between project company and South Australian government including revised payment mechanism.
- Arbitration proceedings are ongoing with regard to legacy issues arising from the construction phase.

From a divestment standpoint, we were pleased to achieve our first realisation of an operational asset in Australia, the disposal of our 50% shareholding in Optus Stadium, which completed in March 2019. We have also started divestment processes for our interest in the Auckland South Corrections Facility and for our wind and solar assets in Australia.

Continued active asset management in the second half of the year has resulted in total year value enhancements for the APAC region of £47 million (2018 – £16 million) of which £6 million (2018 – £5 million) related to PPP assets and £41 million (2018 – £11 million) to renewable energy assets.

As was reported in our interim results, we, along with industry peers, experienced transmission issues relating to marginal loss factors (“MLFs”) which negatively impacted three of our renewable energy assets. As a reminder, MLFs are defined as the portion of energy that is lost when electricity is transmitted across the transmission and distribution networks due to resistance. During the second half of the year, we have worked closely with external advisors to review their long-term MLF forecasts. These forecasts took into account the indicative MLFs for the July 2020 – June 2021 period that the Australian Energy Market Operator published in November 2019, which showed an improvement from the previous year on the three assets referred to above. Overall, the change in MLF forecasts led to net losses of £52 million.

We have also seen some volatility in power price forecasts in the region during the year, particularly over the last two quarters, which resulted in a loss of £17 million for 2019.

EUROPE AND MIDDLE EAST



David Rushton

Regional Managing Director, Europe and Middle East



THE PROGRESSIVE DELIVERY OF IEP PHASE 2 ROLLING STOCK AND ENTERING THE TRAINS INTO OPERATIONAL SERVICE HAS BEEN A FOCUS OF THE ASSET MANAGEMENT TEAM DURING 2019 AND PREPARATION OF OUR SWEDISH AND FRENCH WIND FARMS FOR DIVESTMENT IN 2020 HAS ALSO BEEN A PRIORITY.

Being appointed preferred bidder on the ViA15 project in the Netherlands was an extremely positive way to end 2019. We have been active in the fibre sector during the second half of 2019 in particular and have a number of opportunities to pursue in 2020. We are also well placed to pursue opportunities in the energy transition sector which has the potential to be a significant engine of growth for the EME region. We are focussed on bringing in new skills and experience to supplement the expertise and experience of the existing team in the region.”

2019 HIGHLIGHTS

- Operational performance issues on our wind assets mainly driven by low levels of wind.
- Continuing good progress made on IEP Phase 2 with public train services commencing in May 2019.

At 31 December 2019, our portfolio of investments in the region comprised 18 assets (31 December 2018 – 19) including three in the Primary portfolio (31 December 2018 – three) and 15 in the Secondary portfolio (31 December 2018 – 16) with a total value of £599 million (31 December 2018 – £580 million). The increase in portfolio value of £19 million in 2019 is due to a positive fair value movement in the period of £20 million and cash invested into projects of £8 million offset by disposals and cash yields received from projects totalling £9 million.

With regards to new investments, we secured an investment of £7 million in a student accommodation project with the University of Brighton. The Primary Investment team had also secured one preferred bidder PPP position in the Netherlands at 31 December 2019 and one exclusive pump storage opportunity in Israel, both of which are expected to close in 2020.

On IEP Phase 2, our largest investment, 47 of the 65 trains for the East Coast main line have been accepted with public train services commencing in May 2019. All trains are expected to have been delivered on schedule by mid-2020.

Continued active asset management in the second half of the year has resulted in total year value enhancement for the region of £43 million (2018 – £40 million) of which £18 million (2018 – £40 million) related to PPP assets and £25 million (2018 – £nil) to renewable energy assets.

As reported in our interim results, we experienced operational performance issues on our wind farm assets, mainly driven by low levels of wind, which have translated into lower long-term energy yield forecasts and resulted in write downs of £51 million.

We have also seen some volatility in power price forecasts in the region during the year, particularly over the last two quarters, which resulted in a loss of £15 million for 2019.

NORTH AMERICA



Anthony Phillips
Regional Managing Director, North America

“
NORTH AMERICA CONTINUES TO BE A KEY REGION FOR JOHN LAING AND HAS PRODUCED SOME OF OUR FLAGSHIP PROJECTS, INCLUDING THE DENVER COMMUTER RAIL AND TWO MANAGED LANES PROJECTS.

As state and federal governments embrace the benefits of working with a PPP structure, John Laing is ideally placed to contribute investment and project expertise. We are delighted to be involved in the Hurontario light rail project in Canada – our first PPP rail investment in the country – and we are building a pipeline of project opportunities across all our sectors.”

At 31 December 2019, our portfolio of investments in the region comprised 14 assets (31 December 2018 – 14) including five in the Primary portfolio (31 December 2018 – six) and nine in the Secondary portfolio (31 December 2018 – eight) with a total value of £514 million (31 December 2018 – £465 million). The increase in portfolio value of £49 million during the year is principally due to a positive fair value movement of £98 million and cash invested into projects of £92 million, offset by disposals and cash yields received from projects totalling £141 million.

With regards to new investments, we secured an investment of £75 million in the Live Oak wind farm and later in the year we secured an investment of £13 million in the Hurontario light rail project in Ontario, Canada. The Primary Investment team had also secured four shortlisted PPP positions at 31 December 2019.

2019 HIGHLIGHTS

- Full revenue service was achieved in April 2019 on the Denver Eagle P3 project and the I-77 Managed Lanes was fully opened by the end of the year.
- First divestment achieved in the US with the sale of our interests in the Rocksprings and Sterling wind farms.

The North America portfolio of investments performed in line with expectations.

Denver Eagle P3

- Substantial completion of the third line, the G line, was achieved in March 2019.
- The A line and the B line have been operating successfully since 2016 and have achieved above 97% on-time performance.
- Full revenue service of the overall project was achieved in April 2019.

I-77 Managed Lanes

- The I-77 Managed Lanes was fully open by the end of the year with the opening of the southern section in November 2019 following that of the northern section earlier in the year.

The sale of our interests in the Rocksprings wind farm in Texas and the Sterling wind farm in New Mexico in the first half of the year represented our first divestments in the US. Proceeds are subject to customary post-completion adjustments.

Continued active asset management in the second half of the year has resulted in total year value enhancements of £65 million (2018 – £24 million) of which £37 million (2018 – £18 million) related to PPP assets and £28 million (2018 – £6 million) to renewable energy assets.

We have also seen some volatility in power price forecasts in the region during the year, particularly over the last two quarters, which resulted in a loss of £15 million for 2019.

LATIN AMERICA



Alex Yew
Managing Director, Latin America



LATIN AMERICA IS A REGION WITH A SUBSTANTIAL PIPELINE OF INFRASTRUCTURE PROJECTS WITH ATTRACTIVE RETURNS. BEING A DEVELOPING MARKET REGION THAT IS EXPERIENCING STRONG ECONOMIC GROWTH, THERE IS A FUNDAMENTAL DEMAND FOR INFRASTRUCTURE INVESTMENT ACROSS MANY COUNTRIES.

These countries are committed to the PPP model for delivering their infrastructure needs and for improving the lives of their communities. Latin America is a complex region and this suits John Laing's strengths as an active investor prepared to invest in local resources. We established our office in Bogota and recruited a team of senior locals who understand the market. Working closely with our partners in the region, we can develop Latin America into an attractive market for John Laing. Even more importantly, we will be able to deliver infrastructure that improves people's lives."

2019 HIGHLIGHTS

- First investment in the region was completed in October 2019, with £62 million committed for a 30% interest in the Ruta del Cacao PPP road project in Colombia.

In October 2019, after almost three years of due diligence, we closed our first investment in the region. We committed £62 million for a 30% interest in the Ruta del Cacao PPP road project in Colombia. We have one of our key international partners working with us on this project together with other leading investors and contractors. The project is progressing well, with construction almost 50% complete. During delivery, the project is improving the lives of the local communities through the building of new water treatment plants, schools and commercial facilities.

Meanwhile, our pipeline of investment opportunities in the region has increased to £615 million as at 31 December 2019. This has been the result of the efforts of our strong team, with seven employees in our Bogota office, complemented by senior executives in Madrid and London.

OUR STRATEGY IN ACTION

EUROPE AND MIDDLE EAST

IEP PHASE 2

DELIVERING BETTER RAIL SOLUTIONS

THE INTERCITY EXPRESS PROGRAMME (IEP) IS A UK DEPARTMENT FOR TRANSPORT (DFT) PROGRAMME TO REPLACE OLD ROLLING STOCK ON TWO OF THE UK'S BUSIEST MAIN TRAIN LINES WITH ELECTRIC OR BI-MODE TRAINS. AS A SINGLE PROJECT, IT IS THE LARGEST ROLLING STOCK INVESTMENT PROGRAMME IN THE UK FOR MORE THAN 30 YEARS.



The DfT tender had clear requirements for the new rolling stock, including weight, passenger capacity, faster speed, full disabled access, Wi-Fi, sockets and catering. The trains also had to meet Office for Rail Regulation standards, Network Rail compatibility certification and each Operator's safety case.

The construction stage of Phase 1 of the programme, for the Great Western main line, was completed in December 2018 with 57 trains being delivered. John Laing sold its remaining interest in Phase 1 earlier in 2018. On Phase 2 of the project, for the East Coast main line, in which we currently hold a 30% interest, 47 of the 65 trains have so far been delivered with public train services commencing in May 2019. All trains are expected to have been delivered on schedule by mid-2020.



SCOPE OF PROJECT (PHASE 2)

- 65 electric or bi-mode trains
- New depot
- Transfer of three legacy depots

ESG IMPACT

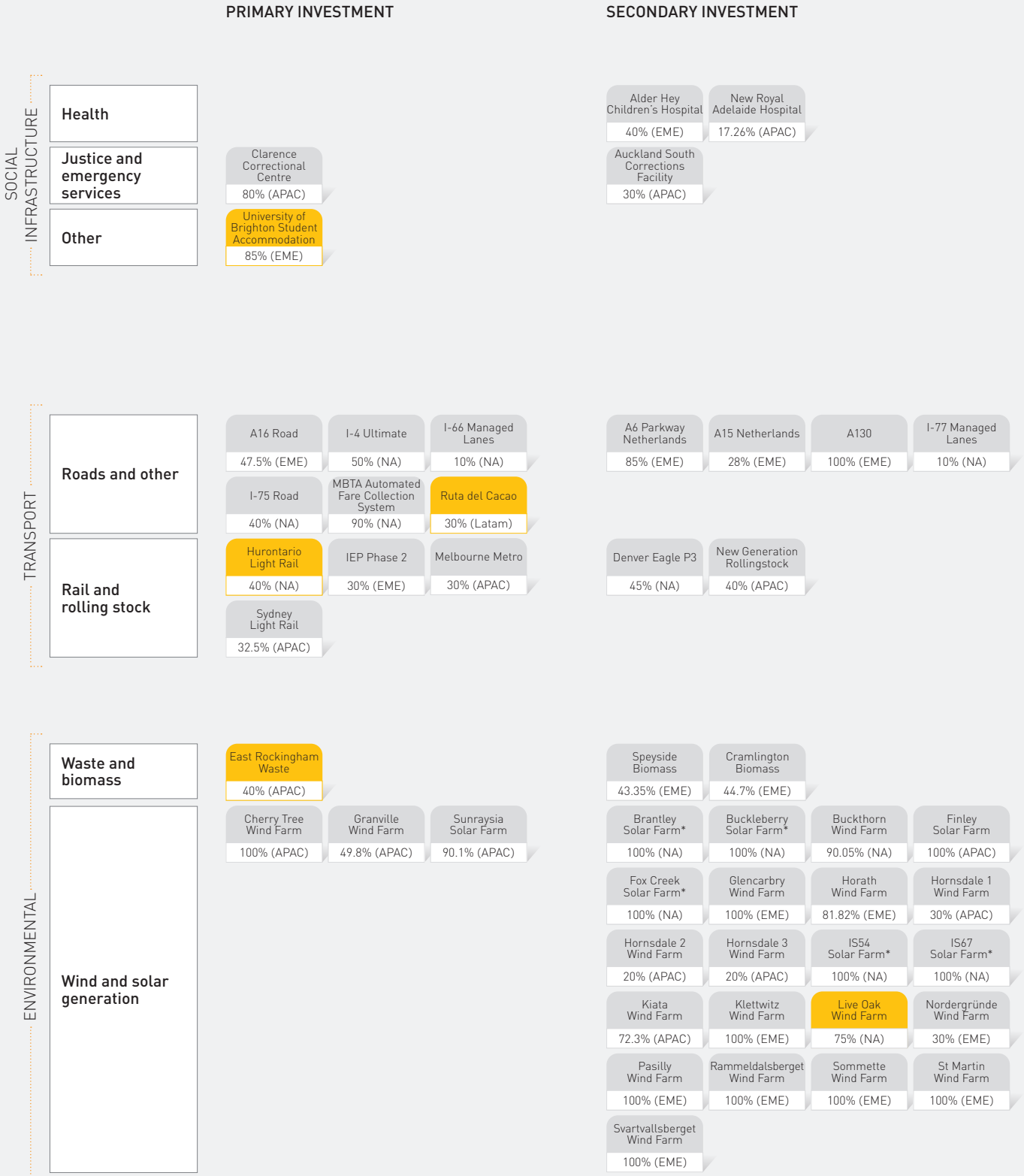
Local jobs and training and a healthier environment

The IEP rolling stock is more environmentally friendly and operates at faster speeds than existing stock, connecting communities and businesses along the east coast of the UK. Better accessibility and facilities improves the travelling experience for those passengers with reduced mobility.

The choice of bi-mode trains means that electrical power is used whenever available, reducing emissions compared to ageing diesel engines. Hitachi, the rolling stock manufacturer, prioritised UK suppliers wherever possible with 70% of parts for the trains sourced within 40 miles of the assembly plant. The project's new maintenance facility in Doncaster created 250 jobs in the area.

Hitachi co-founded the North East of England's first university technical college adjacent to its assembly facility in County Durham. They have also partnered with many local schools along the route to inspire the next generation of engineers.

PORTFOLIO VALUATION



Investment commitment pre 2019
 New investment commitment in 2019

APAC – Asia Pacific
 EME – Europe and Middle East
 NA – North America
 Latam – Latin America
 *Cypress Creek projects

The portfolio valuation at 31 December 2019 was £1,768 million compared to £1,560 million at 31 December 2018. After adjusting for cash invested, cash yield and realisations, this represented a positive movement in fair value of £141 million (representing growth of 8.7% or 12.2% at constant FX).

	Investments in projects £ million	Listed investment £ million	Total £ million
Portfolio valuation at 1 January 2019	1,550	10	1,560
– Cash invested	267	–	267
– Cash yield	(57)	–	(57)
– Proceeds from realisations	(132)	(11)	(143)
Rebased valuation	1,628	(1)	1,627
– Movement in fair value	140	1	141
Portfolio valuation at 31 December 2019	1,768	–	1,768

Cash investment into three new assets during 2019 totalled £140 million. In addition, £127 million was injected into existing projects in the portfolio as they progressed through, or completed, construction.

During 2019, the Group completed the realisation of four investments for a total consideration of £132 million and also sold its remaining shares in JLEN for £11 million.

Cash yield from the investment portfolio during the year totalled £57 million.

The movement in fair value of £141 million is analysed in the table below.

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Unwinding of discounting	110	98
Reduction of construction risk premia	73	43
Value uplift on financial closes	31	43
Value enhancements	157	79
Net losses from project performance	(23)	(36)
Movement in fair value before external factors and exceptional items	348	227
Wind yield – Europe	(51)	–
Transmission (MLF) – Australia	(52)	–
Change in power and gas price forecasts	(48)	(12)
Impact of foreign exchange movements	(57)	10
Change in macroeconomic assumptions	(11)	(1)
Change in operational benchmark discount rates	12	4
Exceptional gain on disposal of IEP Phase 1	–	87
Movement in fair value	141	354

Unwinding of discounting and reduction of construction risk premia totalled £183 million for 2019 (2018 – £141 million). We expect further value uplift in the future from these factors currently embedded in the portfolio but at a lower level than 2019 given the profile of the portfolio.

Value uplift of £31 million was recognised on the financial close of new investments of £184 million in the year. We would expect higher value uplift on financial close next year if the level of new investments is increased.

We have recognised £157 million of value enhancements in the year representing a strong result of our ongoing active asset management capability. Having recognised value enhancements of £78 million in the first half of the year, work in this area continued and we were able to deliver further value enhancements of £79 million in the second half. These enhancements were achieved in all regions and across the entire portfolio from a number of areas, including extension

of asset lives, savings on operating costs and refinancing of project finance. However, the high level of value enhancements in 2019 reflects the initial impact of the move in 2018 to a regional model as well as an increased focus on asset management in the year. We therefore expect a more normalised level of value enhancements in 2020, in the region of 3% to 5% of the opening portfolio value.

During the year, there were net losses from project performance of £23 million. This primarily reflects the impact of construction delays on certain of our projects, offset by a value uplift from reductions in project-specific risk premia, principally reflecting the good progress made in the year on certain PPP projects.

Losses of £51 million on the European wind assets and the £52 million of losses suffered on three of our Australian renewable energy asset projects as a result of adverse changes in MLFs are described further in the Regional Review section above.

PORTFOLIO VALUATION continued

Reduction in power and gas price forecasts, particularly in the second half of the year, resulted in losses of £48 million and strengthening of Sterling since 30 June 2019 has increase the adverse impact of foreign exchange movements to £57 million from just £2 million in the first half.

The net benefit of £12 million from the change in operational benchmark discount rates was on a number of renewable energy investments in Europe in response to our understanding and experience of the secondary market.

The split of the portfolio valuation between primary and secondary investments and the movements in the year within each are shown in the table below:

	31 December 2019			31 December 2018		
	Number of projects	£ million	%	Number of projects	£ million	%
Primary Investment portfolio	16	907	51.3	17	868	55.7
Secondary Investment portfolio	32	861	48.7	31	692	44.3
Total portfolio	48	1,768	100.0	48	1,560	100.0

	Primary Investment £ million
Portfolio valuation at 1 January 2019	868
– Cash invested	258
– Transfers to Secondary Investment	(377)
Rebased valuation	749
– Movement in fair value	158
Portfolio valuation at 31 December 2019	907

	Secondary Investment £ million
Portfolio valuation at 1 January 2019	692
– Cash invested	9
– Cash yield	(57)
– Proceeds from realisations	(143)
– Transfers from Primary Investment	377
Rebased valuation	878
– Movement in fair value	(17)
Portfolio valuation at 31 December 2019	861

METHODOLOGY

The methodology for the valuation of the investment portfolio is unchanged from the methodology used as at 31 December 2018, as described in the 2018 Annual Report and Accounts.

In arriving at the valuation as at 31 December 2019, we considered and reflected changes to the two principal inputs, (i) forecast cash flows from investments in projects; and (ii) discount rates.

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 as a whole represented a fair market value in the conditions prevailing at 31 December 2019.

Discount rates

For the 31 December 2019 valuation, the overall weighted average discount rate was 8.6% compared to the weighted average discount rate at 31 December 2018 of 8.6%. The weighted average discount rate at 31 December 2019 was made up of 9.1% (31 December 2018 – 8.8%) for the Primary Investment portfolio and 8.0% (31 December 2018 – 8.1%) for the Secondary Investment portfolio. The increase in the weighted average discount rate for primary investments was primarily the result of the investment in Ruta del Cacao. The small reduction in the weighted average discount rate for secondary investments was the result of reductions in project-specific risk premia on the New Royal Adelaide Hospital and A15 Netherlands investments, reflecting the progress made in the year, and reduction in the operational benchmark discount rates for select investments, offset by assets with higher discount rates transferring from the Primary portfolio.

The discount rate ranges used in the portfolio valuation at 31 December 2019 were as set out below:

Sector	At 31 December 2019		At 31 December 2018	
	Primary Investment	Secondary Investment	Primary Investment	Secondary Investment
PPP investments	7.1% – 12.4%	6.5% – 9.25%	6.9% – 11.7%	7.0% – 9.0%
Renewable energy investments	8.6% – 8.6%	6.4% – 8.5%	8.4% – 9.1%	6.8% – 10.0%

The table below shows the sensitivity of a 0.25% change in discount rates:

Discount rate sensitivity	Portfolio valuation £ million	Increase/(decrease) in valuation £ million
+0.25%	1,711	(57)
–	1,768	–
-0.25%	1,828	60

Energy yields

Revenues and therefore cash flows from investments in renewable energy projects may be affected by the volume of power production, for example from changes in wind or solar yield.

Our valuation of renewable energy projects assumes a P50 level of electricity output based on reports by technical consultants. The P50 output is the estimated annual amount of electricity generation (in MWh) that has a 50% probability of being achieved or exceeded and a 50% probability of being underachieved – both in any single year and over the long term. Hence the P50 is the expected level of generation forecast over the long term. A P75 output means a forecast with a 75% probability of being achieved or exceeded and a P25 output means a forecast with a 25% probability of being achieved or exceeded.

The impact on the valuation at 31 December 2019 of a sample of renewable energy assets with total value of £293 million from changes in energy yield is shown below:

Energy yield sensitivity	Portfolio valuation of sample of assets £ million	Increase/(decrease) in valuation £ million
P75	255	(38)
P50	293	–
P25	330	37

The sensitivities shown above assume that changes in energy yields move in the same direction for all of the assets in the sample. However, across a portfolio of renewable energy assets, any actual change in forecast energy yields could be an increase for some assets and a decrease on others.

MACROECONOMIC ASSUMPTIONS

During 2019, updates for actual macroeconomic outcomes and assumptions had a net adverse impact of £11 million (2018 – £1 million net adverse impact) on the portfolio valuation. Movements of foreign currencies against Sterling over the year to 31 December 2019 resulted in net adverse foreign exchange movements of £57 million (2018 – £10 million net favourable foreign exchange movements). Additionally, a decrease in forecast power and gas prices resulted in a £48 million adverse fair value movement (2018 – adverse fair value movement of £12 million).

The table below summarises the main macroeconomic and exchange rate assumptions used in the portfolio valuation at 31 December 2019 and at 31 December 2018. The table also shows the impact from changes in these assumptions and from changes in power and gas prices and marginal loss factors in the year as well as the sensitivity to the portfolio value from changes in the future:

Assumption			31 December 2019	31 December 2018
Long-term inflation	UK	RPI & RPIX	3.00%	3.00%
	Europe	CPI	1.25% – 2.50%	1.75% – 2.00%
	North America	CPI	2.00% – 2.25%	2.20% – 2.50%
	Asia Pacific	CPI	1.50% – 2.50%	2.00% – 2.75%
	Latin America	CPI	3.20% – 3.40%	–
Impact in the year			£(5) million	£(3) million
Sensitivity: change in value of five PPP investments with a total value of			£596 million	£524 million
0.25% increase in inflation			c.£14 million	c.£14 million
0.25% decrease in inflation			c.£(13) million	c.£(13) million

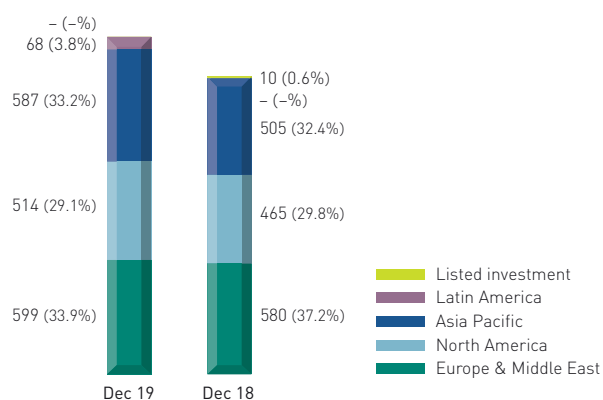
PORTFOLIO VALUATION continued

Assumption			31 December 2019	31 December 2018
Exchange rates				
		GBP/EUR	1.1799	1.1134
		GBP/AUD	1.8847	1.8096
		GBP/USD	1.3241	1.2748
		GBP/NZD	1.9641	1.9000
		GBP/CAD	1.7174	-
		GBP/COP	4,351.4	-
Impact in the year			£(57) million	£10 million
Sensitivity: 5% movement of each relevant currency against Sterling			+/- c.£64 million	+/- c.£59 million
Power and gas prices				
Impact in the year			£(48) million	£(12) million
Sensitivity: change in value of seven renewable energy investments with a total value of			£338 million	£343 million
5% increase in power and gas prices			c.£21 million	c.£18 million
5% decrease in power and gas prices			c.£(19) million	c.£(18) million
Marginal loss factors				
Impact in the year			£(52) million	-
Sensitivity: change in value of a sample of renewable energy investments with a total value of			£233 million	-
5% increase in marginal loss factors			c.£29 million	-
5% decrease in marginal loss factors			c.£29 million	-

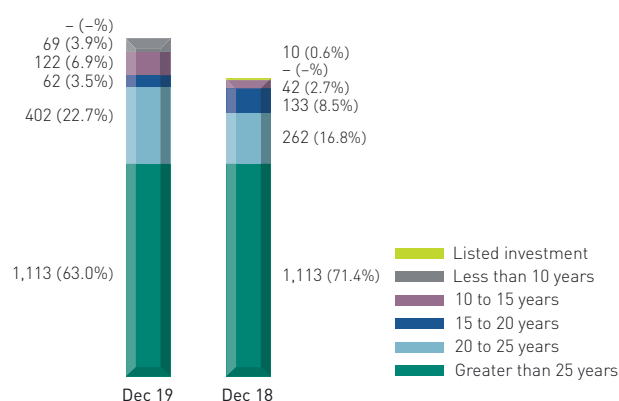
The sensitivities shown above from changes in assumption is on the basis that changes are in the same direction across all assets. In reality, there could be an increase for some assets and a decrease on others and, as a result, offsetting impacts.

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

BY GEOGRAPHICAL REGION

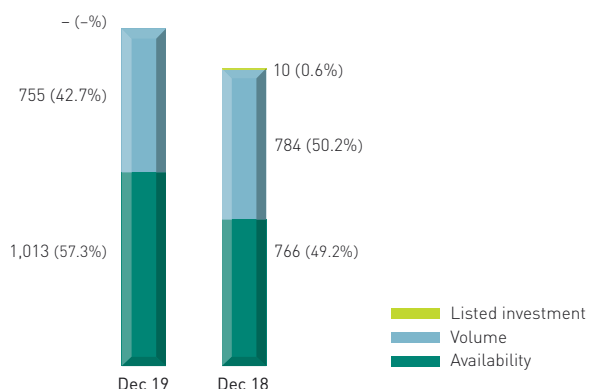


BY TIME REMAINING ON PROJECT CONCESSION/ OPERATIONAL LIFE

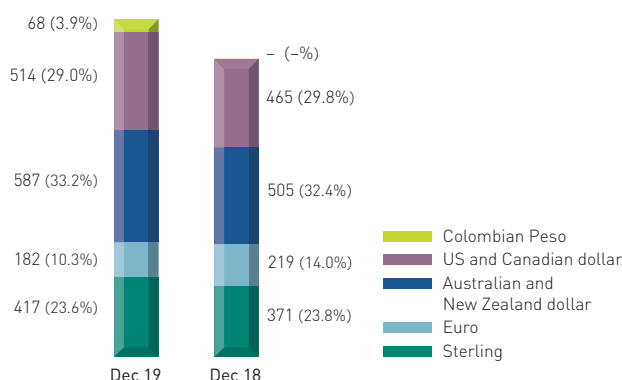


There continues to be good diversification of the portfolio across our regions. All regions saw an increase in their portfolio values including Latin America where we made our first investment during the year.

BY REVENUE TYPE

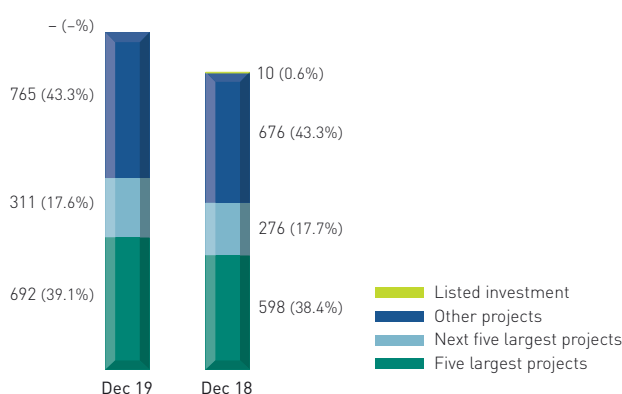


BY CURRENCY

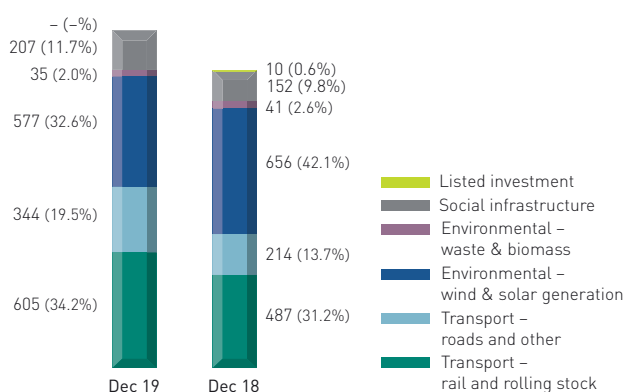


Availability-based investments made up the majority of the portfolio at 31 December 2019. Renewable energy investments comprise the majority of the volume-based investments. The increase in the value of availability-based investments primarily reflects the positive progress made on assets both in construction and operation, further investment in availability-based projects and value enhancements recognised in the year. The reduction in volume-based investments is primarily due to the disposal of two wind farms in the US as well as write downs on certain of the Australian and European renewable energy assets, offset by an investment in a wind farm in the US and value enhancements recognised. We expect to maintain balanced availability-based investments in the portfolio in the medium term.

BY INVESTMENT SIZE



BY SECTOR



The disposal of two wind farms in the US in the first half of the year has contributed to the reduction in the value of wind & solar generation assets since 31 December 2018. Fair value losses in the year have resulted in a decrease in the value of waste and biomass assets. The listed investment was sold in the year. Cash injections and positive fair value movements have resulted in increases in value in other sectors.

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

Primary	31 December 2019 £ million
IEP Phase 2	325 – 425
Clarence Correctional Centre	75 – 100
Sydney Light Rail	75 – 100
Ruta del Cacao	50 – 75
I-66 Managed Lanes	50 – 75

Secondary	31 December 2019 £ million
Denver Eagle P3	75 – 125
Cypress Creek Solar Farms	75 – 125
Live Oak Wind Farm	75 – 100
New Royal Adelaide Hospital	50 – 75
Finley Solar Farm	50 – 75

At 31 December 2019, the Group's largest investment was its shareholding in IEP Phase 2. Nine out of its ten largest investments were outside the UK.

OUR STRATEGY IN ACTION

NORTH AMERICA

I-75 ROAD

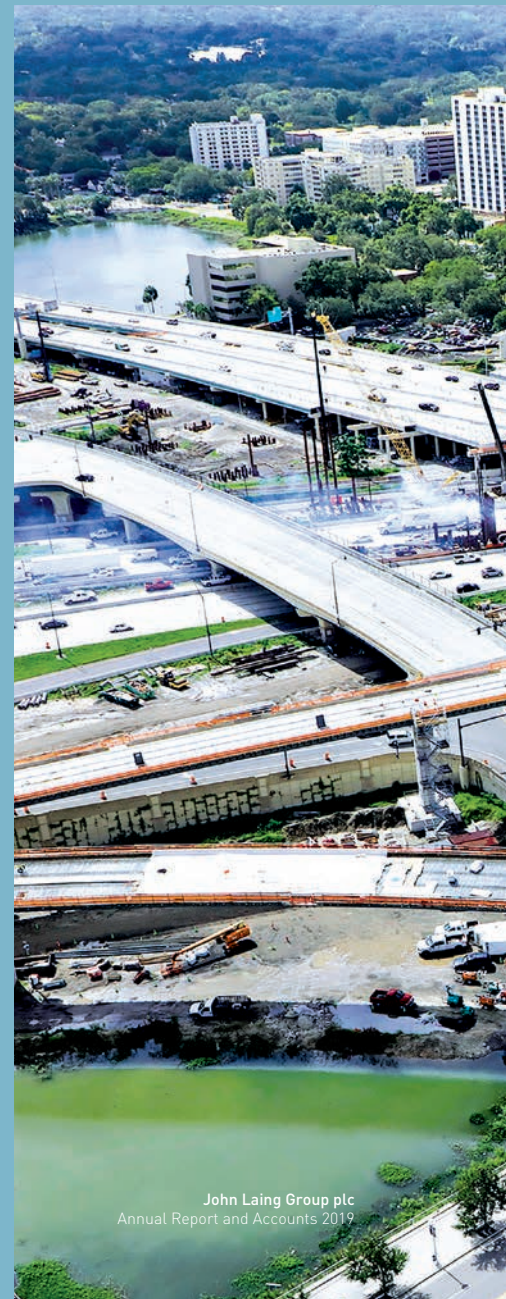
EASING TRAFFIC CONGESTION

JOHN LAING HOLDS A 40% INTEREST IN THE OAKLAND CORRIDOR PARTNERS CONSORTIUM WHICH HAS A DESIGN, BUILD, FINANCE AND MAINTAIN (DBFM) CONTRACT WITH THE MARYLAND DEPARTMENT OF TRANSPORT (MDOT) TO UPGRADE THE FINAL SEGMENT OF THE I-75 MODERNIZATION PROJECT (SEGMENT 3) IN SOUTHEAST MICHIGAN, AS PART OF MDOT'S WIDER I-75 MODERNIZATION PROJECT.

As well as adding capacity and relieving traffic congestion, the project will deliver critical improvements to driving surface conditions and safety. The project involves the reconstruction of a 5.5-mile section (Segment 3) of the I-75 corridor and includes construction of a new 4-mile long, 14-foot diameter storage and drainage tunnel as well as a pump station to mitigate future flood events. It utilises an availability-based payment structure, over an approximately 30-year total contract term.

SCOPE OF PROJECT

- Reconstruction of 5.5 miles of the existing I-75 corridor
- Replacement of 25 bridges
- Construction of retaining walls/noise walls and the installation of a major drainage tunnel



NORTH AMERICA

ESG IMPACT

Minimising environmental impact and involving highway-using, residential and business communities

The I-75 Road project includes a commitment to minimising environmental impact, using a 'Miss-Minimise-Mitigate' approach. This includes 100% of the roadway material being salvaged and reused, the use of coal combustion products to act as a cementing material – which will result in an 18 million kilogramme reduction in cement consumption – and the planting of several thousand trees in the surrounding landscape.

The project company, led by John Laing, has also proactively reached out to the local highway-using and business communities using a variety of methods including face-to-face meetings, mail drops, public information sessions and public open houses. We have also contributed to volunteer projects and donated to local schools and charities. The project has strong governance that allows the team to track progress across all these areas during construction.



A SOLID SET OF RESULTS



I AM PLEASED TO REPORT THAT PROJECT DELIVERY AND VALUE ENHANCEMENT MADE A FURTHER STRONG CONTRIBUTION TO VALUE CREATION DURING THE SECOND HALF OF THE YEAR.”



Luciana Germinario
Chief Financial Officer

2019 HIGHLIGHTS

→ NAV per share

337p

(31 Dec 2018 – 323p)

→ NAV per share growth
(before dividends paid)

7.2%

(31 Dec 2018 – 18.2%)

BASIS OF PREPARATION

There has been no change in the basis of preparation of the financial statements, as described in the Financial Review section of the 2018 Annual Report & Accounts, except as explained below.

There has been a change in the reportable segments under IFRS 8 Operating Segments since last year. Following an internal reorganisation, under which the Primary Investment and Asset Management teams in each of the three core geographical regions report to a single regional head, regional performance targets are set, and 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 performance on a regional basis. Accordingly, the reportable segments under IFRS 8 are now based on regions which are currently: Asia Pacific, Europe and Middle East, North America and Latin America. Further reportable segments are “Fund management”, relating to the external fund management activities for Jura Infrastructure Limited (“Jura”) and JLEN, which ceased in 2019, and “Central”, which covers the corporate activities at the Group’s headquarters.

The Group adopted IFRS 16 Leases from 1 January 2019. For further details, see note 2 to the Group Financial Statements.

RE-PRESENTED FINANCIAL RESULTS

As we have done in previous periods, we 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 fair value through profit or loss (FVTPL). The net gain on investments at FVTPL in the Group Income Statement includes 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	2019			2018 ^c
	Group Income Statement £ million	Adjustments £ million	Re-presented income statement £ million	Re-presented income statement £ million
Fair value movements – investment portfolio	141	–	141	354
Fair value movements – other	(1)	(1) ^a	(2)	3
Investment fees from projects	7	–	7	8
Net gain on investments at fair value through profit or loss	147	(1)	146	365
IMS revenue	20	–	20	20
PMS revenue	7	–	7	6
Recovery of bid costs	5	–	5	4
Other income	32	–	32	30
Operating income	179	(1)	178	395
Third party costs	(10)	–	(10)	(9)
Disposal costs	(4)	–	(4)	(4)
Staff costs	(37)	–	(37)	(37)
General overheads	(15)	–	(15)	(13)
Other net costs	–	–	–	(1)
Post-retirement charges	(2)	2 ^b	–	–
Administrative expenses	(68)	2	(66)	(64)
Profit from operations	111	1	112	331
Finance costs	(11)	2 ^{a,b}	(9)	(11)
Post-retirement charges	–	(3) ^b	(3)	(24)
Profit before tax	100	–	100	296

Notes:

- Adjustment comprises £1 million of interest income reclassified from 'fair value movements – other' to 'finance costs'.
- Under IAS 19 Employee Benefits, the costs of the pension schemes and the post-retirement medical benefits comprise a service cost of £2 million, included in administrative expenses in the Group Income Statement, and a finance charge of £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 million.
- For a reconciliation between the Group Income Statement and re-presented income statement for the year ended 31 December 2018, refer to the 2018 Annual Report and Accounts.

FINANCIAL REVIEW continued

Profit before tax for the year ended 31 December 2019 was £100 million (2018 – £296 million). The main reason for the lower PBT compared to last year was the reduction in fair value movement in the investment portfolio.

There were positive fair value movements on the portfolio for 2019 of £141 million (2018 – £354 million). An analysis of the fair value movement is provided in the Portfolio Valuation section. A significant contributor to the fair value movement in 2018 was the gain of £87 million on disposal of the interest in IEP Phase 1. In contrast, despite significant value enhancements of £157 million, the fair value movement for 2019 suffered from losses of £52 million on three of our Australian renewable energy assets, as a result of the impact of marginal loss factors (see the Asia Pacific section above), and from wind yield losses of £51 million on our European wind assets (see the Europe section above). We also experienced losses from the impact of foreign exchange movements (£57 million loss compared to a £10 million gain in 2018) and power and gas price forecasts (£48 million loss compared to a £12 million loss in 2018).

The Group earned IMS revenue of £20 million (2018 – £20 million) from investment advisory and asset management services primarily to Jura and JLEN. The proceeds received in the year from the sale of the IAA with JLEN of £5 million offset the loss of revenue from the IAA with Jura which terminated in 2019. Going forward, the Group will only earn IMS revenue from the provision of directors to project company boards (2019 – c.£1 million; 2018 – c.£2 million).

The Group also earned PMS revenue of £7 million (2018 – £6 million) from the provision of services to project companies under management services agreements.

The Group achieved recoveries of bidding costs on financial closes of £5 million in 2019 (2018 – £4 million).

Total staff costs for the year ended 31 December 2019 are broadly the same as last year due to the impact of pay increases in line with inflation (c.£1 million), increase in average headcount for the period with new recruits at higher average salaries (c.£2 million) and one-off staff costs incurred in the first half of 2019 in relation to the termination of the fund management business offsetting the reduction in staff costs from the transfer of staff with this business.

General overheads have increased from last year principally due to costs incurred on one-off project-related costs and development costs incurred in setting up in new regions and looking at new asset classes.

Finance costs of £9 million (2018 – £11 million) include costs of the corporate banking facilities, net of any interest income, with the decrease from last year primarily due to lower investment activity in the year.

There was a tax credit for the year of £0.2 million (2018 – tax expense of £0.2 million) primarily as a result of the reversal of a tax provision held at 31 December 2018. The contributions made to one of the Group's defined benefit pension schemes are tax deductible when paid and, as a result, there is minimal tax payable by the UK holding and asset management activities of the Group. Capital gains from the realisation of investments in projects are generally exempt from tax under the UK's Substantial Shareholding Exemption for shares in trading companies or under the overseas equivalent. To the extent this exemption is not available, gains may be sheltered using current year losses or losses brought forward within the Group's holding companies. There are no losses in the Company but there are tax losses in recourse group subsidiary entities that are held at FVTPL (£177 million as at 31 December 2018).



The re-presented income statement for years ended 31 December 2019 and 2018 by reportable segment is shown in the tables below:

	Year ended 31 December 2019						
	Asia Pacific £ million	Europe and Middle East £ million	North America £ million	Latin America £ million	Fund Management £ million	Central £ million	Total £ million
Net gain on investments at FVTPL	12	18	100	12	–	4	146
Other income	2	3	6	–	20	1	32
Operating income	14	21	106	12	20	5	178
Staff costs	(7)	(6)	(7)	(1)	(3)	(13)	(37)
Other administrative expenses	(3)	(6)	(7)	(2)	(2)	(9)	(29)
Profit/(loss) from operations	4	9	92	9	15	(17)	112
Finance costs	–	–	–	–	–	(9)	(9)
Post-retirement charges	–	–	–	–	–	(3)	(3)
Profit/(loss) before tax	4	9	92	9	15	(29)	100

	Year ended 31 December 2018						
	Asia Pacific £ million	Europe and Middle East £ million	North America £ million	Latin America £ million	Fund Management £ million	Central £ million	Total £ million
Net gain on investments at FVTPL	86	188	88	–	–	3	365
Other income	2	4	6	–	19	(1)	30
Operating income	88	192	94	–	19	2	395
Staff costs	(7)	(6)	(5)	–	(7)	(12)	(37)
Other administrative expenses	(3)	(11)	(4)	(1)	(2)	(6)	(27)
Profit/(loss) from operations	78	175	85	(1)	10	(16)	331
Finance costs	–	–	–	–	–	(11)	(11)
Post-retirement charges	–	–	–	–	–	(24)	(24)
Profit/(loss) before tax	78	175	85	(1)	10	(51)	296

Asia Pacific – the lower profit in 2019 compared to 2018 was mainly due to write downs of £52 million in the portfolio from adverse changes in MLFs on three of our renewable energy investments. For further details, see the Asia Pacific section in the Regional Review above.

Europe and Middle East – the lower profit in 2019 compared to 2018 was mainly due to performance issues on wind assets, which resulted in write downs in the period of £51 million. In 2018, the Europe regional results benefited from a gain of £87 million on the disposal of our interest in the IEP Phase 1 project.

North America – good progress was made on the PPP assets in the US, which, together with value enhancements of £65 million, contributed to the marginally higher profit in 2019 compared to 2018. Increasing staff costs in North America reflect an increase in the headcount in that region, consistent with the increase in the level of activity.

Latin America – the first investment in Latin America was secured in 2019 and this has led to an increase in profit from 2018.

Fund management – fund management activities ceased in the first half of 2019 following the sale of the JLEN IAA at the end of June 2019 and the termination of the Jura services at the end of April 2019. The increase in profit from 2018 was primarily due to the proceeds from the sale of the JLEN agreement of £5 million. There will be no further income or costs from fund management activities beyond the end of 2019.

Central – the net gain on investments at FVTPL of £4 million in 2019 was primarily due to a gain on the JLEN shares as well as a foreign exchange gain outside of the portfolio (2018 – £1 million loss primarily due to foreign exchange losses outside of the portfolio). The overall loss for the Central segment reflects the costs of the Group's central support and overview functions, as well as the Group's finance costs and its post-retirement charges. The loss for 2019 of £29 million is lower than the loss for 2018 of £51 million primarily due to the one-off GMP equalisation charge of £21 million in 2018.

FINANCIAL REVIEW continued

Re-presented balance sheet

The re-presented balance sheet is reconciled to the Group Balance Sheet at 31 December 2019 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 £129 million (31 December 2018 – £140 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	2019			2018 ^e Re-presented balance sheet £ million	Re-presented balance sheet line items
	Group Balance Sheet £ million	Adjustments £ million	Re-presented balance sheet £ million		
Non-current assets					
Right of use assets	4	–	4	–	Other long-term assets
Investments at FVTPL	1,897	(129) ^a	1,768	1,560	Portfolio value
		118 ^b	118	132	Cash collateral balances
Retirement benefit asset	13	–	13	–	Pension surplus (IAS 19)
	1,914	(11)	1,903	1,692	
Current assets					
Trade and other receivables	6	(6) ^c	–	–	
Cash and cash equivalents	2	5 ^b	7	8	Cash
	8	(1)	7	8	
Total assets	1,922	(12)	1,910	1,700	
Current liabilities					
		(6) ^{b,c,d}	(6)	(4)	Working capital and other balances
Borrowings	(236)	(3) ^d	(239)	(70)	Cash borrowings
Trade and other payables	(15)	15 ^e	–	–	
	(251)	6	(245)	(74)	
Net current liabilities	(243)	5	(238)	(66)	
Non-current liabilities					
		–	–	(33)	Pension deficit (IAS 19)
Retirement benefit obligations	(7)	–	(7)	(7)	Other retirement benefit obligations
Finance lease liabilities	(4)	4 ^e	–	–	
Provisions	(2)	2 ^e	–	–	
	(13)	6	(7)	(40)	
Total liabilities	(264)	12	(252)	(114)	
Net assets	1,658	–	1,658	1,586	

Notes:

- Investments at FVTPL of £1,897 million comprise: portfolio valuation of £1,768 million and other assets and liabilities within recourse investment entity subsidiaries of £129 million (see note 13 to the Group financial statements).
- Other assets and liabilities within recourse investment entity subsidiaries of £129 million referred to in note (a) include: (i) cash and cash equivalents of £123 million, of which £118 million is held to collateralise future investment commitments and £5 million is other cash balances and (ii) net positive working capital and other balances of £6 million.
- Trade and other receivables (£6 million), trade and other payables (£15 million), finance lease liabilities (£4 million) and provisions (£2 million) are combined in the re-presented balance sheet as working capital and other balances.
- Borrowings of £236 million comprise cash borrowings of £232 million from the main facilities and £7 million of short-term bank overdraft from uncommitted facilities less unamortised financing costs of £3 million, which are re-presented as working capital and other balances.
- For a reconciliation between the Group Balance Sheet and re-presented balance sheet as at 31 December 2018, refer to the 2018 Annual Report and Accounts.

Components of net assets, including reportable segments, are shown in the table below.

As at	Asia Pacific		Europe		North America		Latin America		Fund management		Central		Total	
	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million	31 Dec 2019 £ million	31 Dec 2018 £ million
Portfolio valuation	587	505	599	580	514	465	68	–	–	–	–	10	1,768	1,560
Other net current assets/ (liabilities)											(2)	(4)	(2)	(4)
Group (borrowings)/net cash ¹											(114)	70	(114)	70
Net post-retirement assets/ (obligations)											6	(40)	6	(40)
Group net assets	587	505	599	580	514	465	68	–	–	–	(110)	36	1,658	1,586

Note:

⁽¹⁾ Comprising: short-term cash borrowings of £232 million (31 December 2018 – £55 million) and short-term bank overdraft of £7 million (31 December 2018 – £15 million) net of cash balances of £125 million (31 December 2018 – £140 million)

Net assets increased from £1,586 million at 31 December 2018 to £1,658 million at 31 December 2019.

The Group's portfolio of investments was valued at £1,768 million at 31 December 2019 (31 December 2018 – £1,560 million). The valuation methodology and details of the portfolio value are provided in the Portfolio Valuation section.

The Group held cash balances of £125 million at 31 December 2019 (31 December 2018 – £140 million) of which £118 million (31 December 2018 – £132 million) was held to collateralise future investment commitments (see the Financial Resources section below for more details). Of the total Group cash balances of £125 million, £123 million was in recourse subsidiaries held at FVTPL, including the cash collateral balances, that are included within investments at FVTPL on the Group Balance Sheet. The remaining £2 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 – the John Laing Pension Fund (JLPF) and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual.

The triennial actuarial valuation of JLPF as at 31 March 2019 is currently in process and is expected to be finalised by 30 June 2020. In December 2016, following a triennial actuarial valuation as at 31 March 2016, a seven-year deficit repayment plan was agreed with the JLPF Trustee. It was agreed to repay the actuarial deficit of £171 million at 31 March 2016 as set out below:

By 31 March	£ million
2017	25
2018	27
2019	29
2020	25
2021	26
2022	26
2023	25

The combined accounting surplus in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2019 was £6 million (31 December 2018 – deficit of £40 million). Under IAS 19, at 31 December 2019, JLPF had a surplus of £12 million (31 December 2018 – deficit of £35 million) while the Plan had a surplus of £1 million (31 December 2018 – surplus of £2 million). The liability at 31 December 2019 under the post-retirement medical scheme was £7 million (31 December 2018 – £8 million).

The pension surplus in JLPF under IAS 19 is based on a discount rate applied to pension liabilities of 2.1% (31 December 2018 – 2.85%) and long-term RPI of 3% (31 December 2018 – 3.20%). The amount of the surplus 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 surplus as at 31 December 2019 has moved from a deficit at 31 December 2018 primarily as a result of the Group's cash contribution to JLPF of £29 million in March 2019 and gains in the value of scheme assets.

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	2019 £ million	2018 £ million
Cash yield	57	34
Operating cash outflow	(24)	(10)
Net foreign exchange impact	1	(1)
Total operating cash inflow	34	23
Cash investment in projects	(267)	(342)
Proceeds from realisations	143	296
Disposal costs	(3)	(5)
Net investing cash outflow	(127)	(51)
Finance charges	(11)	(13)
Rights issue (net of costs)	-	210
Purchase of own shares related to share based incentives	(4)	-
Cash contributions to JLPF	(29)	(27)
Dividend payments	(47)	(44)
Net cash (outflow)/inflow from financing activities	(91)	126
Recourse group cash (outflow)/inflow	(184)	98
Recourse group opening cash/(net debt) balances	70	(28)
Recourse group closing (net debt)/cash balances	(114)	70
Reconciliation to line items on re-presented balance sheet		
Cash collateral balances ¹	118	132
Cash and cash equivalents ¹	7	8
Total net cash balances	125	140
Cash borrowings	(239)	(70)
(Net debt)/cash	(114)	70
Reconciliation of cash borrowings to Group Balance Sheet		
Cash borrowings as per re-presented balance sheet	(239)	(70)
Unamortised financing costs	3	4
Borrowings as per Group Balance Sheet	(236)	(66)

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

Cash yield comprised £57 million (2018 – £34 million) from the investment portfolio, including a large cash distribution from the Denver Eagle P3 project following construction completion in the first half of the year.

Operating cash flow in the year end 31 December 2019 was adverse compared to 2018 primarily due to higher payments for staff costs, partly due to payment of deferred bonuses from prior years for staff in the fund management business leaving the Group. There was also a small cash outflow in relation to tax in 2019 compared to cash inflows in 2018 from the surrender of tax losses to project companies.

Total operating cash flow was net of a favourable foreign exchange impact of £1 million (2018 – adverse impact of £1 million).

During the period, cash of £267 million (2018 – £342 million) was invested in project companies and our interests in four projects as well as remaining investment in JLEN were sold for total proceeds of £143 million (2018 – £296 million from the realisation of three investments). Offsetting proceeds from realisations were disposal costs paid of £3 million (2018 – £5 million).

In the year, the Group made a cash contribution to JLPF of £29 million (2018 – £27 million).

Dividend payments of £47 million in the year ended 31 December 2019 (2018 - £44 million) comprised the final dividend for 2018 of £38 million (2018 – final dividend for 2017 of £35 million) and the interim dividend for 2019 of £9 million (2018 – interim dividend for 2018 of £9 million).

FINANCIAL RESOURCES

At 31 December 2019, the Group had principal committed revolving credit banking facilities of £650 million (31 December 2018 – £650 million), £500 million expiring in July 2023 and £150 million expiring in January 2022, which are primarily used to back investment commitments. Net available financial resources at 31 December 2019 were £314 million (31 December 2018 – £413 million).

Analysis of Group financial resources

	31 December 2019 £ million	31 December 2018 £ million
Total committed facilities	650	650
Letters of credit issued under corporate banking facilities	(95)	(139)
Letters of credit issued under surety facilities	-	(25)
Other guarantees and commitments	(9)	(10)
Short-term cash borrowings	(232)	(55)
Bank overdraft (uncommitted)	(7)	(15)
Utilisation of facilities	(343)	(244)
Headroom	307	406
Available cash and bank deposits ¹	7	7
Net available financial resources	314	413

¹ Cash and bank deposits exclude cash collateral balances. Of the total cash and bank deposit balances of £7 million, £2 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 £5 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 and cash collateral represent scheduled future injections of cash by the Group into underlying projects in the Primary Investment portfolio.

	31 December 2019 £ million	31 December 2018 £ million
Letters of credit issued and other guarantees	101	164
Cash collateral	118	132
Future cash investment into projects	219	296

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, Colombian Peso and Australian, US, Canadian and New Zealand dollars. As a result of foreign exchange movements in the year ended 31 December 2019, there was a net adverse fair value movement of £57 million in the portfolio valuation. Sterling strengthened against all relevant currencies between 31 December 2018 and 31 December 2019.

The Group does not typically hedge against foreign exchange movements in its portfolio value but may hedge for investments denominated in currencies that have been volatile in the past or expected to be so in the future. 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.

Letters of credit in issue at 31 December 2019 of £101 million (31 December 2018 – £164 million) are analysed by currency as follows:

	31 December 2019 £ million	31 December 2018 £ million
Letters of credit by currency		
Canadian dollar	12	-
US dollar	15	15
Australian dollar	68	149
Colombian peso	6	-
	101	164

Cash collateral at 31 December 2019 of £118 million (2018 – £132 million) was all denominated in US dollar.

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 2019.

Luciana Germinario

Chief Financial Officer

OUR STRATEGY IN ACTION

LATIN AMERICA

RUTA DEL CACAO

MANAGING POSITIVE OUTCOMES FOR LOCAL COMMUNITIES

THE RUTA DEL CACAO PPP ROAD PROJECT, IN WHICH JOHN LAING HAS A 30% INTEREST, IS AN EXTRAORDINARY PROJECT THAT SITS AT THE HEART OF THE DEVELOPMENT OF NORTH-EASTERN COLOMBIA. AT 236KM LONG AND TRAVELLING THROUGH DIFFICULT TERRAIN, IT'S EXACTLY THE SORT OF COMPLEX INFRASTRUCTURE PROJECT AT WHICH JOHN LAING EXCELS.



More than this, Ruta del Cacao is a great example of our commitment to improving the lives of the communities in which we work. Along the full stretch of this road lie many communities who, despite all its inadequacies, depend on the existing route for their livelihoods. Small businesses and communities have existed for many generations and the prospect of a fast highway has naturally caused concern for some. Together with the potential environmental implications of the development, the project has required careful planning and compromise to engage communities and interest groups along the way.

This project has gone a step further for affected communities. It has built schools and invested in new water systems that provide clean water to villages that previously had none and where children and adults were regularly sick from drinking infected water. The project has also created a new business zone where existing businesses can operate in better facilities, and has created a seed fund to help new businesses get started. Villagers from small, poorly-finished houses have been re-settled into bigger, more modern homes that meet their needs.

SCOPE OF PROJECT

- Length of road: 236km
- Bridges and viaducts: 27 (19 – new structures, 8 – rehab of existing structures)
- Tunnels: two (5.3 km)
- Local workforce: 70% (above the 30% minimum requirement)
- Number of ESG staff across the contract and project company: 18

ESG IMPACT

Managing positive outcomes for local communities

The significant impact of the road development on nearby communities has been a major consideration throughout this project. There have been a number of initiatives both to ensure communities are better off in terms of housing, business development, clean water and schooling. Alongside these projects, we have replaced trees on a 10:1 basis, funded 30 seed capital projects for new businesses, employed around 70% of the workforce from the local region and brought CO₂ levels to below industry standards. There is clear ESG governance within the project, supported by productive board meetings run by hands-on directors.



STAKEHOLDER ENGAGEMENT




THE LONG-TERM SUCCESS OF OUR BUSINESS IS DEPENDENT ON THE WAY WE WORK WITH A LARGE NUMBER OF KEY STAKEHOLDERS.





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

In making its decisions, the Board considered the benefits, impacts and concerns of the stakeholders involved, the values and strategy of the Group, as well as the creation of long-term sustainable growth for the Company and Group as a whole.

The table below provides details of key stakeholders, engagement by the Group with the stakeholders during the year and outcomes of this engagement. The Board is not always directly involved in this engagement, but as a result of the governance structure and information flow the Group has in place, relevant information is reported directly to the Board or its Committees. Further information regarding the Group's governance can be found on page 79.

→ KEY STAKEHOLDERS, ENGAGEMENT BY THE GROUP

Stakeholder Group		Form of Engagement	Engagement Outcome
OUR PEOPLE 	<p>We create an environment in which our employees can positively contribute to the success of the business. At 31 December 2019 we had 153 employees</p> <p>Further information on workforce engagement is provided on pages 61 and 77.</p>	<p>Engagement with our employees takes several forms including engagement surveys, update calls and attendance at regional away days. Our Chairman is the designated Non-executive Director for the purposes of workforce engagement. The feedback from these engagement mechanisms is reported to the Board.</p>	<p>We defined our purpose in 2018 and have refreshed our values during 2019. The views of our employees to develop both the purpose and the values were sought via workshops, pulse surveys and discussions and were taken into account by the Executive Committee.</p>
OUR PARTNERS 	<p>We work together with our partners to deliver the best solutions for infrastructure projects from design and construction to operation.</p>	<p>We continuously work with our partners in the governance of the projects we deliver together. Outside of specific projects, we proactively seek to engage with them to deepen mutual understanding of our objectives and values, and to identify opportunities for us to offer solutions to social and economic infrastructure requirements.</p>	<p>The quality of our partner relationships is a key consideration of our investment process in choosing the projects we engage in both at the Investment Committee level and Board level. This has led us to forego projects that were not supported by strong relationships or in line with our agreed strategy and to consider opportunities in new areas brought to us by key partners.</p>
OUR COMMUNITIES 	<p>Our investments respond to public needs to improve the lives of communities around the world.</p>	<p>We regularly engage directly with the communities affected by our projects in order to understand their needs and concerns. We do this through the project companies in which we invest and also through community engagement specialists that we recruit. We then work with all of the stakeholders to try to address the needs and concerns of the communities.</p>	<p>The Board receives regular updates on community engagement, issues and value creation via reports from the Regional Managing Directors, ESG updates and recommendations from the Investment Committee.</p>

Stakeholder Group		Form of Engagement	Engagement Outcome
OUR INVESTORS – INSTITUTIONAL SHAREHOLDERS 	Continued access to capital is of vital importance to the long-term success of our business	Our engagement programme for institutional shareholders and analysts provides the opportunity for current and potential investors to meet with Executives and operational management. This includes face-to-face meetings with the Group's principal shareholders on a twice yearly basis following the publication of the annual and half yearly results. The Chairman and the Senior Independent Director are also available to meet with shareholders as required.	<p>The Board receives regular feedback on investor perceptions and opinions about the Company. The Company's brokers provide additional views on market sentiment and reaction.</p> <p>Following the announcement of the resignation of Olivier Brousse in January 2020, we offered our major shareholders an opportunity to directly engage and a number of calls were held with the Chairman and other board members.</p>
OUR INVESTORS – INDIVIDUAL SHAREHOLDERS 	Represent c.0.21% of the total number of shares on our register.	At the Annual General Meeting (AGM) – shareholders are provided with the opportunity to ask questions and to engage with the Board.	During the AGM the Board members will listen and respond to views, questions and feedback to the business as appropriate.
OUR LENDERS 	Our lenders include banks, (which provide funding via the Group's £650 million of borrowing facilities) and banks and other financial institutions which provide other ancillary credit lines. We also engage with potential future lenders and lenders which may invest in project debt funding.	We hold regular meetings with all lenders and potential lenders to ensure that we are aligned with the lending market to enable continuing access to funding for the Group and the projects we invest in.	The Board ensures that the Company is aligned to comply with the terms of its borrowing facilities and that we seek new opportunities where we can work in partnership.
PENSION TRUSTEES 	The Group operates two defined benefit pension schemes: the John Laing Pension Fund and the John Laing Pension Plan. The assets of the schemes are held in a separate trustee administered fund.	<p>The Chief Financial Officer regularly attends meetings of the Pension Trustees to provide an update on the Company's financial performance. She also regularly meets with the Chair of the Pension Trustees. Both schemes are subject to a triennial actuarial valuation which is a two way process.</p> <p>The Company's covenant is discussed with the Trustees' third party advisor on a regular basis during the year.</p>	<p>The key issues resulting from the meetings and discussions with the Pension Trustee are fed back to the Board by the Chief Financial Officer at the following Board meeting.</p> <p>All cash flow forecasting reflects the latest agreed schedule of contributions. The Board assesses the required contributions to the Pension Fund when reviewing the availability of capital for investments and the payment of dividends.</p>

STAKEHOLDER ENGAGEMENT continued

S 172 STATEMENT

s.172 of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this s.172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

In discharging our section 172 duties, we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decisions being made. Those factors, for example, include alignment with our strategy, purpose and values. We acknowledge that every decision we make will not necessarily result in a positive outcome for all our stakeholders. By considering the Company's purpose and values together with its strategic priorities and having a process in place for decision-making by the Board, Board Committees and the Management Committees, we do, however, aim to make sure that our decisions are consistent and predictable. Please refer to pages 79 to 80 for further information on how the Board and its Committees operate.

Below are details of how the Board engaged with various stakeholders along with key decisions made during the year, the impact the decisions on the Company's long-term sustainable success, and what stakeholder considerations were made. These decisions are either material to the Group and/or are significant to our key stakeholder groups (as listed above).

EMPLOYEE ENGAGEMENT

The Board reviewed the results of the 2019 employee engagement survey and the actions developed to address the matters raised in the survey. Please refer to pages 61 for further information. The Board also monitors a number of employee related key indicators, including employee turnover and diversity, as a barometer that our culture is embedded across the organisation. As a result, the annual employee engagement programme has been adapted to reflect the Board discussions. This has included attendance by Non-executive Directors at formal and informal events across our regions.

DIVERSITY

During 2019, the Board considered how best to encourage greater diversity and inclusion within the Group. This included discussions around the gender pay gap, development and progression of employees and the availability of flexible working arrangements. As a result the Executive team has undertaken a number of initiatives to improve diversity across the business. For further information on the diversity policy, please see page 91.

INVESTMENT DECISIONS

In February 2019, the Board approved the investment in the Ruta del Cacao road project in Colombia, the Group's first

investment in Latin America. The Board's decision-making process included an assessment of the financial returns and the key risks which could impact the returns, the portfolio implications and the governance of the project. The Board discussed the scope of the design of the project as well as the environmental impact of construction, how this was being managed and the impact on the local communities. One of the key decision factors was the strong partnerships with Cintra/Ferrovial, Colpatria and Ashmore. Please see page 42 for more details regarding this investment.

In December 2019, the Board approved an investment in East Rockingham Resource Recovery Facility (ERRRF) in Perth, Australia. The project will deliver sustainable and affordable solutions for both electricity generation and waste management. In approving the investment, the Board took into account the financial returns and the associated risk and portfolio implications and governance of the project. The project provides a complex technology solution to waste management. The partnership with Acciona as well as Masdar, as co-investors, were important elements of the approval of the investment. It was also confirmed that the ERRRF had undergone all the necessary environmental approvals.

In both cases, confirmation was obtained that the governance of the projects would meet the Group's requirements for high standards of business conduct.

DIVIDENDS

Each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. In 2019, we recommended a final dividend for 2018 of 7.7 per share and a 2019 interim dividend of 1.84 per share. In making our decisions in respect of the dividends, we considered a range of factors. These included the long-term viability of the Company, its expected cash flow forecasts and financing requirements, the required contributions to the John Laing Pension Fund and the on-going need for capital allocation for future investments to fulfil our strategy and the expectations of our shareholders.

REMUNERATION POLICY

Our revised Remuneration Policy ("the Policy") was approved by shareholders in 2019. 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 during late 2018/early 2019. Anne Wade, the Remuneration Committee Chair, held meetings with eight shareholders and we received comments from a further four. Views were sought and taken into account on the proposed Policy changes. Overall, our shareholders were supportive of the proposals and understood the rationale for the changes proposed.

SALE OF FUND MANAGEMENT BUSINESS

The Board recognises that there may be instances where the requirements of a number of stakeholders need to be considered. During the year, the Board approved the sale of its remaining fund management activities by way of a novation of the Investment Advisory Agreement with JLEN to Foresight Group. The Board approval process took into account obtaining the best price possible whilst taking into account the interests of all stakeholders including that the new owners of the IAA would provide positive benefits for JLEN and retain the services of the investment advisory team.

PROSPECTS AND VIABILITY

The long-term prospects and viability of the Group are a consistent focus of the Board when reviewing and determining the Group's strategy and business model.

The identification and mitigation of the Group's principal risks also form part of the Board's assessment of long-term prospects and viability. The Directors have assessed the longer term prospects of the Group in accordance with provision 31 of the UK Corporate Governance Code 2018 (the Code).

ASSESSING OUR PROSPECTS

John Laing has been successful in establishing itself as a valued and trusted partner for infrastructure investment. We have grown our investment portfolio over the last five years since IPO and expanded our footprint into new geographical markets and new asset classes. With this growth in footprint, together with the strengthening of both our partnerships with key players in the infrastructure sector and our capital base, we have also been able to grow our pipeline of future investment opportunities.

The key drivers for new infrastructure – population growth, urbanisation, the increasing role of data in societies and economies and climate change – are as strong now as they have ever been and we are confident that we are well placed to continue to see significant investment opportunities over the foreseeable future.

The Group adopts an annual business planning process which involves all of the Group's operating regions and senior management with review by the Board. The annual business plan looks out over the next three years with one budget year followed by two plan years. Detailed budgets for the coming financial year are established for both the Group and each of the regions, with performance targets set accordingly.

This planning process is a significant part of the Board's assessment of the Group's prospects and is complemented by separate strategic reviews by the Board during the year. The Group's current market position, its strategy and business model and the potential impact of the principal risks (as set out on pages 50 to 54) are all taken into account in the Board's assessment of the prospects of the Group. In assessing the risks facing our business, we have considered the implications of the UK's withdrawal from the European Union at the end of the transition period. We believe our business model is robust enough and adaptable to weather any potential short-term disruption which might arise.

ASSESSING OUR VIABILITY

In accordance with provision 31 of the Code, the Directors have assessed the viability of the Group over a three year period to 31 December 2022. 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 use of a three year time horizon for the purpose of assessing the viability of the Group reflects the business model of the Group and the visibility the Group has over the future investment opportunities in its pipeline and is consistent with the period of the Group's business plan.

The Directors' assessment has been undertaken using projections from a detailed financial model which the Group uses continually and 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 as well as being used for monthly financial reporting and forecasting to the Executive Committee, the Board and in the annual business planning process.

These projections include expected fair value movements from the existing portfolio and incorporate forecasts of the timing of new investment commitments and the disposal of investments as well as all cash flows of the Group and its working capital requirements.

The key assumptions the Directors have made in making their assessment were as follows:

- Stable government policy and macroeconomic factors and a continuing strong and liquid secondary market;
- Availability of debt finance continues at Group level through the corporate banking facilities. Currently, the Group has committed corporate banking facilities of £650 million, of which £500 million matures in July 2023, beyond the end of the viability assessment period and £150 million matures in January 2022. Our projections assume the facilities of £150 million are extended beyond January 2022 before the total facilities are increased to £800 million in March 2022, consistent with the forecast growth of the business. The Directors do not see the increase in facilities as being critical to the Group's viability over the assessment period, especially after taking into account the mitigating factors available to it as described below;
- The remaining annual repayments to the John Laing Pension Fund under the existing seven-year deficit repayment plan, as detailed in the Financial Review section, do not significantly increase on the completion of the ongoing triennial actuarial valuation as at 31 March 2019; and
- The value of the Group's investment portfolio is not significantly adversely impacted by changes in 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 have also carried out a robust assessment of the principal risks facing the Group and how the Group manages these risks (as set out on pages 49 to 54), including those that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity.

The Group has considered the potential impact of these risks on the viability of the business. The projections and the underlying assumptions have been subjected to robust sensitivity analysis to stress test the resilience of the Group's forecasts to severe but plausible scenarios, together with the likely effectiveness of mitigating actions that would be expected by the Directors. The particular focus of the stress testing was on the available headroom under the banking facilities and to compliance with the key covenants under these facilities, including the adjusted asset cover ratio ("AACR").

Similar stress testing is performed regularly throughout the year and reported to the Audit & Risk Committee.

For the viability assessment, the most severe scenarios tested are described below. This includes a description of the relevant principal risks from which an adverse impact is assumed under the scenario.

Scenario 1

Scenario – the Group is unable to make any further investment realisations over the assessment period and accordingly materially reduces new investment activity.

Principal risks tested – a weakness in the secondary market (risk – 'liquidity in the secondary market'), both in terms of liquidity and appetite for particular infrastructure investments; a lower level of investment activity (risk – 'future investment activity'); shortfall in financial resources (risk – 'financial resources').

Mitigation – given the cyclical nature of the Group's disposal and reinvestment activity, there is an intrinsic mitigation to a scenario of reduced realisation levels, by reducing new investment activity, and to a scenario of reduced future investment activity, by reducing disposal activity. In a scenario of being unable to make any further investment realisation, the Group can reduce its new investment activity which would also reduce its costs. The Group would also expect to receive a higher level of cash yield from its investment portfolio as it is maintaining a larger operational and yielding portfolio.

Result – under this scenario, with the likely mitigating actions available to the Directors, the projections show that the Group would be able to continue its operations and meet its liabilities as they fall due over the next three years to 31 December 2022 and to comply with the covenants in its banking facilities over this period.

Scenario 2

Scenario – the Group experiences a combination of a six month delay in forecast investment realisations and a significant write down, in one or more of its largest investments, to an amount of approximately 15% of the total portfolio value. This scenario demonstrates the downside that could be experienced without any mitigating actions before the minimum AACR under the Group's banking facilities was reached during the assessment period.

Principal risks tested – liquidity in the secondary market (risk – 'liquidity in the secondary market'); shortfall in financial resources (risk – 'financial resources'); adverse investment performance and valuation (risk – 'investment performance and valuation'); significant write down to the portfolio value (arising from one or more of the following risks – 'major incident', 'governmental policy', 'macroeconomic factors', 'counterparty risk').

Mitigation – this scenario assumes no mitigating action. The primary mitigating action available would be a reduction in investment activity, which the Group has the ability to manage and control.

Result – under this combined downside scenario, the minimum AACR was only reached in December 2022, but there remained headroom under the banking facilities. Given the severity of the downside and the fact that available mitigating actions would likely be effective, the Directors believe this scenario proves there is a satisfactory level of robustness.

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 to 31 December 2022.

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 Group uses the three lines of defence model of Risk Management:

- Executive – central functions and regional teams that take ownership and manage risks
- Management oversight – Executive Committee (Exco), Management Risk Committee, Investment Committee, Divestment Committee and Project Review Committee that oversee and provide specialist risk management and compliance reviews
- Independent assurance – Internal Audit function and independent portfolio valuation

The principal internal controls that operated within this system throughout 2019 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 existing and emerging risks through a Group-wide risk register, that is embedded in the regular management reporting 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 external 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; and
- advice on ongoing initiatives to strengthen internal control processes.

Internal Audit is independent of the business and reports functionally to the Chief Financial Officer 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.

→ THREE LINES OF DEFENCE MODEL OF RISK MANAGEMENT



PRINCIPAL RISKS AND RISK MANAGEMENT continued

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 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 and approved 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 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. As part of this monitoring, the Group risk register is reviewed at every meeting of the Management Risk Committee and regularly by the Audit & Risk Committee and every six months by the Board.

With the Group facing a number of challenges with its renewable energy portfolio, resulting in significant losses in the year, the Directors have sought to re-affirm the effectiveness of the Group's risk management process.

In conjunction with this, PwC has recently been engaged by the Group to perform a review of our governance of projects and is examining the role of the Investment Committee and the effectiveness of our project review process and wider risk management. We are committed to adopting all appropriate remedial actions to enhance our risk management approach and have started a process to enhance the internal audit function.

Overall, the Directors do not believe there are material weaknesses in the Group's internal control systems.

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 of the Group. 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 volume of primary investments in responsible and sustainable greenfield infrastructure projects over the medium term; and



Management and enhancement of the Group's investment portfolio, with a clear focus on active management during the construction and operational phases, 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.

→ OUR PRINCIPAL RISKS

Risk	Link to strategic objectives above	Mitigation and key controls
<p>1. GOVERNMENTAL POLICY</p> <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 projects or otherwise affect existing or future projects.</p> <p>Changes to legislation or public policy relating to renewable energy could negatively impact the economic returns on the Group's existing 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>Movement during the year: No change →</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 and uses portfolio limits as guidance to manage this risk. These portfolio limits are reviewed when approving individual investments and on a regular basis by the Investment Committee.</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.</p> <p>Through its track record of 150 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 Personnel risk).</p>

2. MACROECONOMIC FACTORS

To the extent such factors are not hedged, changes in inflation, interest rates and foreign exchange all potentially impact the return generated from an investment and its valuation.

Changes in factors which affect power 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.

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.

Movement during the year: No change →



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.

Systemic risks, such as potential deflation, or appreciation/depreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole.

The Group seeks to reduce the extent to which its renewable energy investments are exposed to energy prices through governmental support mechanisms and/or offtake arrangements.

The Group monitors closely the level of 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.

The Group does not typically hedge investments in non-Sterling denominated currency for translation risk but may use hedging instruments to minimise the degree of fluctuation in foreign exchange rates for investments in more volatile currencies. The Group does typically hedge short term cash flows arising from investment realisations or significant distributions in currencies other than Sterling.

3. LIQUIDITY IN THE SECONDARY MARKET

Weakness in the secondary markets for investments in PPP or renewable energy projects, for example as the result of a lack of economic growth in relevant markets, actual or potential governmental policy, regulatory changes in the banking sector, liquidity in financial markets, changes in interest and exchange rates and project finance market conditions may affect the Group's ability to realise full value from its divestments.

The secondary market for investments in renewable energy projects may be affected by, inter alia, changes in energy prices, in governmental policy, in the value of governmental support mechanisms and in project finance market conditions.

Movement during the year: No change →



Projects are appraised on a number of bases, including being held to maturity. Projects are also carefully structured so that they are capable of being divested, if appropriate, before maturity.

Over recent years, the secondary markets for both PPP and renewable energy investments have grown 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 completed the first disposals of operational assets in Australia and the US during 2019.

4. FINANCIAL RESOURCES

Any shortfall in the financial resources that are available to the Group to satisfy its financial obligations may make it necessary for the Group to constrain its business development, refinance its outstanding obligations, forego investment opportunities and/or sell existing investments.

Inability to secure project finance could hinder the ability of the Group to make a bid for an investment opportunity or where the Group has a preferred bidder position, could negatively impact whether an underlying project reaches financial close.

The inability of a project company to satisfactorily refinance existing maturing medium-term project finance facilities periodically during the life of a project could affect the Group's projected future returns from investments in such projects and hence their valuation in the Group's Balance Sheet.

Adverse financial performance by a project company which affects the financial covenants in its project finance debt documents may result in the project company being unable to make distributions to the Group and other investors, which would impact the valuation of the Group's investment in such project company, and may ultimately enable public-sector counterparties (through cross default links to other project agreements) and/or project finance debt providers to declare default and, in the latter case, to exercise their security.

Movement during the year: Small increase due to being one year closer to the main £500 million banking facilities maturing in July 2023. The Directors are confident of the Group's ability to refinance its current facilities before this date. ↗



The Group has corporate banking facilities totalling £500 million which mature in July 2023 as well as additional facilities (£150 million) committed until January 2022. Available headroom is carefully monitored and compliance with the financial covenants and other terms of these facilities is closely observed. The Group also closely monitors short and medium-term forecasts of its working capital, cash collateral and letter of credit requirements and regularly performs stress testing of these forecasts. The Group 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.

The Divestment Committee manages a rolling divestment programme across the Group's entire portfolio which considers funding requirements and opportunities for divestment in secondary markets. This Committee provides oversight and recommendations on all divestment processes.

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.

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. Monitoring of compliance with financial covenant ratios and other terms of loan documents continues throughout the term of the project finance loan.

Risk	Link to strategic objectives above	Mitigation and key controls
<p>5. INVESTMENT PERFORMANCE AND VALUATION</p> <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>In circumstances where the revenue derived from a project is related to volume (e.g. customer/offtaker 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>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 and cost 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, offtaker risk and other environmental restrictions, as well as by changes in energy prices and to governmental support mechanisms.</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.</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 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>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>A project company or a service provider to a project company may fail to manage contracts efficiently or effectively.</p> <p>Movement during the year: No change →</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>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>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>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>Typically, 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 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, typical 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>The terms of the sub-contracts into which project companies enter typically provide some protection for investment returns from the poor performance of third parties.</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 agree revised timetables and/or other restructuring arrangements.</p> <p>The Group monitors the concentration risk within its portfolio to achieve a diversification by individual asset size, market and asset class.</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>

6. PENSIONS

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.

Movement during the year: Decreased as a result of the further cash contribution paid in 2019 and the improvement in the IAS 19 balance from a deficit at 31 December 2018 to a surplus at 31 December 2019. ↘



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 2019, hedging in place amounted to approximately 95% of JLPF's assets in respect of both interest rates and inflation.

The actuarial valuation of JLPF as at 31 March 2019 is currently in progress and is expected to be finalised by 30 June 2020.

7. FUTURE INVESTMENT ACTIVITY

The Group operates in competitive markets and may not be able to compete effectively or profitably.

The Group's investment pipeline is not a guarantee of actual bidding activity or future investments.

The Group's historical win rate for PPP projects may decline and is an uncertain indicator of new investments by the Group.

Movement during the year: No change →



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 and its strong relationships with international partners, will continue to enable it to compete effectively and secure attractive investments.

The Group's investment pipeline is diversified by geography and asset class.

The Group's business model is sufficiently flexible that when one asset class or geographical market becomes less attractive, either permanently or temporarily, we are able to look at new asset classes and geographical markets.

8. COUNTERPARTY RISK

The Group is exposed to counterparty credit risk with regards to (i) governmental entities, sub-contractors, off-takers, lenders and suppliers at a project level and (ii) consortium partners, financial institutions and suppliers at a Group level.

Public sector counter-parties to PPP projects may seek to renegotiate contract terms and/or terminate contracts, as a result of changes in governmental policy or otherwise, in a way which impacts the valuation of one or more of the Group's investments.

In overseas jurisdictions, the Group's investments backed by governmental entities may ultimately be subject to sovereign risk.

Worsening of general economic conditions in any of the markets in which the Group operates could create heightened counterparty risk.

Movement during the year: No change →



The Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counterparty risk in its investment portfolio. In establishing project contractual arrangements prior to making an investment, the credit standing and relevant experience of a sub-contractor are considered. Post financial close, the financial standing of key counterparties is monitored to provide an early warning of possible financial distress.

PPP projects are normally structured so as to provide significant contractual protection for equity investors. Such protection may include "termination for convenience" clauses which enable public sector counter-parties to terminate projects subject to payment of appropriate compensation, including to equity investors.



PPP projects are normally supported by central and/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.

Counterparties for cash deposits at a Group level, project debt swaps and deposits within project companies are required to be institutions with a suitable credit rating and are monitored on an ongoing basis.

Entry into new geographical areas which have a different legal framework and/or different financial market characteristics is considered by the Board separately from individual investment decisions.

Since 2018, the Group uses portfolio counterparty exposure limits as guidance to manage counterparty risk. In 2019, a revised methodology for assessing counterparty exposures and for setting exposure limits (based on credit ratings) was established. Counterparty risk is reviewed at each investment approval and the aggregate exposures across the portfolio are reviewed on a six-monthly basis by the Management Risk Committee and reported to the Audit & Risk Committee. In addition, there is an alert system under which any red flags are immediately escalated to the relevant teams.

PRINCIPAL RISKS AND RISK MANAGEMENT continued

Risk	Link to strategic objectives above	Mitigation and key controls
<p>9. MAJOR INCIDENT</p> <p>A major incident at any of the Group's main locations or any of the projects invested in by the Group, such as work force fatalities during construction, a terrorist attack, natural disaster (including from the effects of climate change), 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>Movement during the year: Increased due to the heightened potential impact of climate change ↗</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, sub-contractors and all other persons in communities who may be affected by its direct activities, or those under its control and believes this 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 an experienced third party.</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>10. PERSONNEL</p> <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>Movement during the year: No change →</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>11. ESG</p> <p>The Group may not adequately address ESG considerations in making investment decisions. This could impact the reputation of the Group and the valuation of its investments.</p> <p>We believe that climate change will result in an increased likelihood and intensity of extreme weather events such as extreme hot and cold weather or intense rainfall events, which could impact John Laing by causing physical damage to assets, such as road and rail infrastructure investments in the mid-and long-term. Increasing instances of such damage could lead to increases in insurance premiums for John Laing's projects, impacting the economic performance of investments. In the nearer term, changes in energy prices, driven by future energy demand/supply balancing and oil prices could impact negatively on the economic returns of the Group's investments in renewable energy and as a result the valuation of such investments.</p> <p>Movement during the year: New risk this year</p>		<p>The Group has embedded the consideration of ESG factors into its evaluation of new investments.</p> <p>During the bidding process for investments, where appropriate, the Group takes technical advice to evaluate the exposure of the investment to climate change risk.</p>

COMMITTED TO SUSTAINABILITY



JOHN LAING'S PURPOSE IS TO CREATE VALUE FOR ALL OUR STAKEHOLDERS BY INVESTING IN, DEVELOPING AND MANAGING INFRASTRUCTURE PROJECTS WHICH RESPOND TO PUBLIC NEEDS, FOSTER SUSTAINABLE GROWTH AND IMPROVE THE LIVES OF COMMUNITIES AROUND THE WORLD."



Olivier Brousse
Chief Executive Officer

We believe that by encouraging responsible investing and sustainable business practices, we can enhance our performance, contribute to a more sustainable society and a more inclusive global economy.

Our sustainability strategy and approach, set out in this section of the Annual Report, divides into four areas:

- (i) Being a responsible employer – see people and culture section on pages 56 to 62.
- (ii) Being a responsible investor – see pages 63 to 67.
- (iii) Supporting our local communities – see pages 68 to 69.
- (iv) The environment – see pages 70 to 73.

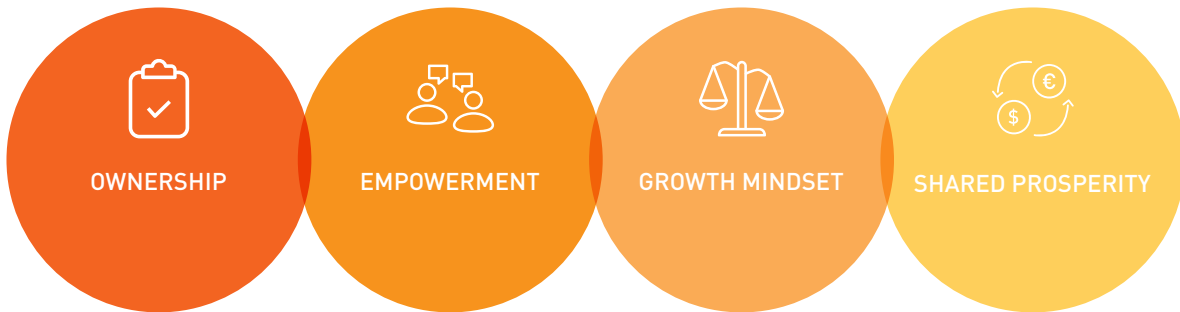
We recognise that climate change creates new challenges for the global economy and for local communities everywhere. As an investor in infrastructure, this presents both risks and opportunities over the short and long-term. This is an area of increasing focus for John Laing and we are committed to supporting increased transparency in this area. This section of the Annual Report also includes information on minimising our direct impact on the environment including our emissions performance and in addition to achieving a "B" score from CDP (formerly the Carbon Disclosure Project) for our performance in 2019, we are pleased to present our first Taskforce on Climate-related Financial Disclosures on pages 72 to 73.

RESPONSIBLE EMPLOYER PEOPLE & CULTURE



OUR CULTURE IS TO BRING THE EXPERIENCE, COMMITMENT AND INNOVATION REQUIRED TO DELIVER INFRASTRUCTURE SOLUTIONS THAT DRIVE SOCIETY FORWARD WITH A BUSINESS MODEL THAT IS FULLY COMMITTED TO SUCCESSFUL PROJECT COMPLETION.”

Our employees are principal stakeholders at the heart of delivering our strategy and purpose. As such, their skills, capabilities and expertise are vital to our success. The culture we strive for stems from embracing our values which empower our employees to take responsibility for their contribution to the business whilst reflecting our ethics, inclusivity and integrity.



We take personal and collective responsibility for our contributions to the business, reflecting the ethics, inclusivity and integrity of our purpose.

We trust our colleagues to do their best work for our business, wherever they are, giving them the tools, skills and support they need in order to do their best and reach their full potential.

We are open minded and alive to learning new things and spotting new opportunities. We're continually looking for ways to improve, so that we develop as individuals and contribute to the growth of our business and communities in which we work.

We believe that our success can only come from collective results, where outcomes are aligned and benefits are realised for all stakeholders.

→ DIVERSITY AND INCLUSION

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 continue to focus on how to increase diversity and inclusion engagement across the business.

We have an internationally diverse workforce: while some 33% of our employees are UK citizens, the balance comprises around 25 nationalities.

SDGs:



We are committed to promoting employee engagement and have undertaken a number of initiatives to foster greater employee engagement, including the launch of an annual employee engagement survey.

John Laing aims to attract and retain, develop and reward high quality employees and to create an engaging, diverse and motivating work environment. We support our people through learning and development so they can maximise their career potential and their value as an employee. We recognise that investing in our people is critical to the success of our business.

We recognise the importance of nurturing the wellbeing and satisfaction of employees by providing a supportive working environment and a healthy work/life balance.

Our focus on people covers our current and future employees. We aim to have an engaged and diverse workforce to stimulate innovation, reflect the communities where we work and deliver infrastructure solutions.

At 31 December 2019, the Group employed 153 employees in total (2018 – 169). The percentage of employees located outside the UK increased from 44% at 31 December 2018 to 55% at 31 December 2019, as a result of continued recruitment overseas and a lower headcount in the UK, principally due to the cessation of the fund management business.

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, 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, marital status, gender, gender identity, gender reassignment, sexual orientation, race, colour, nationality, ethnic or national origin, religion and disability.

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 or a change of role if appropriate is facilitated, either in the same job or in a different role.

GENDER DIVERSITY

Whilst diversity is wider than gender balance, this continues to be a key area of focus. We have continued to make progress in this area against the constraints of a small workforce.

	2019		2018	
	Female	Male	Female	Male
Overall Gender Balance	34%	66%	26%	74%
Board Level Gender Balance	37.5%	62.5%	25%	75%

Further information on the Board's diversity policy can be found in the Nomination Committee Report on page 91.

We are continually looking to improve our gender balance and took a number of steps during 2019. These were aimed particularly at our activities outside the UK. In our UK central functions, the gender balance is 44% female, 56% male.

During the year, our recruitment of male/female employees globally was 62% female and 38% male.

→ FOCUS ON GENDER DIVERSITY

Our programme to improve gender diversity has been on-going during the year. The steps taken included:

- Continued support of 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;
- Regular reporting in relation to diversity at Board and Executive Committee level;
- Search firms used by the Group informed that shortlists must be strongly diverse and in particular must include female candidates;
- Diversity targets for our Asia Pacific and North American teams and for the Group as a whole;
- Launch of the John Laing Women's Network;
- Encouragement to female employees to join and participate in female networking groups including Women in Infrastructure in the UK and the US and Steel Heels in Australia; and
- The APAC Diversity Committee which comprises a cross-section of employees from the APAC region has an annual programme of events including developing a mentoring programme for our female employees in the region as well as supporting future talent through supporting The Girl's Academy in Australia.

RESPONSIBLE EMPLOYER continued

GENDER PAY GAP

With less than 250 employees, of whom approximately 70 are located in the UK, the Company is not required to report on its gender pay gap. The gender pay gap is the difference between the average amount that women and men are paid across the workforce.

However, we are supportive of transparency and decided voluntarily to disclose our gender pay gap for the first time in 2018 for our UK employees. In 2019, we are reporting our global and UK gender pay gap as this is how we monitor and track our progress. We have also provided the 2018 comparators on a global basis. As a result of the positive progress over the last two years from our ongoing programme to improve gender diversity, we are pleased to report that at both the global and UK level, the hourly gender pay gap has reduced. However, the gap remains higher than we would like to see and we will continue to focus on addressing this to close the gap on a year-on-year basis.

Our bonus pay gap remains higher than our hourly pay gap. All our employees are entitled to participate in our Annual Bonus plan. The bonus pay 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 pay gap calculations 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. Further, the bonus pay gap calculated for any given year is based on the amount of bonuses paid in that year in relation to the prior year's bonus

(e.g. the 2019 bonus pay gap is based on the bonus paid in March 2019 relating to the 2018 bonus). As a result, we are not seeing in the bonus pay gap numbers for 2019 the same positive effect from our improved gender diversity that we have seen in the reduced hourly pay gap. We anticipate to start seeing this positive effect in our 2020 bonus pay gap numbers.

Another factor is that the bonus structure for more senior employees (who currently 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.

Proportion of UK employees receiving a bonus

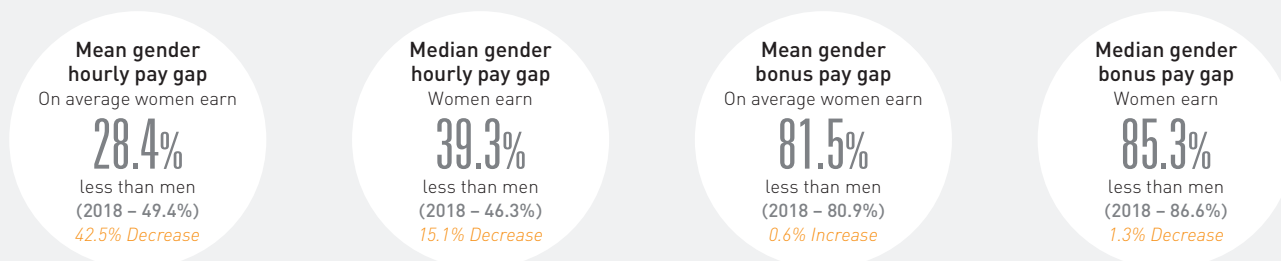
	2019	2018
Proportion of female UK employees receiving a bonus	96.8%	67.7%
Proportion of male UK employees receiving a bonus	100%	91.7%

Proportion of all John Laing employees receiving a bonus

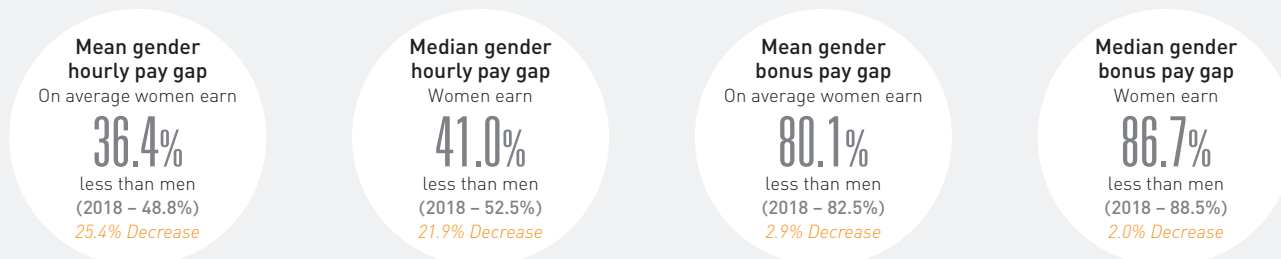
	2019	2018
Proportion of female employees receiving a bonus	97.6%	90.9%
Proportion of male employees receiving a bonus	99.1%	90.5%

→ HOURLY PAY AND BONUS DIFFERENCE BETWEEN WOMEN AND MEN

UK Gender Pay Gap



Global Gender Pay Gap



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

All our employees are entitled to participate in our bonus plan. The employees who did not receive a bonus during 2019 were new joiners who were not entitled to receive a bonus for the year ended 31 December 2018 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 2019.

	Female	Male
Upper quartile	27.8%	72.2%
Upper middle quartile	27.8%	72.2%
Lower middle quartile	47.1%	52.9%
Lower quartile	76.5%	23.5%

The table above shows the gender distribution across four equally divided hourly pay quartiles, each containing approximately 17 UK employees.

Pay quartiles

Based on all John Laing employees across all entities at 31 December 2019.

	Female	Male
Upper quartile	10.3%	89.7%
Upper middle quartile	21.1%	78.9%
Lower middle quartile	36.8%	63.2%
Lower quartile	68.4%	31.6%

The table above shows the gender distribution across four equally divided hourly pay quartiles, each containing approximately 38 employees.

Closing the Gender Pay Gap

Whilst we have made progress, we have more to do to improve our gender pay gap including creating more opportunities for women to progress and increasing the representation of women at all levels of the organisation. With a workforce of only 153 employees and a relatively low staff turnover rate, and the need to recognise equal opportunities, we recognise that it will take time and continual effort to close the gap to a single digit difference.

We have undertaken a review to establish the key drivers of our gender pay gap including a review of promotions, the level at which women are recruited into John Laing, career development, performance scores and our return to work rates. The primary drivers of the gender pay gap are that we have more men in senior roles than women and we have a higher proportion of women than men in more junior roles. With a workforce of 153 employees we have very few employees in identical roles. Therefore, we are confident that the gender pay gap is not 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.

→ JOHN LAING WOMEN'S NETWORK

2019 saw the launch of the John Laing Women's Network (Network) which aims to support and promote women in John Laing and the infrastructure industry by developing their skills and capabilities, and by raising and tackling issues and challenges, so that we build an environment which attracts and retains female talent.

The events in 2019 included a round-table discussion featuring two of our Non-executive Directors, Andrea Abt and Anne Wade, alongside our CFO, Luciana Germinario. The discussion was chaired by Olivier Brousse, our CEO, and attended by women from our European, Latin American and North American offices.

The Network has a programme of events and discussions which take place in a confidential and trusted environment and with the aim of finding solutions together. Drawing on best practices from other organisations, inspiration from other leaders and our own experiences, the network will raise awareness of workplace issues, challenge attitudes and assumptions and bring ideas and actions to our organisation and industry.

We will also celebrate our differences: bringing the best ideas also means we need male voices in the room. Our strengths lie in our differences, not our similarities. The Network, as appropriate, opens events and discussions to a wider audience so that the learnings can benefit all employees.



Andrea Abt, Anne Wade and Luciana Germinario at a round table discussion held during the year.

RESPONSIBLE EMPLOYER continued

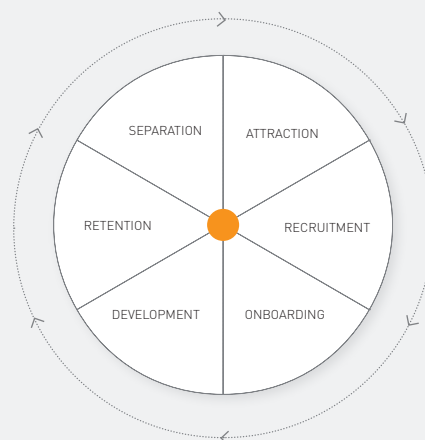
KEY INITIATIVES

In addition to our on-going steps to improve diversity (which are set out above), our additional initiatives to close the gender pay gap include focus on the stages of the employee lifecycle to establish a systematic approach at each stage to break down barriers and develop actions to address those barriers.

This includes demonstrating our commitment to reducing the gender pay gap via clear and transparent reporting; encouraging the use of our flexible working policies; no male only shortlists; diversity of interview panels; ensuring our maternity, paternity and parental leave policies and the return to work experience supports our culture and our employees.

Our staff numbers at 31 December 2019, broken down by certain remuneration and gender criteria, were:

	Total		Male				Female			
	Number		Number		% of total		Number		% of total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total Group	153	169	101	125	66	74	52	44	34	26
Employees earning above £70,000 per annum	116	118	90	104	78	88	26	14	22	12
Executive Directors	2	2	1	2	50	100	1	–	50	–
Board Directors	8	8	5	6	62.5	75	3	2	37.5	25



LEARNING AND DEVELOPMENT

Fulfilling our purpose depends on our ability to attract, retain and motivate our employees. We are committed to providing our employees with the opportunities, experience and training to achieve their potential and grow their knowledge, skills and capabilities.

We have refreshed our process for new joiners who receive an induction meeting upon joining and will then follow a programme devised by their line manager to ensure they meet with key internal stakeholders including the senior management team shortly after joining.

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

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 and the number varies from year to year, and our employee turnover rate is relatively low.

We also have a small number of internships available each year in a number of the geographies in which we operate. The internships are for school leavers or graduates with little or no work experience.

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.

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.

We are placing increasing focus on employees' mental health and well-being. 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.

We have recently launched a new benefit to provide our employees with a well-being allowance to help employees access activities or experiences to support their personal well-being.

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 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

Promoting a culture of open and transparent communication is important to us. We benefit from having a small workforce with a relatively flat structure and few hierarchies. Our programme of employee engagement enables the majority of employees to gain access to Board members during the course of the year as well as regular interaction with the members of the Executive Committee.

We conducted a Company-wide employee survey during the year. 88% of employees responded giving us their views on:

- **Purpose** – what the organisation stands for and where it is going
- **Reward** – intrinsic and extrinsic rewards for workplace efforts
- **Leadership** – leaders listen, support, and enable positive change
- **Enablement** – conditions that enable the employee to do their job well
- **Autonomy** – influence over positive work and health circumstances

→ **Employee engagement:**

78%

→ **Participation in survey:**

88%

This survey sets a benchmark against which to measure employee engagement and will be undertaken again in 2020 and on annual basis going forward.

The results of the survey were reported at the Leadership Team away day and subsequently at the regional and Group team meetings. Each team produced an action plan to address the results of the survey during the year.

Our Board level engagement programme has included the following in 2019:

Key Areas of Discussion	
May 2019 – Toby Hiscock attended the Group Team Away Day	The Group team held a series of workshops to discuss the results of the employee engagement survey. Toby Hiscock attended the presentation from the results of the survey and also provided an opportunity for employees to meet with Toby in an informal environment.
May 2019 – Anne Wade, attended the NA Away Day	Anne Wade met with the North American team in formal and informal settings. They key items discussed related to investment opportunities, ESG and the results of the employee engagement survey.
Nov 2019 – David Rough and Jeremy Beeton attended the APAC Away Day	Jeremy Beeton visited the Melbourne Metro project site, attended the Melbourne Metro project review with our employees and met a number of our partners. David Rough and Jeremy also visited the Sydney Light Rail and Clarence Correctional Facility. The visits to the project sites enabled them to get first hand feedback on performance of the projects, key stakeholder feedback and the impact of the projects on the local community. They met with the APAC team during the regional away day which comprised reviews on business sectors, projects, employee engagement, diversity, performance and priorities.
Nov 2019 – Olivier Brousse, CEO and Will Samuel visited Bogota to meet with the Colombian team	Olivier Brousse and Will Samuel spent time with the newly formed Colombian team to discuss opportunities in the region, challenges facing the new team and to meet with key stakeholders.
Dec 2019 – Women's Networking Panel	Round table discussion for women across the business with two of our Non-executive Directors, Andrea Abt and Anne Wade, alongside our CFO, Luciana Germinario.

The programme also provided opportunities for the Chairman and the Non-executive Directors to meet the local teams in both formal and informal settings.

 Further detail on how the employee voice is reported to the Board is provided on page 44 and 77

RESPONSIBLE EMPLOYER continued

The Non-executive Directors have also attended a number of pre-investment discussions to provide an insight into how the investment process operates and an insight into our culture.

In addition to the above, 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 during 2019 over for a two day conference to address specific business issues and future strategy.

CONDUCT AND BEHAVIOUR

The Company is committed to conducting its business with honesty and integrity and expects all individuals who work for the Group to maintain high standards in accordance with the Company's policies and procedures.

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), anti-money laundering (AML) and gifts and hospitality. The ABC and AML policies and procedures have been reviewed and refreshed during 2019 and all employees have been required to attend face-to-face training. Going forward, training will be in the form of face-to-face modules for new employees and also, as previously, online training which will be required to be completed on an annual basis. Completion of this training is tracked and failure to complete it is reported to the Executive Directors.

In addition, our ABC procedures include 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.

The Company encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. Our whistleblowing policy enables individuals to report concerns on matters relating to their work with 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 2019 on our website. 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.

RESPONSIBLE INVESTOR

WE BELIEVE THAT RESPONSIBLE INVESTMENT IS KEY TO FULFILLING OUR PURPOSE TO FOSTER SUSTAINABLE GROWTH. BY IDENTIFYING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS THROUGHOUT THE INVESTMENT PROCESS, WE CAN CREATE VALUE FOR OUR STAKEHOLDERS NOT ONLY IN TERMS OF MINIMISING THE DOWN SIDE RISK AND MAXIMISING THE OPPORTUNITIES ASSOCIATED WITH THESE INVESTMENTS BUT ALSO BY IMPROVING THE LIVES OF COMMUNITIES AROUND THE WORLD AS WE INVEST IN INFRASTRUCTURE PROJECTS WHICH RESPOND TO PUBLIC NEEDS.

OUR ALIGNMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As part of our purpose to foster sustainable growth and improve the lives of communities around the world, we have reviewed how our work aligns with the United Nation's 17 Sustainable Development Goals (SDGs). While our projects have overlaps across many of the UN SDGs, we have identified 5 priority SDGs which our investments most directly contribute to. We have also looked at how our own business and corporate culture aligns with the SDGs.



 <p>Ensure healthy lives and promote well-being for all at all ages</p> <p>Our investments in hospitals enables improved health outcomes. The Alder Hey Children's Hospital cares for over 330,000 children, young people and their families every year. The 800-bed Royal Adelaide Hospital provides a comprehensive range of the most complex clinical care to an estimated 85,000 inpatients and 400,000 outpatients each year.</p>	 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Our investment in renewable energy assets increases the supply of sustainable energy. Last year, our operational assets in North America generated more than 1,382m KWh of energy. We also encourage all of our asset managers to explore the potential for greater use of renewable energy sources including solar panels on roads and tunnels and green energy for transport. Whilst we have decided to cease investing in wind and solar, we believe that John Laing can play an active part in many of the emerging infrastructure opportunities driven by the global energy transition.</p>	 <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>Investing, developing and managing infrastructure is at the heart of our purpose. We invest in and develop quality, reliable, sustainable and resilient infrastructure which responds to global trends such as urbanisation, climate change and population growth. John Laing brings the experience, commitment and innovation required to deliver infrastructure solutions that drive society forward.</p>	 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p>The road and rail projects in which we invest contribute to providing access to safe, affordable, accessible and sustainable transport systems for all. Our investments in road and rail projects across the world increase connectivity between towns and cities and help to support economic development. Our recent investment in the East Rockingham waste to energy project supports sustainable and affordable solutions for both electricity generation and waste management.</p> <p>We also encourage our projects to contribute to the local communities via both stakeholder engagement and charitable projects. Further details on this can be found on pages 44 to 46.</p>	 <p>Promote just, peaceful and inclusive societies</p> <p>Our investment in the prison sector aligns with our values to invest in projects that leave communities more engaged and better served than when we found them. The Auckland South Corrections Facility in New Zealand provided an important opportunity for investors such as John Laing to participate in a new way of approaching a PPP project. The original tender for the project required private partners to bring creativity and innovation to the project in order to achieve positive social outcomes. This is replicated on our investment in the Clarence Correctional Facility in Australia.</p>
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RESPONSIBLE INVESTOR continued

We are supportive of the United Nations Principles of Responsible Investment (UN PRI) which aligns with our purpose and our approach to responsible investment. We are in the process of becoming a signatory to the UN PRI and hope to complete this process in H1 2020.



INTEGRATION OF ESG INTO INVESTMENT STRATEGY AND PROCESSES

Over the past 12 months we have developed our Responsible Investment Policy and Principles and have worked on enhancing and embedding our responsible investment framework including implementing a more rigorous approach to assessing the ESG considerations throughout the investment process. This starts with the countries in which we invest through to the individual investments.

INVESTMENT



EXCLUSION (COUNTRY & PROJECT LEVEL)

- Our Exclusion List ensures we do not make investments which are not compatible with our purpose and values. This includes:
- Production, use of products or activities which are deemed illegal under applicable laws or banned through global conventions & agreements e.g. slavery, human trafficking, forced labour and child labour
 - Projects where the partners or projects are on a sanctions list
 - Projects that do not meet minimum governance thresholds

SCREENING (COUNTRY & PROJECT LEVEL)

Our ESG screening checklist is used to help identify if there are any material ESG issues associated with the project pre-investment. The checklist identifies potential ESG risk including environmental concerns (including environmental impact, social impact (including incorporating community, human resources and health and safety related issues) and corporate governance concerns

ASSET MANAGEMENT



ESG Monitoring

The Company seeks to engage with the key stakeholders to ensure the delivery of high levels of corporate responsibility. Where appropriate we will exercise our influence at the board level of the project company to engage with key stakeholders on strategy, risk, performance and governance matters.

We have developed ESG metrics to be monitored during the construction and operational phases of the projects. We have piloted these during 2019 and will expand the application of the metrics to more of our projects during 2020.

Road infrastructure that reduces journey times and improves safety

A16 Road Project, Rotterdam, Europe

In June 2018, John Laing invested in a 47.5% equity stake in the De Groene Boog consortium for the A16 Rotterdam project. By relieving traffic congestion on the A13 and A20 in Rotterdam, the motorway will not only improve access to the city, but will also improve the quality of life in the region. The official consent to proceed with the construction of the road was granted in March 2019. The road will be 11km long and will be energy neutral when operational i.e. as much energy will be used as is generated from solar panels. It will be the first energy neutral highway with a tunnel in the Netherlands.

The new national road will be fitted with earth embankments, a semi-sunken tunnel of 2.2 km, noise barriers and extra noise-reducing asphalt. It is an impetus for the development of adjacent areas: the Terbregseveld, the Vlinderstrik and the Lage Bergse Bos which are being redesigned with better connections to each other with cycle paths and hiking trails.

In conjunction with the regional authorities, significant engagement has taken place with the local community and other stakeholders.





Hospitals with advanced facilities that improve patient care

The Royal Adelaide Hospital, Australia

John Laing is one of the equity providers in the Celsus consortium, holding a 17.26% equity stake in the Royal Adelaide Hospital (RAH), South Australia's flagship hospital and providing a comprehensive range of the most complex clinical care to an estimated 85,000 inpatients and 400,000 outpatients each year.

Patient care

The emotional and physical needs of patients, their loved ones and carers are at the heart of the RAH, driving its creation from conception right through to construction. A strong focus on natural light and environment combine with 100% single overnight patient rooms to create the best possible healing environment with greater levels of privacy, comfort and infection control. The RAH is one of Australia's most technologically advanced healthcare facilities, integrating the latest innovations across health, education and research to deliver high-quality care.

Telehealth facilities enable staff to consult with colleagues and patients in regional and remote areas across the state and further afield, while digital imaging technology allows clinical images to be streamed live from operating theatres and procedural rooms for diagnostic and training purposes.

The RAH provides a comprehensive range of complex care across medical, surgical, emergency, acute mental health, outpatient and diagnostic fields and also plays a lead role in South Australia's disaster management strategies, with capacity to support victims of both man-made and natural catastrophes.

Green, sustainable design

The RAH site incorporates a total of 3.8 hectares of landscaped environment, including more than 70 internal themed courtyards with Aboriginal and Spinal Garden themes and sky gardens across the nine levels. This creates a 1.6 hectare footprint of greenspace within the hospital.

RESPONSIBLE INVESTOR continued

The Royal Adelaide Hospital, Australia (continued)

4 Star Green Rating

In November 2018, the Celsus consortium received confirmation that RAH achieved the Green Star rating after one year of operations, making it the largest and most technically complex Green Star project in Australia. The rating from the Green Building Council of Australia (GBCA) formally recognises the hospital for its commitment to environmentally sustainable design and building practices. Launched by the GBCA in 2003, Green Star is Australia's only national, voluntary, rating system that evaluates the environmental design and construction of buildings for communities.

Water conservation

Captured and recycled water is used for toilet flushing, irrigation etc to offset the water used for drinking, cooking and personal bathing. In addition, high efficiency water fittings have been incorporated throughout the facility.

Energy efficiency

The RAH has been designed to optimise daylight, reducing the demand for artificial light. Extensive energy metering and reporting strategies are in place to identify and manage energy consumption. Onsite generation systems utilise waste heat to provide heating to the building.

Indoor environment quality

Within the patient areas, high levels of natural light and external views are on offer, as well as environmentally friendly finishes such as low volatile organic compound paints, carpets etc. The acoustic design also minimises noise.



Reducing journey times and easing congestion with new rail links

Denver Eagle, North America

John Laing has a 45% interest in Denver Transit Partners, the consortium which constructed and operated the Denver Eagle commuter rail project in Colorado. The A and B lines, opened in 2016, have shown consistently good performance, with on-time trains running at 97.1% and 99.2% respectively. Over 20 million people have ridden the lines since opening, helping to reduce road congestion, improve journey times and contribute to a healthier air environment in Denver and the surrounding cities. This success has continued with the third and final line, the G-Line, which opened in April 2019 and carries 9,000 passengers a day. The G-Line runs through residential and business areas from Denver Union Street to Wheat Ridge and has eight local stops. The line operates across communities where the train service is much needed. Some residents and businesses have started to move into these communities in order to take advantage of the opportunities created by the new rail link. It also allows travellers to connect to the A line for quick and easy access to the Denver International Airport.

All lines are fitted with Positive Train Control technology – a system mandated by US Congress, which is designed to manage collision avoidance, speed restrictions and rail-worker safety. These are the first rail lines in the US to have this technology built in rather than retro-fitted.

The Denver Eagle project has been a significant one. It is a testament to the vision and outcomes sought by Denver's Regional Transportation District. It involved the construction of three new lines, with 40.2 miles of new infrastructure in total, and 18 stations. Lines have been constructed within busy urban areas as well as quieter suburbs, each of which brings its own challenge in terms of managing disruption, construction access, noise and environmental considerations and close communications with local communities. The project has also received extremely close political, regulatory and media scrutiny, meaning that the project partners including John Laing have faced a wide range of challenges around the process.



Hurontario Light Rail Transit Project, Canada

In October 2019, John Laing, the largest equity member of the Mobilinix consortium reached financial close on the design, build, finance, operation and maintenance of the Hurontario Light Rail Transit Project (HuLRT). This is a transformational transit project connecting municipalities in the Greater Toronto and Hamilton Area and enhancing transport options for local communities. John Laing has a 35% equity interest in the project. Construction of the project is scheduled to be complete in 2024.

The HuLRT consists of an 18km line from the Port Credit GO station in Mississauga to Brampton Gateway Terminal in Brampton, providing an alternative transport mode to driving and improving connectivity within and between the two municipalities. The project includes 18 surface stops and one below grade station, a fleet of 28 light rail vehicles, a dedicated cycle way and an operations, maintenance and storage facility. The HuLRT will also be fully integrated with municipal transit systems including connections to GO Transit lines and transitways.

The HuLRT delivers several environmental benefits, including projected reductions in air pollutants and greenhouse gas emissions, attributable to the project's associated replacement of existing diesel bus services and is expected to significantly reduce congestion. HuLRT will also deliver a new operation, maintenance and storage facility that will achieve LEED® Silver accreditation. The project's strong sustainability attributes are further supported by the Green Evaluation completed by Standard & Poor's (S&P) Global Ratings, which resulted in a score of E1 (the highest score on S&P's Green Evaluation scale) and confirmation that the project's senior secured bonds are aligned with the Green Bond Principles 2018.

The project is expected to contribute towards reducing GHG emissions by an estimated 4,000 tonnes of CO₂ annually over the life of the asset beginning in 2031. Significant employment opportunities, both during the construction period and during the subsequent 30-year operations and maintenance period, is also expected.



Creation of clean energy

East Rockingham Resource Recovery Facility, Australia

In December 2019, John Laing invested in the East Rockingham Resource Recovery Facility (ERRRF) in Perth, Australia. The facility addresses two major challenges facing Australia; delivering sustainable and affordable solutions for both electricity generation and waste management.

Australia disposes over 23 million tonnes of waste to landfill every year, with Western Australia having the highest waste generation rate per capita coupled with the lowest recovery rate.

There are significant environmental costs to land, air and water associated with landfilling. For example, Perth is built on a sandy coastal plain that relies heavily on groundwater as its primary source of potable water. As readily accessible landfill sites reach capacity, and with no new metropolitan landfill sites likely to be approved, it is imperative to adopt other solutions to improve waste diversion rates.

The ERRRF will be the second large-scale Energy from Waste facility in Australia. It will process up to 300,000 tonnes per annum (tpa) of residual waste and 30,000 tpa of bio-solids from the Perth metropolitan area. It will also produce around 70,000 tpa of bottom ash and 12,000 tpa of flue gas treatment residuals. The bottom ash will be further processed to recover metals and produce an aggregate product that can be used in road bases and other construction materials applications. This will achieve a 96% diversion from landfill.

The ERRRF will export 28.9 MW of electricity to the grid of which over 50% of the power is deemed to be renewable.

When operational, the facility will process around 300,000 tonnes of residual waste per year, the equivalent of taking 70,000 cars off the road. It is expected to create around 300 jobs during construction and 40-50 during operation.



Criminal justice centres that reduce recidivism

John Laing has a 80% equity investment in the Clarence Correction Centre. Further information on the project can be found on page 18.



ESG at Divestment

Where appropriate, we will engage a specialist to conduct sell-side ESG due diligence in preparation for exit, to ensure that the potential buyer has a good understanding of the ESG risks and opportunities.

Moving forward

We have made great progress during year and will continue to develop and strengthen our ESG screening and analysis at all stages in the investment life cycle and particularly at portfolio company level. A key focus is understanding the implications of climate change across our portfolio of investments as well as the carbon footprint to identify opportunities to reduce this.

COMMUNITY



WE ACTIVELY SUPPORT OUR EMPLOYEES TO MAKE A SIGNIFICANT POSITIVE IMPACT ON THE COMMUNITIES IN WHICH THEY LIVE AND WORK. THIS COMMITMENT REFLECTS OUR PURPOSE AND OUR VALUES, INCLUDING SHARED PROSPERITY.”

RESPONDING TO A CRISIS

The devastating impact on communities, families and the local environment from the bushfires of 2019 and early 2020 was closely felt by our colleagues and partners in Australia. In January 2020, John Laing and the John Laing Charitable Trust (JLCT or Trust) pledged a total of AU\$250,000 to support relief efforts for these regional communities. Half of this amount has been donated to the Red Cross for immediate disaster relief work and the remaining half to projects supporting the long-term efforts of the fire services to combat future fire risk. Arrangements have also been put in place to allow our Australian-based employees to take special leave to support the bushfire response.



TAKING ON ACTIVE CHALLENGES

During 2019, John Laing employees around the world undertook fundraising and volunteering activities both for individual causes and through our role as an active patron of The Prince's Trust.

We took on several physical challenges for The Prince's Trust in 2019. In February, nine teams from across our regions took part in the Future Steps Challenge where participants committed to walking at least 10,000 steps per day for the whole month.



In June, nine employees plus nearly 20 external partners took part in the John Laing Charity Cycle and, in September, one of our employees took part in the Deloitte Ride Across Britain. Both events were in support of The Prince's Trust.

In July, 20 of our employees participated in the Great City Race in London in support of Futuremakers, a global initiative to tackle inequality and promote greater economic inclusion for young people in our communities.

In December, three of our Australian employees took part in the Bondi to Bronte Ocean Swim to raise funding for Kids with Cancer.

In addition to funding provided by the Company, the Trust has matched £44,000 of fundraising by our employees. During the year, 23 employees who also volunteered their personal time to charities received £23,000 donation from the Trust.

HELPING THOSE IN NEED

A number of our projects support initiatives in the local community. For example, in North America, our team is supporting Samaritas, a Michigan-based charity that works with communities along the corridor of our I-75 highways project. One of our employees serves on the Samaritas Foundation Board of Trustees. During the year, employees have volunteered with the charity. The project company, Oakland Corridor Partners, donated food to a local school holiday food drive and sponsored a family through the Samaritas Christmas Wish programme.

During the year, JLCT, in partnership with John Laing approved US\$150,000 in grant funds to be provided to Samaritas in the next three years to support the following programmes:

- Eliminating barriers to housing programme funding which enables families to leave shelters and move to more stable housing; and
- Skills for Life programme which targets 16-19 year olds who are coming out of the foster care system without being adopted.

→ SUPPORTING YOUNG PEOPLE

The Asia Pacific team have continued to support The Girls Academy, an Australian charity and the leading provider of school-based engagement programs for Aboriginal and Torres Strait Islander girls in Australia. Activities in support of the charity included a visit to the Sydney Light Rail project and a presentation on the infrastructure industry by our local team.



A presentation to the Girls Academy students by the Asia Pacific team

In July, the Girls Academy year 12 Summit brought more than 200 students from across the country together in Sydney. The Summit included the 'Be the Change' indigenous careers expo, bringing together Australia's top employers, universities and other tertiary education providers to promote diversity and opportunities for Aboriginal and Torres Strait Islander students. Our team attended the expo to talk to students about careers in infrastructure.



CLIMATE



JOHN LAING 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.”

Increasingly, the overall market for greenfield infrastructure is driven by several factors, but especially population growth, urbanisation and climate change. We recognise that climate change will have an adverse effect on the global economy and this presents both risks and opportunities for investments and to our business over the short and long-term. 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.

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

We are committed to enhancing our reporting on our environmental performance to our investors and stakeholders. We participated in the CDP (formerly the Carbon Disclosure Project) Climate Change Programme during the year and we are pleased to report that we received a “B” score for our performance in 2019.



We support the recommendations of the Taskforce on Climate-related Financial Disclosures (“TCFD”). We are pleased to present our first disclosure on pages 72 to 73.

DIRECT ENVIRONMENTAL IMPACT

John Laing has fewer than 160 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.

From our network of 10 offices around 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.

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. This disclosure is also compliant with the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (known as Streamlined Energy and Carbon Reporting (SECR)).

Methodology

We quantify and report our organisational GHG according to the Greenhouse Gas Protocol and have utilised the UK Government 2019 Conversion Factors for Company Reporting and International Energy Agency 2019 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 supplier specific emission factors where possible. If this was unavailable, a residual mix emissions factor was used, and as a last option, the location-based grid emissions factor was used.

Performance

In 2019, we emitted a total of 32.2 tCO₂e Scope 1 direct emissions from fuel combustion and operation of our facilities. This is a 2% decrease from 2018 due to a decrease in natural gas and vehicle fuel usage.

During the reporting year, the Group undertook several energy efficiency actions, with a particular focus on the London office, which is the largest direct energy consumer. Actions implemented in 2018 have consolidated and continue to deliver energy savings. Further action has been taken during 2019, which has included replacement of printers to more energy efficient models, the removal of default colour printing, use of mugs instead of paper cups, removal of single use plastic cups and the use of glass bottled milk. In addition, the lighting in the office is being changed to LED lighting with an expected life of 15 years.

Through electricity purchased for our own use (Scope 2 indirect), we emitted a total of 78.9 tCO₂e when taking the location-based approach and 58.8 tCO₂e when taking the market-based approach. This is a 29% decrease in location-based emissions from 2018. Using a market-based approach this is a 27% decrease, mostly as a result of our London office now procuring 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 2019 and 2018. 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

	2019	2018
Combustion of fuel and operation of facilities (Scope 1)	32.2 tCO₂e	32.7 tCO ₂ e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based)	78.9 tCO₂e	110.9 tCO ₂ e
Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based)	58.8 tCO₂	80.2 tCO ₂
Other indirect emissions (Scope 3)	1,726.1 tCO₂e	1,831.9 tCO ₂ e ¹

¹ Scope 3: figures for 2018 have been restated, due to the addition of data for business flights attributed to our Australian operations

The table below shows our total emissions and intensity figure for the year ended 31 December 2019 and 2018.

	Location-based approach		Market-based approach	
	2019	2018	2019	2018
Total Scope 1 and 2 ¹	111.1 tCO₂e	143.6 tCO ₂ e	91 tCO₂e	112.9 tCO ₂ e
tCO ₂ per full-time equivalent employee	0.72 tCO₂e	0.85 tCO ₂ e	0.59 tCO₂e	0.67 tCO ₂ e

¹ Market-based figures include Scope 2 in tCO₂

There was a decrease in Scope 1 emissions due to a decrease in natural gas consumption at the Amsterdam office. Scope 2 emissions decreased year-on-year for several reasons including a reduction in the intensity of the electricity emission factors in the countries in which the Group operates and a decrease in the consumption of electricity at both offices in Australia.

The 2018 Scope 3 emissions have been restated due to availability of improved flight data for the APAC team. The overall Scope 3 emissions have decreased by 105.8 tCO₂e. The decrease relates to an overall decrease in air travel during the year and a significant decrease in road travel.

Business travel remains our single largest source of carbon emissions. It is a necessary part of the way we work, particularly given our geographic spread, the size of our workforce, the requirement to assess investment opportunities as well as manage and develop our projects and interact with our stakeholders. However, we continue to challenge ourselves on the need, frequency and mode of travel and aim to continue to reduce our carbon emissions. We have recently upgraded our video conferencing facilities to assist with this.

To reflect best practice, we have this year included well-to-tank and transmission losses for the first time which represents 17 tCO₂e.

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 2019 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.

CLIMATE continued

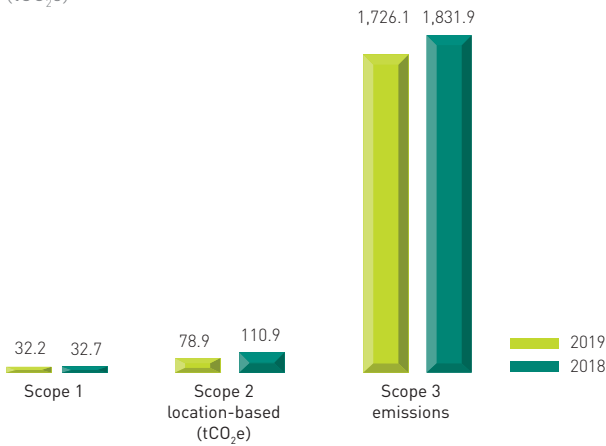
Assumptions and estimations

In some cases, missing information has been estimated either by extrapolating available data from the reporting period or by using information from 2018 as a proxy. Actual information was not available for the New York, Toronto, Bogota, Tel Aviv 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 2018 information has been used as a proxy where appropriate. Information on refrigerant usage was not available, therefore refrigerant emissions are excluded.

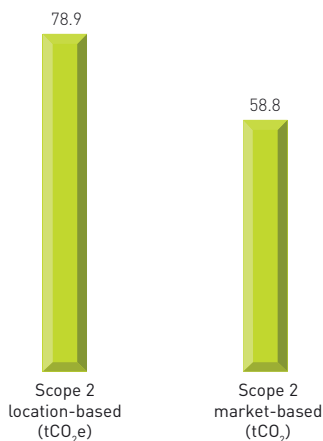
Total emissions 2019 and 2018

(tCO₂e)



Scope 2 Emissions by Methodology

(tCO₂e/tCO₂)



TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

INTRODUCTION

As an investor, developer and manager of infrastructure projects – the physical and transition impacts of climate change are strategically important to our business. We support the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), which provide guidelines for businesses to provide information to investors, lenders, insurers and other stakeholders on climate-related financial risk. These disclosures are John Laing’s first response to the recommendations of the TCFD. They set out how we incorporate climate-related risks and opportunities into our governance, strategy, risk management and targets. We manage climate change as two distinct aspects: as an investor and as a corporate. The disclosure below reflects how we are currently perform against the TCFD recommendations and we will continue to use these recommendations to strengthen our response to climate change and are aiming for full adoption of the recommendations by 2022.

Governance

At Board level, our CEO has overall responsibility for the Group’s response to climate change. The Board meets six times during the year and considers specific reports, reviews business and financial performance, as well as strategy, key initiatives, risks and governance, which will include climate-related issues when relevant.

Below the Board, the Audit & Risk Committee has overall responsibility for overseeing the Group’s financial reporting activities and reviewing internal control and risk management systems. The physical and regulatory risks presented by climate change are considered through this process and appropriate mitigation measures identified. Further details of the Group’s governance structure, the way the Board works and the responsibilities of the Board and its Committees can be found on pages 79 to 81.

At the investment level, the Investment Committee is responsible for assessing climate-related risks and opportunities in relation to investment opportunities. Such opportunities may include project investments intended to capitalise on the opportunities presented by climate change, such as renewable energy projects or low carbon infrastructure development.

At the project level, the boards of the individual projects are responsible for assessing climate-related risks and opportunities.

Strategy

We aim to create value for all our stakeholders by bringing the experience, commitment and innovation required to deliver infrastructure solutions that drive society forward. Our activities are focused on the transport, environmental infrastructure and social infrastructure sectors, which includes investment in projects that are designed to deliver infrastructure which contributes to climate mitigation and is resilient to changing climate over the long-term.

To determine our focus areas for investment, John Laing considers the factors and global trends affecting the need for new infrastructure, which include climate change. Climate change is driving an increased demand for new infrastructure to be sustainable, both in terms of environmental impact and resilience to future changes in climate. This market trend, alongside others such as urbanisation and population growth, help to inform our chosen focus sectors.

As a business, we have identified several climate-related risks and opportunities. Short-term risks are considered to be those for which impacts could occur within the current financial year, medium-term risks are considered to be those for which impacts could occur within 1-5 years. And at a project level, John Laing considers risks over the asset lifetime of 30+ years at the point of investment, including climate-related risks such as physical impacts and energy pricing.

We believe that climate change will result in an increased likelihood and intensity of extreme weather events such as extreme hot and cold weather or intense rainfall events, which could impact John Laing by causing physical damage to assets, such as road and rail infrastructure investments in the mid and long term. Increasing instances of such damage could lead to increases in insurance premiums for John Laing's projects, impacting the economic performance of investments. In the nearer term, changes in energy prices, driven by future energy demand/supply balancing and oil prices could impact negatively on the economic returns of the Group's investments in renewable energy and as a result the valuation of such investments.

Opportunities arising from climate change for our business include increased value through access to new and emerging markets. We believe we can create value for our stakeholders by playing an active part in the emerging infrastructure opportunities driven by the global energy transition. These include (i) technologies that enable high penetration of renewables; (ii) decarbonisation of other sectors including electrification of transport; (iii) delivering increased energy efficiency. Further details can be found in our annual CDP disclosure.

We do not currently use climate-related scenarios to inform our business strategy as our portfolios are subject to changes as a result of asset rotation. Such portfolio-wide analyses and data aggregation would not be meaningful or comparable year over year. However, we are aware that the physical and transitional risks addressed in such scenarios are impactful to our business. As investors in infrastructure, we approach risks on an asset by asset basis as well as with a geographical focus and engage with multiple third party consultants across our investment time-frames, from pre-investment diligence through to divestment, in understanding risks such as long-term energy prices and weather patterns.

To manage climate change-related risk, John Laing has implemented several mitigation measures, including ensuring that technical due diligence assessments are undertaken for all projects, that the Investment Committee consider these when evaluating new investments and that future requirements on projects factor in climate change. The owners of this risk, who are responsible for ensuring implementation of these measures are the Regional Managing Directors and the Investment Committee.

An example of a transition risk is the risk of John Laing failing to comply with the expected ESG requirements of a listed company, including those related to climate change, which could cause reputational damage. To manage this risk and ensure regulatory and stakeholder requirements are met, John Laing has appointed Executive accountability for ESG, by assigning responsibility to the Group Company Secretary. It is the Group Company Secretary's responsibility to then ensure that an ESG plan is implemented to effectively manage this risk. The owners of this risk, who are responsible for ensuring implementation of these measures, are the Chief Executive Officer and the Group Company Secretary.

Risk Management

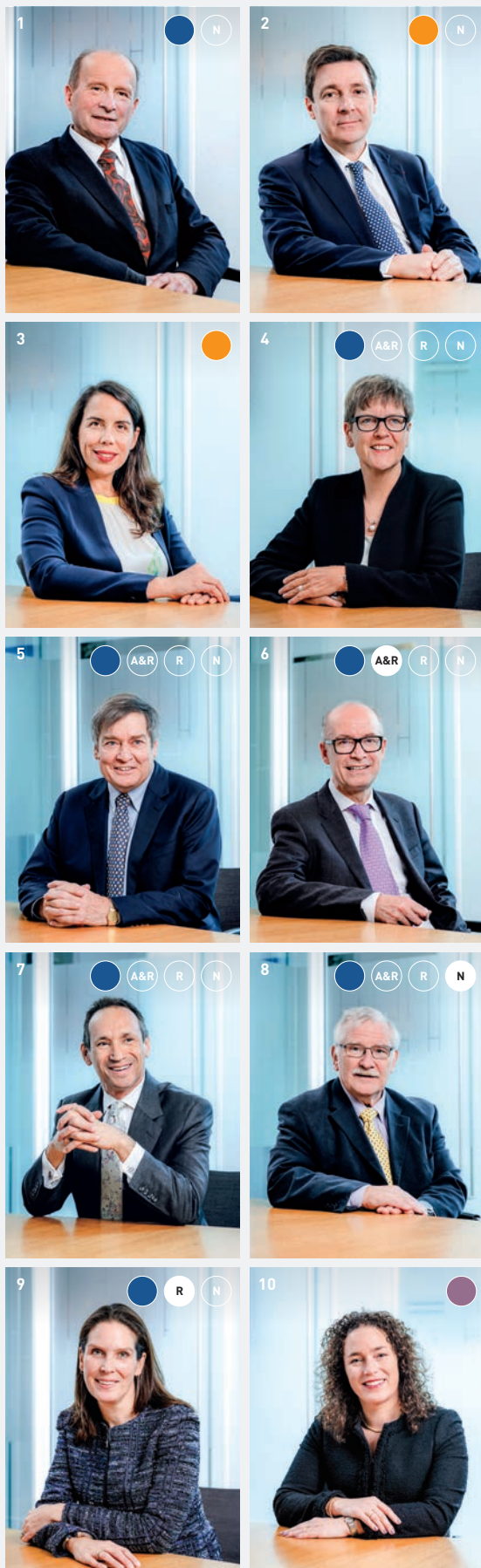
John Laing maintains risk registers at a regional and Group level. Relevant climate-related risks identified at either level will be recorded on the appropriate risk register. Risk registers are reviewed regularly to ensure that all relevant risks have been captured under a range of categories, which includes Environment, Social and Governance.

Climate-related risks reported on the Group risk register are required to have identified mitigation measures implemented, which are defined through discussion at the Management Risk Committee. For further details on our Risk Management Approach, please see pages 49 to 54.

Metrics and Targets

As a listed company, we have a regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Please see page 70 for further details.

John Laing does not yet currently set a greenhouse gas emissions reduction target. As an investor in large scale infrastructure projects, we consider our direct activities to have a low environmental impact. However, our investment in a wide range of projects, including green transport and renewable energy have substantive environmental benefits.



OUR BOARD

1. Will Samuel BSC, BA, FCA

Non-executive Chairman

Appointed: December 2017 and became Chairman in May 2018

Key Skills and Experience

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

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.

Current External Appointments

Chairman of Tilney Group Limited.

2. Olivier Brousse EP, ENPC¹

Chief Executive Officer

Appointed: March 2014

Key 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.

Current External Appointments

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

3. Luciana Germinario

Chief Financial Officer

Appointed: April 2019 (Chief Financial Officer Designate), May 2019 (Chief Financial Officer)

Key Skills and Experience

- Extensive financial experience at senior level
- Significant experience in the investment, real estate and healthcare sectors

Luciana 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.

Current External Appointments

None

4. Andrea Abt MBA

Independent Non-executive Director

Appointed: May 2018

Key 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 and SIG plc.

Current External Appointments

Non-executive Director of Petrofac Ltd and a Member of the Supervisory Board of Gerresheimer AG.

5. Dr Jeremy Beeton CB, BSc, CEng, FICE

Independent Non-executive Director

Appointed: December 2014

Key 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, and was Chairman of WYG plc and Merseylink Limited. He was also 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.

Current External Appointments

An independent Non-executive Director of OPG Power Ventures Plc and on the governing Court of Strathclyde University.

6. Toby Hiscock MA (Oxon), FCA²

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

Appointed: June 2009

Key Skills and Experience








- Extensive experience as a finance professional and extensive listed company and accounting experience
- Significant experience of a broad 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.

Current External Appointments

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

Key

-  Executive Directors
-  Non-executive Directors
-  Group Company Secretary
-  Nomination Committee
-  Audit & Risk Committee
-  Remuneration Committee
-  Committee Chair

¹ Olivier Brousse tendered his resignation in January 2020. Further information can be found on page 76 and 90.

² Toby Hiscock will retire from the Board on 7 May 2020.

7. Philip Keller

Independent Non-executive Director

Appointed: 1 January 2020, and will be Chair of the Audit & Risk Committee with effect from 7 May 2020 (subject to election at the 2020 AGM)

Key Skills and Experience

- Extensive financial and operational experience at senior management level
- Deep understanding of investment businesses and global organisations
- Strong focus on stakeholder communications

Philip was the Chief Finance and Operating Officer of Intermediate Capital Group plc, a FTSE 250 alternative investment company, until July 2019. Prior to this he was Finance Director of ERM Holdings Limited, one of the world's largest environmental consultancies. He has also held senior management roles with Johnson & Johnson Pharmaceutical Group and Glaxo Smithkline. He trained as a chartered accountant with Arthur Andersen & Co.

Current External Appointments

Philip is an Executive Fellow at Kings Business School. He also sits on the Finance Committee of Kings College, London, and on the boards of the Royal Philharmonic Orchestra and the Northern Ballet, and is the vice-chair of the trustees of London Music Masters.

8. David Rough

Senior Independent Director, Chair of Nomination Committee

Appointed: December 2014

Key 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 or Brown Shipley & Co Ltd, Chairman of the Association of British Insurers' Investment Committee and been a non-executive and senior independent director on a number of boards, including Hansteen Holdings plc, Land Securities, London Metal Exchange, Friends Provident and Xstrata.

Current External Appointments

None

9. Anne Wade BA, MSC

Independent Non-executive Director, Chair of Remuneration Committee

Appointed: December 2014

Key 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.

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.

10. Clare Underwood, BSc, ACA

Group Company Secretary

Appointed: September 2018

Clare has extensive governance and listed company experience. 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.

COMMITTED TO THE HIGHEST STANDARDS OF GOVERNANCE



GOOD CORPORATE GOVERNANCE IS KEY TO HOW JOHN LAING CONDUCTS ITS BUSINESS AND TO THE SUCCESS OF THE GROUP. 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."



CHAIRMAN'S INTRODUCTION

John Laing is committed to conducting its business with integrity, and good governance lies at the heart of this. Our governance framework underpins the Board's commitment to the highest standards of corporate governance and sets the tone for the rest of the organisation. The Board has a vital role to play in promoting a culture and behaviours that are consistent with delivering our strategy and fulfilling our purpose in order to ensure the success of the Company in the long term.

PURPOSE AND STRATEGY

We refreshed our purpose in 2018. Our purpose is at the core of our strategy which aims to create value for all of our stakeholders by bringing the experience, commitment and innovation required to deliver infrastructure solutions that drive society forward. We believe the right infrastructure, built in the right way, improves life for communities.

CULTURE AND VALUES

The Board recognises the importance of its role in setting the tone for the John Laing culture and embedding it throughout the Group. We have refreshed our values during the year so they support our newly defined purpose and reinforce our culture.

Our values and our code of conduct reinforce the type of organisation that we want to be. Everyone who works for us is required to comply with these.

Our culture is monitored in a number of ways including employee engagement, employee turnover rates, compliance with policies and processes and formal and informal channels for employees to raise concerns including via our whistleblowing programme.

BOARD CHANGES DURING THE YEAR

On 23 January 2020, we announced that Olivier Brousse had resigned from his position as Chief Executive Officer of the Company in order to take up a senior position at Veolia Group. He will remain as CEO of the Company whilst he assists with an orderly transition. The Company is in the process of identifying a new CEO and will provide updates, as appropriate. The Nomination Committee is overseeing the search process and further details on this are provided on page 90. I would like to express our sincere thanks to Olivier for his valuable contribution to the Board and the Company.

Patrick O'D Bourke, Group Finance Director, retired from the Board after the 2019 AGM. Patrick left with our thanks and best wishes for the future. Luciana Germinario was appointed to the Board in April 2019, and became the Chief Financial Officer with effect from 9 May 2019. On 17 December 2019, we announced that Toby Hiscock will be stepping down from the Board and as Chair of the Audit & Risk Committee with effect from the end of the 2020 AGM. Philip Keller joined the Board with effect from 1 January 2020 as a Non-executive Director, and will succeed Toby as the Chair of the Audit & Risk Committee with effect from the end of the 2020 AGM. Philip is a member of the Audit & Risk, Remuneration and Nomination Committees. I would like to express our thanks to Toby for his valuable contribution to the business.

Both Toby and Olivier leave with our best wishes for the future.

CLIMATE CHANGE

Although the direct activities of the Company are judged to have a low environmental impact, we aim to deliver a positive social and environmental impact through our investments.

We have enhanced our reporting in respect of this for 2019. Further information can be found on pages 70 to 73.

BREXIT

In assessing the risks facing our business, the Board has 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.

BOARD EVALUATION

In accordance with the Corporate Governance Code 2018 (the Code), the Board engaged Grant Thornton during the year to facilitate the external review of the Board and its Committees, following two years in which we had undertaken internal reviews of Board effectiveness. The process took place between October 2019 and January 2020, and full details can be found on pages 84 to 85, along with an update to actions which have been taken since the last review in 2018.

CORPORATE GOVERNANCE

This is the first year of reporting against the Code. The Board confirms that during the year ended 31 December 2019, the Company fully complied with the provisions of the Code. A copy of the 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 Code during the period under review. A table is provided on pages 113 to 114 detailing the principles of the Code, and where information can be found in this report relating to the application of the principles. 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 8 to 73, and the Statement of Directors' responsibilities can be found on page 119.

Will Samuel
Chairman

2 March 2020

→ WORKFORCE ENGAGEMENT

AGREED METHOD OF ENGAGEMENT

During 2019 the Board considered how it would engage with, and gather views from, the workforce, including the three suggested methods described in the Code. The Board determined that the most appropriate approach for the Group was to appoint a designated Non-executive Director, and that this would be the Chairman supported by the Non-executive Directors given the geographic diversity of the workforce, and the time commitments required by the role. A workforce engagement programme was developed and is managed by the Group Company Secretary who also has responsibility for Human Resources at the executive level. The Board receives a report on workforce engagement at every Board meeting as well as feedback from the Chairman and the Non-executive Directors in respect of their direct engagement activities, and to communicate the views of the workforce to the Board. In order to be successful, it was agreed that the workforce engagement mechanism must:

- i) best bring the Group's workforce view to the Board to ensure colleague opinions are factored into decision making;
- ii) ensure that colleagues feel properly represented;
- iii) improve employee engagement; and
- iv) reach all employees across our geographic locations and span all levels of seniority.

WHO IS OUR "WORKFORCE"?

The definition of the Group's "workforce" was considered and agreed by the Board as our employees, fixed-term contractors, temporary workers and consultants.

WHAT HAS BEEN DONE DURING THE YEAR

The engagement programme included an employee engagement survey in March 2019. The findings of this survey and updates on the actions were presented to the Board during the year. A programme of away days with the Group and regional teams was also held during the year to facilitate two-way discussion opportunities in formal and informal settings with Non-executive Directors. In addition to this, Olivier Brousse and Luciana Germinario have engaged in depth with all colleagues during the year, through various channels of communication, including office visits, site visits, update calls, online presentations, and more informal meetings. Further details of these visits, and other activities conducted by the Board during the year can be found on pages 44 to 46 and 61.

OUR BOARD ATTENDANCE, DIVERSITY AND SKILLS

BOARD AND COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETINGS

Below is a schedule of attendance by the Board members at Board and Committee meetings during the year. Please note that Philip Keller was appointed on 1 January 2020, and therefore did not attend any 2019 meetings.

	Independent?	Board (scheduled)	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Will Samuel	On appointment	5/6 ⁴	N/A	N/A	3/3
Olivier Brousse	No	6/6	N/A	N/A	3/3
Patrick O'D Bourke ²	No	2/2	N/A	N/A	N/A
Luciana Germinario ³	No	5/5	N/A	N/A	N/A
Andrea Abt	Yes	6/6	5/5	5/5	3/3
Jeremy Beeton	Yes	6/6	5/5	5/5	3/3
Toby Hiscock	Yes	6/6	5/5 ¹	5/5	3/3
David Rough	Yes	6/6	5/5	5/5	3/3 ¹
Anne Wade	Yes	6/6	N/A	5/5 ¹	3/3

1 Chair of the Committee

2 Patrick O'D Bourke retired from the Board with effect from 9 May 2019

3 Luciana Germinario joined the Board with effect from 25 April 2019

4 The Chairman was unable to attend one Board meeting during the year due to an unavoidable personal commitment.

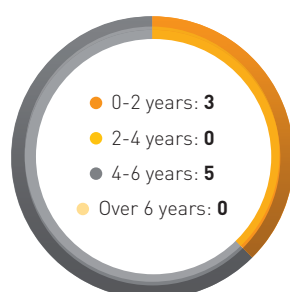
COMPOSITION, SKILLS AND DIVERSITY

Biographies of the current Board of Directors can be found on pages 74 and 75. The Chairman is committed to ensuring the Board comprises a majority of independent Non-executive Directors from a diverse background, who objectively challenge management, balanced against the need to ensure continuity of the Board.

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 and sectors. 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, but keeps the composition of the Board under review to ensure any skill gaps are taken into consideration as part of ongoing succession planning (see page 91 for further details).

Tenure

(as at 31 December 2019, and measured from IPO in February 2015)



Male/Female Diversity

Male: 5 

Female: 3 

Nationalities

 British: 4

 French: 1

 Italian: 1

 German: 1

 American: 1

 Further information regarding the Board Diversity Policy can be found on page 91

HOW THE BOARD OPERATES

OUR GOVERNANCE FRAMEWORK (DESCRIBED IN THIS REPORT) FACILITATES THE MONITORING, REVIEW, DEVELOPMENT AND IMPLEMENTATION OF THE POLICIES, PROCEDURES AND CULTURE THAT SUPPORT OUR HIGH GOVERNANCE STANDARDS.

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 governance practice. To enable the Board to function effectively, full and timely access to all relevant information is given to the Board.

BOARD AND COMMITTEE MEETINGS

During the year there were six scheduled Board meetings, with details of attendance and membership of Committees is shown on page 78. In addition to the scheduled meetings, five further unscheduled Board meetings were convened. Such meetings are called where necessary to consider matters of a time-sensitive nature.

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 matters as necessary. The Chairman and Chairs of each Committee ensure Board and Committee meetings are structured to facilitate open discussion, debate and challenge. All Board and Committee meetings are formally minuted by the Group Company Secretary.

The principal Committees are the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee (together the "Committees"). The Board is supported by its Committees which make recommendations on matters delegated to them under their Terms of Reference. These recommendations include matters such as the internal and external audit, internal control and risk management processes, financial reporting, Board appointments, succession planning and remuneration issues.

Each of the Committee Chairs has reported on how each Committee has discharged its responsibilities in the year ended 31 December 2019, along with the material matters which were considered. Following each Committee meeting, the Chair of the Committee reports its activities to the Board.

Members of the Executive Committee attend and report at every scheduled Board meeting, and other members of the Senior Management Team and advisers attend Board meetings by invitation throughout the year. Whilst not entitled to attend Committee meetings, other Directors, professional advisors and members of the Executive Committee and Senior Management Team attend Committee meetings 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.

In the rare event of a Director being unable to attend a meeting, the Chairman of the respective meetings discuss the matters proposed with the Director concerned wherever possible, seeking their support and feedback accordingly. The views of the absentee Director are then represented by the Chair at the meeting.

The Terms of Reference and Matters Reserved for the Board are regularly reviewed by the Board, and can be found at www.laing.com.

In addition to formal meetings, the Non-executive Directors also attended a number of other Company meetings, events and site visits to increase their understanding of the principal risks in the business and the strength and depth of the management teams. Further details of stakeholder engagement can be found on pages 44 to 46.

The Chairman met with the Non-executive Directors without the Executive Directors present on a number of occasions during the year.

HOW THE BOARD OPERATES continued

THE BOARD

Collectively, the Board is responsible for overseeing the strategy and management of the Company and its businesses, including long-term objectives, business plan, viability and the Group's corporate governance system to help achieve long-term sustainable success and deliver shareholder value. The Board also helps to form and influence the Group's culture, development of its values and identification of appropriate behaviours to reinforce the values.

AUDIT & RISK COMMITTEE

Responsible for:

- Financial reporting and financial integrity
- Informing the Group's risk appetite, and monitoring of the Group's risks
- Internal financial and operational controls
- Internal audit
- External auditor relationship
- Stress testing of Group's financial exposures



Toby Hiscock
Chair of the
Audit & Risk
Committee

Read more
on page 86

NOMINATION COMMITTEE

Responsible for:

- Board and Committee composition
- Succession planning
- Overseeing Group policy and strategy regarding workforce diversity and inclusion
- Overseeing induction process, monitoring conflicts, time commitments, training and evaluation of Board members



David Rough
Chair of the
Nomination
Committee

Read more
on page 90

REMUNERATION COMMITTEE

Responsible for:

- Setting of Director and senior management remuneration
- Agreeing the Remuneration Policy and practices of the Executive Group
- Promote long-term shareholdings by Executive Directors and members of the Executive Committee
- Incentive design and setting of targets



Anne Wade
Chair of the
Remuneration
Committee

Read more
on page 92

MANAGEMENT RISK COMMITTEE

Chief Risk Officer, Chief Financial Officer, Group Head of Legal, the Group Head of Internal Audit, and a senior manager from each of the regional teams.

Purpose and structure:

- Monitors adequacy/effectiveness of internal controls (including financial) and risk management systems
- Review of internal audit reports, Project Reviews and the Group Risk Register
- Advise the Board on current and future risk appetite/tolerance, exposures and strategy
- Chaired by the Chief Risk Officer
- Meets circa six times a year

DIVESTMENT COMMITTEE

The Chief Financial Officer, the Chief Risk Officer and other senior managers.

Purpose and structure:

- Review divestments programme to meet funding and portfolio mix
- Approve budgets and review of strategy
- Chaired by the Chief Financial Officer
- Meets monthly, or as required

EXECUTIVE COMMITTEE

Executive Directors, the Chief Risk Officer, the Regional Managing Directors, the Group MD Strategy & Partnerships and the Group Company Secretary.

Purpose and structure:

- Day-to-day business of the Group and also considers Group-wide initiatives and priorities
- Review of implementation of strategy
- Discusses development of new investments and progress on existing investments
- Review of disposal of investments and other proposals before presentation to the Board
- Monitors progress against the annual budget
- Chaired by the Chief Executive Officer
- Meets fortnightly

INVESTMENT COMMITTEE

Executive Directors, the Chief Risk Officer, the Group Head of Legal (or the Group Legal Advisor as alternate), and up to five other persons as the Chief Executive Officer shall nominate from time to time.

Purpose and structure:

- Make recommendations to the Board, or to approve proposals within its delegated authority, regarding the Group's potential investment in infrastructure projects
- Review of the Group's portfolio valuation and monitoring the balance of risk across the portfolio
- Activities, recommendations and approvals are reported to the Board
- The Committee's delegated authority is reviewed annually by the Board
- Chaired by the Chief Executive Officer
- Usually meets fortnightly and on request

DIVISION OF RESPONSIBILITIES

THE BOARD TAKE A VERY ACTIVE ROLE IN THE RUNNING OF JOHN LAING. KEY BOARD RESPONSIBILITIES HAVE BEEN DEFINED BELOW TO DELIVER OUR PURPOSE AND CREATE WIDER VALUE FOR ALL OUR STAKEHOLDERS.



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 and is consulted on all relevant matters;
- Facilitating the contribution of the Directors, and leads the Board and creates a culture of openness characterised by robust, respectful debate and appropriate challenge;
- Monitoring the contribution and performance of Board members; 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, policies and business plans for recommendation to the Board;
- Leadership of the business, its management and performance, and managing it within the authorities delegated by the Board;
- Implementing Board decisions, policies and strategies;
- Representing the Company to employees, shareholders, financial institutions, the media, the community and the public;
- Leading the Executive Management Team in the day-to-day running of every part of the business;
- Recommending remuneration, terms of employment and succession planning for the senior executive team;
- Managing the Group's risk profile and maintaining an effective framework of internal control and risk management; and
- Ensuring effective processes for engaging with, communicating with, and listening to, employees and others working for the Company.



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;
- Ensuring the Company maintains effective communication with shareholders and other stakeholders (responsibility shared with the Chairman);
- Leading the Nomination Committee in the appointment of Executive and Non-executive Directors; and
- Conducting the Chairman's annual performance appraisal.



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 confidential sounding board to the Chairman and other Directors; and
- Ensuring compliance with developments in legislation, regulation and governance.

THE BOARD'S ACTIVITIES

THE BOARDS ACTIVITIES DURING THE YEAR ARE UNDERPINNED BY OUR EXTERNAL REPORTING CALENDAR AND OUR INTERNAL BUSINESS PLANNING PROCESS.

→ TOPICS DISCUSSED BY THE BOARD IN 2019

REGULAR UPDATES:


- Chief Executive Officer's report
- Finance report, including budgets and forecasts
- Updates from the Chairs of the Committees of the Board
- Regional Updates
- Updates on strategic initiatives
- Reports in respect of HR, Risk and ESG matters

FINANCIAL:

- 2020 budget
- Approval of interim and special dividends for the year ended 31 December 2019, and final dividends for the year ended 31 December 2018
- Draft results for the full and half year including presentation to analysts
- 2018 Annual Report
- NAV reporting
- Portfolio valuation
- Regular pensions updates

CULTURE/COLLEAGUES:

- Workforce engagement including feedback and actions in respect of the Employee Engagement Survey, and feedback on engagement activities undertaken by the Chairman and Non-executive Directors
- Diversity and gender pay gap, and review and approval of the 2019/2020 plan

 Further information regarding what the Board did during the year in respect of employee engagement can be found on page 61

STRATEGY:

- Two strategy away days
- New business proposals, including approval of new investments
- Consideration of the sale of remaining fund management activities
- Deep dives on aspects such as new markets and sectors
- Renewable energy strategy review
- ESG strategy and approach

GOVERNANCE/STAKEHOLDERS:

- Board effectiveness and Chairman's performance reviews
- AGM documentation approval and subsequent voting results briefing
- Review of the Delegation of Authority Matrix and the Terms of Reference for each Committee
- Review of Investment approval process
- Review of strategic partnerships
- Review and approval of various Group policies, including the Share Dealing Code, Anti-Bribery & Corruption, Anti-Money Laundering Policies, Treasury Policy and the Modern Slavery Statement
- Investor relations updates
- Director's fees review

 For further details regarding stakeholder engagement please see pages 44 to 46

CONTRIBUTION, PERFORMANCE, INDEPENDENCE AND TIME COMMITMENTS

The contribution and performance of each Director is evaluated each year, and as a result of individual experience and diverse skills and background, the Board is satisfied that each Director contributes to the long-term sustainable success of the Company.

Having reviewed the position of each Director individually, the Board considers all Non-executive Directors to be independent in both character and judgement.

There were no changes during the year to the Chairman's external commitments. All Directors will stand for re-election (or election in the case of Philip Keller) at the Company's Annual General Meeting (AGM) in May with the exception of Toby Hiscock, who will retire immediately following the AGM.

The Non-executive Directors (not including the Chairman) are initially appointed for a three-year term with an expectation that they will continue for a further three-year term (subject to annual re-election by shareholders at the AGM). Non-executive Directors are advised of their expected time commitments prior to their appointment and they are required to devote such time as necessary to discharge their duties effectively.

The time commitments of Directors are considered on appointment and annually, and the Board is satisfied that there are no Directors whose time commitments are considered to be a matter of concern. External appointments, which may affect existing time commitments for the Board's business, must be agreed with the Chairman, and prior Board approval must be obtained before taking on any new external appointments. No Executive Director has either taken up more than one Non-executive Director role at the FTSE 100 company or taken up the Chairmanship of such a company.

The service contracts for the Executive Directors and the letters of appointment for the Non-executive Directors are available for inspection by shareholders at our registered office during normal business hours and at our AGM.

WHISTLEBLOWING

The Board is responsible for the approving and overseeing of the Group's whistleblowing policy and ensuring that adequate procedures are in place. The Board reviewed and approved the Whistleblowing Policy in February 2019, and encourages and protects legitimate whistleblowing. The Group Company Secretary is the Group's Whistleblowing Champion, and training has been given to all employees during the year to highlight the policy and methods of reporting.

The Company also offers an independent whistleblowing helpline administered by a third party provider. This allows employees and other stakeholders to report concerns about any suspected wrongdoing or unethical behaviour occurring within the business or about the behaviour of individuals. Calls can be conducted on a confidential and anonymous basis, if preferred by the whistleblower.

Any matters reported are initially reviewed by the Group Company Secretary, and where necessary are reported to the Chief Financial Officer or Chairman, with reports of any instances of whistleblowing being reported to the Board.

INDUCTION, TRAINING AND DEVELOPMENT

Upon appointment to the Board, all Directors undertake a comprehensive induction process to familiarise themselves with the Group's activities, policies and key issues, and also in respect of their responsibilities of being a Director of a UK listed company under both the Listing Rules and Corporate Governance Code. The programme is tailored based on the experience and background of the Director and requirements of the role.

Luciana Germinario undertook a thorough induction programme on joining the Company in April 2019. This included meetings with senior management and the regional teams. She attended away days in North America and Australia. She also visited a number of projects including MBTA, Boston, SLR and Melbourne Metro. She also met with a number of shareholders, partners, key external advisors, including the Group's brokers, legal adviser and External Auditor.

As described above, the Board undertakes a programme of training and development activities throughout the year, including deep dives, site visits and meetings with various stakeholders. In addition, the Board and Committees receive regular updates on key governance and compliance issues.

All Directors have access to the services of the Group Company Secretary in relation to the discharge of their duties.

CONFLICTS OF INTEREST

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.

BOARD EVALUATION

OVERALL THE RESULTS OF THE EVALUATION ARE POSITIVE AND SHOW THAT THE BOARD AND ITS COMMITTEES ARE RUNNING EFFECTIVELY.

BOARD PERFORMANCE AND EVALUATION

An external evaluation of the Board took place during the year, in line with the Code requirements. This was facilitated by Grant Thornton, between October 2019 and January 2020. An internal evaluation had been carried out for the past two years. The 2019 evaluation was led by the Chairman of the Board, and included a review of effectiveness of the Board, its Committees and individual Directors with the support of the Nomination Committee. The objectives of the external evaluation is to:

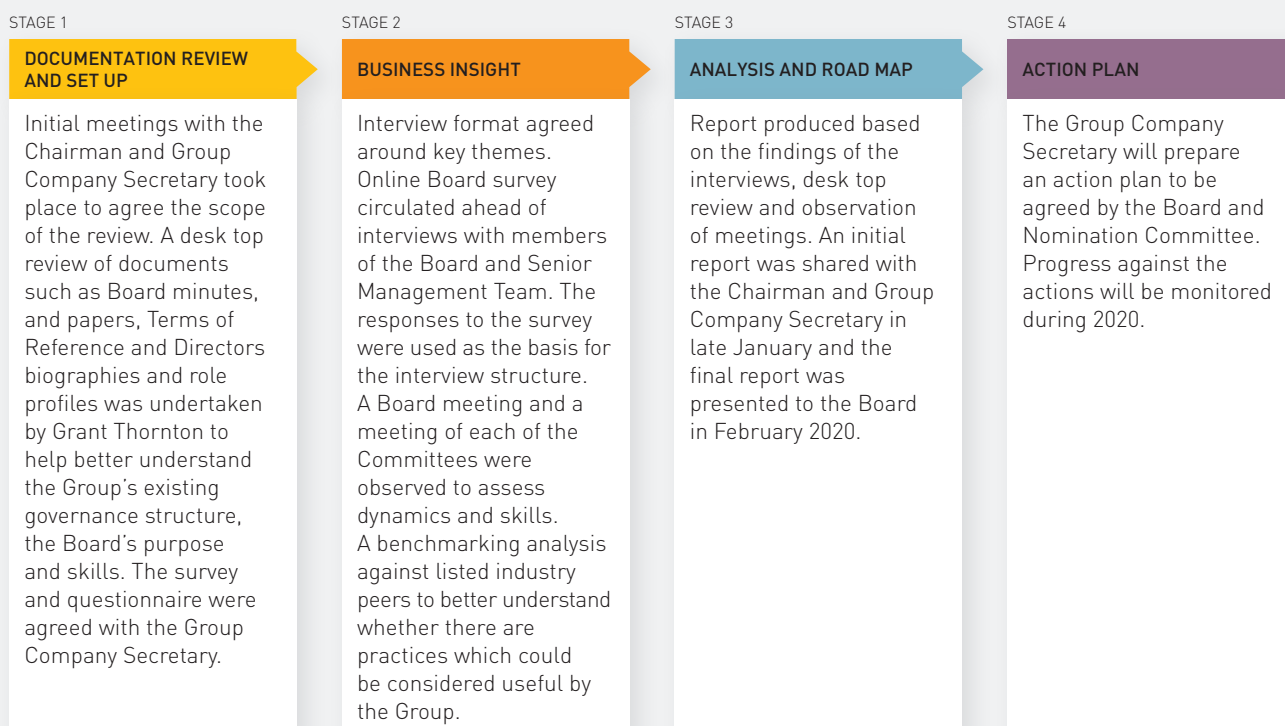
- Provide an external Board effectiveness review in line with the Code;
- Gain a range of views from the Board members and the Executive Committee and external advisers; and
- Identify key practices and behaviours that are enhancing and/or potentially holding back performance.

Grant Thornton has no other connection with the Company or individual Directors.

The review of the performance of the Chairman is carried out by the Non-executive Directors, led by the Senior Independent Director, taking into account the views of the Executive Directors.

→ THE 2019 EVALUATION

The externally facilitated Board evaluation was led by the Chairman of the Board, assisted by the Group Company Secretary and overseen by the Nomination Committee. It consisted of the following:



→ HIGHLIGHTS OF THE 2019 REVIEW

The evaluation concluded that the performance of the Board, its Committees, the Chairman and each of the Directors continues to be effective. All Directors demonstrated commitment to their roles and contributed effectively. The evaluation concluded that there is a high level of cohesion at Board and Committee levels with wide industry, sector and business experience delivering a diversity of discussion. The involvement and engagement of the Non-executive Directors is considered robust and coverages of governance, regulatory and compliance management is viewed positively with a good line of sight on key issues.

The key findings and areas for consideration include the following:

Findings	Key considerations
Strategy The dedicated strategy sessions including the away day were well received; need to ensure that sufficient time continues to be dedicated to the strategic agenda	Consider Board agenda and in particular, whether more time can be devoted to broader strategic issues and themes
Board papers and presentations The quality of the Board papers had improved during the year but there was concern over the length of the Board papers	Board papers to be shorter in length and the amount of time spent presenting Board papers and presentations to be reduced to allow more time for open discussion and debate
Succession planning Nomination Committee to maintain attention on succession discussions including on-going assessment of future capability and capacity of the pipeline	Continue to evaluate the executive talent pipeline, together with the executive succession planning aimed at supporting the development of executives

→ THE 2018 EVALUATION

The 2018 evaluation was facilitated by the Group Company Secretary, took the form of a questionnaire, and sought the Directors' views on a range of topics, including:

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

The focus of the review was on both the evaluation of effectiveness of the Board as a whole, and of the individual Directors.

→ PROGRESS AGAINST THE 2018 BOARD EFFECTIVENESS EVALUATION

A summary of the Board's progress against the actions arising from the 2018 evaluation are set out below.

	Recommendation from the 2018 evaluation	Actions taken during 2019
DEEP DIVES	Dedicated sessions on key topics including the climate for greenfield investment for each region to be added to the strategic agenda.	Dedicated discussions on new countries and sectors have taken place.
SUCCESSION PLANNING	Further focus on succession planning to be covered as part of the Nomination Committee's increased remit.	The Nomination Committee's Terms of Reference were revised to bring into scope various aspects, including succession planning. Succession planning has been discussed in further detail, to progress plans during the year. Further details can be found on page 91.
TRAINING	Specific training to be provided to the Board in respect of industry and technological developments.	Key development opportunities have been presented to the Board during the year which included energy transition, including decarbonisation of transport, managed lanes and telecoms/broadband. Further topics including new markets and sectors were presented during strategy away days.



Toby Hiscock
Chair of the Audit & Risk Committee

2 March 2020

DEAR SHAREHOLDER

I am pleased to present my last report to you as Chair of the Audit & Risk Committee (the "Committee") ahead of my retirement from the Board at the Company's 2020 AGM. 2019 proved to be a challenging year for the business, particularly its renewables portfolio, where the volatile nature of valuation inputs such as transmission, power price and merchant off-take risks demanded even more attention from the Committee. We combined this with a detailed scrutiny of the Group's internal control environment and our 'lines of defence', particularly our risk management and internal audit functions, as described below. We also devoted time to Luciana Germinario's induction as our new Chief Financial Officer.

MEETINGS

The Committee met formally five times during the year ended 31 December 2019. The attendance of each Committee member is shown on page 78 of the Corporate Governance Report.

The Chief Financial Officer and her team, the Chief Risk Officer, and other management representatives attended Committee meetings along with the Head of Internal Audit and the External Auditor. There is also a standing invitation to all Non-executive Directors; the Company Chair attended each of our meetings during 2019. In addition, both the Head of Internal Audit and External Auditor met privately with the Committee during the year, without management present. Representatives of the Group's Independent Valuer also attend meetings at least twice a year when the Committee considers the portfolio valuation.



THE AUDIT & RISK COMMITTEE MAINTAINED ITS FOCUS ON THE GROUP'S FINANCIAL REPORTING, ITS INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS AND THE FAIR VALUE OF ITS INVESTMENT PORTFOLIO IN WHAT PROVED TO BE A CHALLENGING YEAR FOR THE BUSINESS."

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 of investment in international infrastructure, the Company's main activity. Further information on the credentials and experience of Committee members can be found on pages 74 and 75.

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

ROLE OF THE COMMITTEE

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

1. Ensure the integrity of the Group's and Company's accounting policies, financial statements, preliminary announcements, trading updates and other statements on financial performance and prospects prior to their publication;
2. Scrutinise the content of the annual and interim reports and accounts and to 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 and review the efficacy of the Group's key internal financial, operational and compliance controls and risk management systems, including compliance with FCA requirements, insurance cover, data protection and cyber security, business continuity and disaster recovery plans. Please see pages 49 to 54 for further information regarding the Company's risk management and internal control systems. Following the cessation of the fund management activities during 2019 and the consequential deregistration from the FCA, compliance with FCA requirements no longer needs to be monitored;
4. Examine and assess the independence, effectiveness and work of the Internal Audit function;
5. Consider and recommend to the Board the appointment, re-appointment, resignation or removal of the Group's External Auditor, subject to approval by the Company's shareholders at the AGM, and conduct the tender process to select the external auditor;

6. Negotiate and agree on behalf of the Board the External Auditor's remuneration, including fees for any audit-related and non-audit services rendered;
7. Assess the External Auditor's independence and objectivity, audit quality and effectiveness, including scrutiny and approval of any audit-related and non-audit services;
8. Advise the Board on the Group's risk appetite and tolerance and to monitor the confluence of risks across the Group's markets, sectors and investments;
9. Review the results of regular stress-testing of the Group's major financial exposures, including sensitivities to interest rate, inflationary and currency, energy yield and pricing fluctuations;
10. Counsel 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 annual performance objectives of Executive Directors, the wider management and employees.

The Committee's Terms of Reference set out its principal duties in full, including its authority to carry out these duties, and are available at www.laing.com.

All Committee meetings are formally minuted, copies of which are circulated to all Directors and the External Auditor.

The Committee reports to the Board after each meeting through the Committee Chair.

SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE IN THE 2019 GROUP AND COMPANY FINANCIAL STATEMENTS

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

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 undertaken on a fair value basis, assuming 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.

Key inputs and assumptions made by management in preparing the valuation, include:

- i) Forecast cash flows accruing to each investment;
- ii) Macroeconomic factors affecting forecast cash flows, such as estimates of long-term inflation, interest, currency and taxation rates, energy yields and future power prices; and
- iii) Discount factors applied to each investment to reflect market, construction and operational risks.

The valuation of investments is sensitive to changes in these inputs and assumptions and, in order to assist shareholders, the key sensitivities are illustrated in the Portfolio Valuation section on pages 26 to 31 and in note 18 to the Group financial statements.

During the year the Committee scrutinised 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 External Auditor.

Given a number of industry challenges facing renewable energy assets and losses experienced by the Group in this sector during the year, we focused heavily on the transmission, operational yield, power pricing and merchant off-take assumptions underlying our valuations. As a result, processes have been enhanced and our investment strategy and valuation approach recalibrated accordingly. We are satisfied that the carrying value of these investments at 31 December 2019 reflects fair value.

On the PPP side of the portfolio, good progress was achieved during the year with several of the Group's greenfield investments, including IEP 2 – the Group's largest investment by value – Sydney Light Rail, New Generation Rolling Stock and New Royal Adelaide Hospital. We also substantially completed the construction of Clarence Correctional Centre in Australia. A small number of investments, however, remain challenging, such as Melbourne Metro in Australia and I4 in the US, and we have stepped up our active asset management approach in response. The Committee has tested management's year end valuations of each of these projects in detail and satisfied itself that they reflect fair value at that date.

There has been a significant increase in value enhancements to the Group's portfolio in the year, the product of active asset management across the board. Given their overall materiality to NAV, we and the Group's Independent Valuer and External Auditor have deepened our reviews of their reasonableness and are satisfied with their recognition in the financial statements.

In conclusion, the Committee is satisfied that the Group's investment portfolio valuation taken as a whole at 31 December 2019 represents fair value at that date.

- 2. Principal risks and uncertainties** – These are set out on pages 50 to 54 of the Annual Report. The Committee received regular reports from the Chief Risk Officer and other members of management during the year covering for example bidding activities, project reviews, treasury policy and major financial exposures, accounting provisions and taxation developments. As in the prior year, we reviewed in detail the Group's taxation strategy and recommended it to the Board for formal approval and publication on www.laing.com in accordance with the Finance Act 2016.

We also conducted a review of the Group's risk register at each of our meetings throughout the year and updated risks, risk ratings and mitigants as necessary. This included our response to climate change and a post-Brexit world.

AUDIT & RISK COMMITTEE REPORT continued

PwC has recently been engaged by the Group to perform a review of our governance of projects, based on a representative sample of projects. It is examining the role of the Investment Committee and the effectiveness of our project review process and wider risk management and is expected to report in early 2020. We are committed to adopting all appropriate remedial actions to enhance our risk management approach.

The Committee continues to believe that the Group's internal control, including the control and compliance culture within the business, is sound overall and provides a reasonable level of assurance that the financial statements are free from material error and misstatement.

3. Post-retirement benefit obligations – The net surplus in the Group's defined benefit pensions and post-retirement medical insurance schemes is reflected in the Group Balance Sheet as at 31 December 2019 in accordance with IAS 19.

The main defined benefit scheme, the John Laing Pension Fund (JLPF), was subject to a triennial valuation as at 31 March 2019. Whilst good progress has been made with the Scheme Trustee in agreeing the assumptions underlying the valuation, the outcome of this process and any revised actuarial deficit recovery plan is not expected to be finalised until mid 2020. Meanwhile, the post-retirement obligations in these financial statements have been updated for latest inflation, interest rate and mortality factors. The net surplus is sensitive to each of these factors and, to assist shareholders, the sensitivities have been included in note 19 to the Group financial statements.

The Committee considered the recent UK government announcement to align RPI and CPI from 2030 and that the RPI and CPI assumptions in valuing the pension scheme liabilities are appropriately stated taking into account this change.

Having taken advice from the Group's actuarial adviser, assessed the procedures undertaken by the External Auditor and challenged the underlying assumptions and related disclosures in the financial statements, the Committee is satisfied that the net surplus as at 31 December 2019 reflects fairly the Group's post-retirement obligations at that date as prescribed by IAS 19. Furthermore, the Committee continues to be satisfied that, based on legal advice, there is no minimum pensions funding requirement arising under IFRIC 14.

Internal Audit

Throughout 2019 the Internal Audit function continued to provide independent assurance to the Board, through the Committee, on the Group's internal control system.

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.

As in previous years, in 2019 the Committee monitored the efficacy of Internal Audit by:

- i) Reviewing its terms of reference and resourcing – both internal and co-sourced arrangements;
- ii) Examining its risk-based programme of work; and
- iii) Scrutinising its reports and the adequacy of management's responses to them.

Internal Audit completed its coverage plan for 2019 and, similar to previous years, the majority of its audits were rated satisfactory or better. The main areas of focus during the year were investments and a series of 'themed' audits, including risk management, tax compliance and contractor exposures.

After discussion with the Committee, effective from 2020 Internal Audit will adjust its report ratings to better reflect their underlying findings and drive positive action by management. In particular the 'satisfactory' rating will be revised to 'requires some improvement' and the 'weak' rating will be revised to 'requires significant improvement'.

Where a report results in a 'weak' rating (or 'requires significant improvement' under the new ratings), an improvement plan is agreed between Internal Audit and the responsible division/team. The Committee receives regular updates detailing progress against such improvement plans.

In line with market practice, Internal Audit was subject to an External Quality Assurance (EQA) review in 2019. This was the third such review commissioned by the Group in the last ten years. PwC was chosen for this purpose from a shortlist of three firms. As part of the EQA, PwC interviewed a range of auditees and other stakeholders and examined a number of audits. They found that the Internal Audit function performed a substantial number of audits each year to a good standard, but recommended that the broader audit strategy be revisited – in particular audit coverage and resources be stepped up to meet the challenges of the Group's evolving business strategy, characterised by its greater geographic and sector diversification. The Committee has accepted PwC's recommendations and developed a plan to implement a more comprehensive Internal Audit function effective from 2020. This plan has been approved by the Board and will be closely managed by the Committee.

Independent Valuer

The Independent Valuer, KPMG, has been acting for the Group for seven years. The Board, through the Committee, decided to market-test this appointment during 2019. Three firms, including the incumbent, tendered for the role and a shortlist of two firms was interviewed by the Committee. After careful consideration, the Committee recommended the re-appointment of KPMG to the Board. This was because they were deemed to have the most experienced team and demonstrated the best understanding of the markets and sectors in which the Group operates. The scope of their work has been increased to enable a higher degree of assurance on the portfolio valuation, including annual site visits to a number of our assets. New partners and more sector/valuation specialists have been added to the team. The Board approved this re-appointment with a review/break clause in 2021.

External Audit

The Committee oversees the relationship with the External Auditor (Deloitte), including its terms of engagement and remuneration, and monitors its independence and objectivity. Claire Faulkner has been Deloitte's senior statutory audit partner for the Group and the Company since 2016 and attends all meetings of the Committee. During 2019, the Committee scrutinised:

- i) Deloitte's planned approach to the review and audit of the interim and annual report and accounts respectively;

- ii) Deloitte's execution of this approach, including the physical inspection and valuation of the Group's investment portfolio. In particular, Deloitte increased the number of its site visits in 2019 to circa 30% of the portfolio by value, and deployed more local valuation specialists than before in Europe, US and APAC. It also provided a greater degree of assurance to the Committee and the Board on the financial statements by reducing its Group audit materiality to 1% of shareholder funds and by elevating a number of audit risks, including value enhancements to the investment portfolio;
- iii) Deloitte's arrangements to ensure there were no conflicts of interest arising from their work and its safeguards over their audit independence and objectivity;
- iv) The extent and quality of any audit-related and non-audit services provided by Deloitte during the year; and
- v) The day-to-day management of the audit relationship by the Chief Financial Officer and her team.

The Committee challenged the quality of Deloitte's audit in line with UK FRC latest guidance. In addition to the increased audit assurance referred to above, we satisfied ourselves on a range of factors such as the engagement partner and wider firm's professional standing, their second partner and technical review arrangements, the hours and areas worked by senior staff on the audit and their deployment of data analytical techniques to test our underlying books of account.

As a result, the Committee is satisfied with the effectiveness and independence of the External Auditor in respect of 2019.

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. Deloitte was first appointed as External Auditor of the Group in 2007. The external audit is subject to an open market tender no more than every ten years and was last tendered in 2016.

The Company has published on its website a Charter of External Auditor Independence which summarises the arrangements that ensure the External Auditor remains independent and objective throughout its term. The External Auditor is required to rotate its engagement partner at least every five years. No work by the External Auditor is permitted in the following areas: tax services; secondments to management; bookkeeping services; systems design and implementation; valuation and actuarial services; human resources and Internal Audit support; and any other activities that could create an actual or perceived conflict of interest.

Any potential non-audit work by the External Auditor is considered case-by-case by the Committee and generally awarded on a competitive basis. The Committee's specific approval is needed for non-audit services performed by the External Auditor which would result in cumulative fees of more than £20,000 per annum.

During the year, 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 its recourse subsidiaries in 2019 amounted to £344,037 (2018 – £277,134). Fees for audit services to non-recourse subsidiaries in 2019 amounted to £52,695 (2018 – £61,186). The increase in fees for audit services to the Company and its recourse subsidiaries was due to additional work on the valuation of the Group's overseas investments.

Audit-related assurance services performed by the External Auditor in 2019 comprised a review of the Group's interim financial statements in accordance with IAS 34. The fees for this work amounted to £53,200 (2018 – £42,200). Following the cessation of the fund management activities in 2019, the Group's FCA-regulated subsidiary no longer performed FCA-regulated services and consequently deregistered with the FCA. This means there is no requirement for a FCA review by the External Auditor for 2019 and in the future. Fees of £6,700 were also paid to the External Auditor for other assurance services during the year (2018 – £15,000).

Total fees for non-audit services rendered by the External Auditor in 2019 amounted to £59,900 (2018 – £346,075), well below the cap* in EU Audit Legislation effective from 2020 (*no more than 70% of the Group's average statutory audit fee over the last three years). As commented on in last year's Annual Report, fees for non-audit services from the External Auditor in 2018 arose mainly from its role as reporting accountant to the Company's Rights Issue in that year.

A recommendation to re-appoint Deloitte as External Auditor is supported unanimously by the Board and will be put to shareholders for approval at the Company's next AGM.

Other Matters

Other matters considered by the Committee in 2019 included:

- i) The content, lookout period and forecast assumptions of the Group's viability statement and the adoption of the going concern basis in the financial statements;
- ii) The Group's compliance with market abuse regulation covering Anti-Bribery and Corruption, Anti-Money Laundering and Whistleblowing legislation;
- iii) The Group's policies and procedures for prevention and detection of fraud; and
- iv) A review of the Committee's Terms of Reference and the Charter of External Auditor Independence in compliance with 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.

Lastly, and as referenced on page 84 of this Annual Report, the Board commissioned an external review of its effectiveness, including the effectiveness of its Committees, during 2019. This review was performed by Grant Thornton and reported on in early 2020. The feedback was that the performance of the Committee continues to be effective.

Toby Hiscock

Chair of the Audit & Risk Committee

2 March 2020

NOMINATION COMMITTEE REPORT



David Rough

Chair of the Nomination Committee

2 March 2020

INTRODUCTION

Through the Nomination Committee (the “Committee”) we keep the composition and performance of the Board under review to ensure it is refreshed to reflect the necessary skills, experience and diversity to remain effective. During the year, the Committee oversaw the appointments of Luciana Germinario, Chief Financial Officer, and Philip Keller, Non-executive Director, who joined the Board in January 2020. Philip will succeed Toby Hiscock as Chair of the Audit & Risk Committee after the end of the 2020 AGM.

We are committed to having a Board that is diverse in all respects and we continue to take into consideration the targets set out in the Parker and Hampton-Alexander reviews. I can report that we currently have three female board members out of nine – reducing to eight after the May 2020 AGM, which at that point will result in 37.5% female representation.

ROLE OF THE COMMITTEE

The key duties of the Committee are to:

- Review the size, structure and composition of the Board, along with length of service;
- Monitor and assess regularly the skills, knowledge, experience and diversity of both the Board and senior management;
- Devise and conduct a process of planning and assessment for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession;
- Identify and make recommendations to the Board on appointments to the Board and senior management;



SUCCESSION PLANNING AND CONTINUED FOCUS ON DIVERSITY IS ESSENTIAL TO OUR PURPOSE AND STRATEGY, ALONG WITH MAINTAINING A STRONG AND EFFECTIVE BOARD AND SENIOR MANAGEMENT.”

- Oversee appropriate induction of new Directors and monitor ongoing conflicts, time commitments, training and evaluation of the Board members; and
- Oversee the Company’s policy, objectives and strategy on Board, senior management and workforce diversity and inclusion.

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

BOARD CHANGES

Resignation of Olivier Brousse

On 23 January 2020, we announced that Olivier Brousse, the Chief Executive Officer had tendered his resignation from the Group. Olivier will remain as CEO of the Company whilst he assists the Company to effect an orderly transition. I am leading the search process with Will Samuel, Chairman, and Clare Underwood, Group Company Secretary. Spencer Stuart have been engaged to help evaluate suitable external and internal candidates. The selection process will include the review of a long list of candidates, which will then be reduced to a short list of individuals, who will be subject to a formal interview process.

Appointment of Philip Keller

A formal process was undertaken by the Committee to find a Non-executive Director to strengthen the experience and skills on the Board and its Committees and to succeed Toby Hiscock as Chair of the Audit & Risk Committee. The Committee drew up a detailed job specification and after a selection process, appointed Russell Reynolds to assist with the search, as they did in respect of the Chief Financial Officer. I led the recruitment process. Following a thorough and rigorous process, Philip Keller was appointed as a Non-executive Director to the Board with effect from 1 January 2020. Philip has extensive recent and relevant financial experience and brings a strong management background with focus on operational matters and stakeholder communications. Philip recently retired from Intermediate Capital Group PLC where he served as Chief Finance and Operating Officer between 2006 and July 2019.

Philip’s appointment is part of our on-going commitment to build and maintain an effective Board. His deep understanding of investment businesses and global organisations will further strengthen the diverse mix of skills and experiences on the Board.

The Committee is overseeing Philip’s induction which is taking place in the early part of 2020.

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 after conducting a selection process, Russell Reynolds were appointed to undertake the search. Russell Reynolds also provides succession planning and senior management recruitment services to the Group. A long list of candidates was initially identified and reviewed by the Chair of the Audit & Risk Committee, Toby Hiscock, and the Chief Executive Officer, 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 myself as Chair of the Committee, as well as individual interviews with Toby and Olivier. 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 during the year under review

Effective succession planning contributes to the delivery of the Group's strategy by ensuring the desired mix of skills and experience of Board members now and in the future. The Board is also committed to recognising and nurturing talent within the executive and management levels across the Group to ensure the Group creates opportunities to develop current and future leaders. As can be seen from the Board changes, the Committee continued to focus on succession planning particularly at Board level and also keeps under review, on an ongoing basis, the structure, size and composition of the Board and its Committees, making recommendations to the Board as appropriate. Consideration was given to anticipated retirements from the Group Board, together with the need to ensure the appropriate mix of knowledge, skills and experience, and diversity. 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.

At an executive level, the Committee considered the executive talent pipeline, together with executive succession planning aimed at supporting the development of executives. During the year, the Committee also considered the adequacy of succession arrangements for key senior management roles, also taking into consideration the changing opportunities as the shape of the Group continues to evolve through delivery of the Group's strategy.

The Committee discussed the succession plans for the Board and Executive Committee and other senior management over the short, medium and long-term.

The role of succession planning in promoting diversity is recognised. Further information on the Board's diversity policy is set out below.

Diversity

The Board Diversity policy developed in 2018 was reviewed during the year and amended to reflect diversity in its broadest sense, which the Board is committed to ensuring is reflected in its membership.

The Board diversity policy

The overall composition of our Board is fundamental to its effectiveness; we expect all members of the Board to demonstrate the skills, experience and knowledge required to contribute to this effectiveness. We believe that the right mix of demographics, skills, experience, race, gender, age, ethnicity and educational and professional backgrounds, along with cognitive and personal strengths and cultural diversity, can enhance our perspective and approach to support good decision making. Therefore, the overall Board balance and diversity is considered when appointing new directors.

The Board is supportive of the Lord Davies report and Hampton-Alexander review target for females to represent 33% of boards by 2020; following the AGM in May 2020, we will have 37.5% female representation on our Board. The Board also support the 30% Club, which has the goal to have 30% female representation on FTSE 350 Boards by 2020.

The Board is also committed to ensuring development of diversity in the senior management team and supports management action to broaden the diversity of our global workforce.

Where possible, the Company 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 processes.

Further information in respect of diversity and inclusion can be found on page 57.

Independence and time commitments

Directors' independence and time commitments is kept under review by the Committee. There were no changes which impacted this during the year, and therefore all Non-executive Directors were considered to be independent in both character and judgement, and no Directors had any other appointments which adversely affected the amount of time they could commit to the Company.

Additional external appointments require the approval of the Board. There were no requests received during the year in respect of significant external appointments.

Review of performance

The Committee oversaw the externally facilitated Board effectiveness review which was conducted during 2019 and which included the performance of this Committee. 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. Further information regarding the Board effectiveness review can be found on page 84.

David Rough

Chair of the Nomination Committee

2 March 2020

DIRECTORS' REMUNERATION REPORT



Anne Wade

Chair of the Remuneration Committee

2 March 2020

DEAR SHAREHOLDER,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019.

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 2019 AGM. As part of our regular three-year cycle we will be asking shareholders to approve an updated Policy at the 2022 AGM.

2019 was a year of transition for John Laing. Adverse external factors impacted our wind and solar assets in Australia and Europe resulting in significant write downs in value. Despite these write downs and adverse movements from power price forecasts, we are reporting a Net Asset Value (NAV) as at 31 December 2019 of £1,658 million. The strong performance in asset management and project delivery mitigated the write downs and transmission issues and resulted in value enhancements of £157 million.

This performance demonstrates the resilience of our business model and the strength of our regional structure.



2019 WAS A YEAR OF TRANSITION. NET ASSET VALUE PER SHARE GROWTH (INCLUDING DIVIDENDS PAID IN THE YEAR) WAS 7.2% REFLECTING THE WRITE DOWNS TAKEN AT THE HALF YEAR ON WIND AND SOLAR GENERATION AS WELL AS TRANSMISSION ISSUES IN THE FIRST HALF OF THE YEAR. HOWEVER, IT HAS BEEN A STRONG YEAR FOR ASSET MANAGEMENT AND PROJECT DELIVERY WHICH TRANSLATED INTO A SIGNIFICANT LEVEL OF VALUE ENHANCEMENTS ACHIEVED ACROSS THE PORTFOLIO BY EACH OF THE LOCAL MANAGEMENT TEAMS. OVERALL, THE PERFORMANCE REFLECTS THE RESILIENCE OF THE BUSINESS MODEL AND THE STRENGTH OF THE REGIONAL STRUCTURE."

BOARD CHANGES

As announced in January 2019, Patrick O'D Bourke, our Group Finance Director, decided to retire and stepped down from the Board following the 2019 AGM. Details of the remuneration arrangements in connection with his retirement, which were in accordance with the agreed Policy, are set out on page 102. Patrick continued to receive salary, benefits and pension until he ceased employment with the Company and, as his retirement had been agreed with the Board, the Remuneration Committee (the "Committee") determined that he received good leaver status under the Company's incentive plans.

Luciana Germinario was appointed to the Board on 25 April 2019 as Chief Financial Officer designate and assumed the role of Chief Financial Officer following Patrick's retirement on 9 May 2019. The terms of her appointment were in accordance with the Policy approved by shareholders in 2016. Her base salary on appointment was £325,000. For 2019, she was entitled to a maximum annual bonus and maximum LTIP opportunity of 100% and 150% of salary per annum respectively. Her bonus for 2019 payable in 2020 will be pro-rated to reflect actual service during the year. Luciana is entitled to participate in the same pension arrangements as other UK based employees with a matching contribution of up to 12% of salary (see below on Policy). 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 forfeited on leaving her previous employer, Eight Roads. The buy-out award, which was designed to mirror the time horizon and expected value of the remuneration forfeited, has been primarily delivered in shares to provide alignment with the Company and its shareholders. Further details on her package are set out in this report.

Luciana has been awarded a salary increase to £346,300 for 2020. This represents a 6.6% increase compared to 2019. The average salary increase for 2020 for UK based employees is 4%. Luciana's increase reflects the significant positive impact that Luciana has had since joining the business, is in line with the market and also brings Luciana's salary in line with that of the previous (male) Group Finance Director.

On 23 January 2020, the Company announced that Olivier Brousse, Chief Executive Officer, will be leaving but will remain as Chief Executive Officer of the Company to effect an orderly transition. Olivier's remuneration arrangements upon exit will be determined in due course and will be in accordance with our Policy and Olivier's contractual arrangements. The Committee has exercised its discretion in awarding a 2019 bonus to Olivier in recognition that he has worked the entirety of 2019, and will continue to work in 2020 during his notice period (up to 12 months) to achieve a smooth handover and to maintain his focus during 2020. He will not receive a LTIP award in 2020.

Remuneration arrangements in respect of Olivier Brousse's successor will be made at the time of appointment in accordance with our Policy.

INCENTIVES

The Chief Executive Officer and Chief Financial Officer were eligible for an annual bonus of up to 150% and 100% of salary respectively for 2019. The majority of the bonus (up to 80% of maximum bonus potential) 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 97. Based on performance against the targets and the overall solid performance of the business over the year, 40% of the maximum corporate element was awarded. This reflects that despite the challenges faced, the team delivered a solid corporate performance. The remainder of the bonus (up to 20% of maximum bonus potential) was based on specific individual targets for each Director. Details of the Committee's assessment against the personal objectives are set out on page 98. The Executive Directors performed strongly against their personal objectives resulting in overall bonuses for 2019 of 42% of maximum bonus potential (63% of salary) for the Chief Executive Officer and 46% of maximum bonus potential (and of salary) for the Chief Financial Officer (pro-rated from the date of appointment in April 2019).

The 2017 awards granted under the John Laing Group plc Long-Term Incentive Plan (LTIP) are due to vest in April 2020. 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 2019. NAV per share grew by 13.7% per annum over this period, resulting in 71.25% of shares for this part of the award becoming eligible to vest. John Laing's TSR over the period was 61.1% resulting in a top quartile ranking and all the shares for this part of the award becoming eligible to vest, giving rise to a total vesting outcome of 85.63%. Shares vesting to the Executive Directors are subject to a two year post-vesting retention period. The Committee has not exercised any discretion in respect of the vesting.

All permanent employees participate in the Annual Bonus Plan, and share the same corporate performance metrics to ensure cultural alignment across the business. In addition, all participants of the LTIP share the same metrics. We believe that aligning remuneration across the business is a key element of aligning our culture, fulfilling our values and a strong driver of business performance.

MAXIMUM COMPANY PENSIONS CONTRIBUTION

The Chief Executive Officer currently has a maximum annual pension contribution opportunity of up to 15% of salary. As announced on 23 January 2019, our Chief Financial Officer has a maximum annual pension contribution of 12% aligned with the current contribution rate for other senior, below Board, employees.

Following the appointment of our Chief Financial Officer the Investment Association published further guidance. Our Remuneration Policy, approved by shareholders, states that future appointments would be aligned with the majority of the workforce. We have undertaken a review of pension contributions across our workforce. For future Executive Director appointments, the employer pension contribution (or cash equivalent if at the limits set by Her Majesty's Revenue & Customs (HMRC)) will be a maximum of 8% of salary. This aligns to the pension contribution rate available to the majority of employees based in the UK. The UK workforce is considered to be the appropriate comparator since it aligns with the local market and the Executive Directors are based in the UK.

POST-EMPLOYMENT SHAREHOLDING REQUIREMENTS

The Committee wishes to align with the new UK Corporate Governance Code, shareholder views and emerging market practice in the area of post-employment shareholding requirements. Effective 2020 upon the implementation of the relevant contractual arrangements, a post-cessation shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold the shareholding guideline (200% of salary) or, if lower, 100% of their pre-cessation shareholding guideline including shares vesting from the DSBP and LTIP for two years from leaving office with a phase down of up to 50% permitted in the second year post-cessation. Shares purchased by the Executive Directors are not included in the post-employment shareholding requirement. Further information is on page 108.

DIRECTORS' REMUNERATION REPORT continued

2020 LONG-TERM INCENTIVE PLAN AWARDS

The Committee has approved a range of 9% to 15% for the Net Asset Value performance condition for the 2020 LTIP award. The 2017 to 2019 LTIP awards have been subject to a NAV performance condition based on a range of 10% to 16%.

The target growth range is slightly lower than that applying to the 2017 to 2019 awards, reflecting a more challenging growth environment in our core businesses, but nevertheless continues to reflect an ambitious level of growth in the forward business plan.

We believe the range continues to align our senior management with the long-term interests of our shareholders beyond the annual objectives and bonuses and it is essential to the sustainability of our growth model.

THE DIRECTORS' REMUNERATION POLICY AND ITS APPLICATION FOR 2020

The Remuneration Policy was reviewed in 2018 to ensure it continues to support the business strategy, meets the expectations of shareholders and takes into account the principles set out in the 2018 Code. This revised Policy was approved by shareholders at the 2019 AGM. With the exception of the change to post-cessation shareholding requirements, we are therefore not seeking to make any changes to the Policy for 2020, however we will keep any upcoming regulatory or compliance changes under review, and consult widely where required.

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. A copy of the Policy can be found on pages 106 to 112.

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 resolution to approve the Annual Report on Remuneration at the forthcoming AGM. We firmly believe that our existing 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

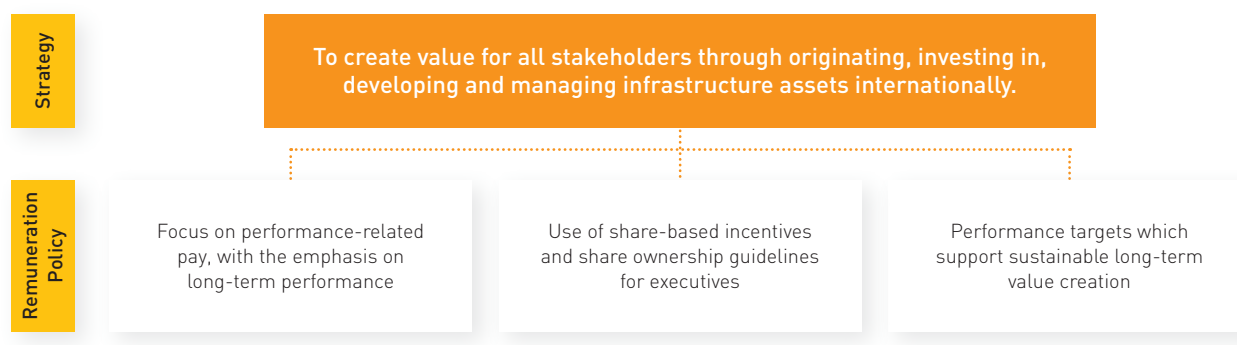
Chair of the Remuneration Committee

2 March 2020

REMUNERATION AT A GLANCE

HOW THE REMUNERATION POLICY SUPPORTS OUR BUSINESS STRATEGY

Our Remuneration Policy is designed to support the Group's strategy and promote the long-term sustainable success of the Group, as summarised below:



In addition to setting the remuneration for the Executive Directors, the Committee also has oversight of remuneration for all members of the Senior Management Team (approximately 25 individuals), as well as the remuneration structure for the wider workforce, ensuring a cohesive approach to reward is operated throughout the Group.

SUMMARY OF THE CURRENT REMUNERATION ARRANGEMENTS FOR EXECUTIVE DIRECTORS

	Element	Description	Opportunity for 2020
Fixed	Base pay	Salaries are set taking into account the experience of the Director and their role and responsibilities.	Olivier Brousse, Chief Executive Officer (CEO): £483,600 Luciana Germinario, Chief Financial Officer (CFO): £346,300.
	Benefits	Private medical and dental insurance, life insurance and permanent health insurance.	Market competitive.
	Pension	Cash allowance in lieu of pension.	Up to 15% of salary for current CEO; 12% for CFO; Future appointments to be aligned with majority of the UK workforce at a rate of 8%.
Variable	Bonus	Annual bonus is determined by reference to corporate and individual performance ¹ . 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.	Up to 150% of salary for the CEO and 100% of salary for the CFO. ^{2,3}
	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 ¹). 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.	As Olivier Brousse has tendered his resignation he will not receive an LTIP award in 2020. The CFO will receive an award of 168% of salary for 2020 (within a policy maximum of 200% of salary per annum).

¹ The performance measures for the 2020 Annual Bonus and 2020 LTIP awards are set out in the Annual Report on Remuneration on page 105.

² Olivier's remuneration arrangements upon exit will be determined in due course and will be in accordance with our Policy and Olivier's contractual arrangements.

³ Remuneration arrangement in respect of Olivier Brousse's successor will be made at the time of appointment.

REMUNERATION RECEIVED BY THE EXECUTIVE DIRECTORS FOR 2019

£'000	Salary	Benefits	Pension	Bonus ¹	Long-Term Incentives ²	Other	Total
Olivier Brousse	484	2	63	305	973	-	1,827
Luciana Germinario ⁵	222	2	27	102	-	89 ⁷	442
Patrick O'D Bourke ³	125	5	15	57	432 ⁴	16 ⁶	650

¹ Bonuses were based on an assessment of corporate and individual performance objectives (see pages 97 and 98 for further details).

² This relates to the estimated value of the 2017 LTIP which will vest in April 2020, see page 99.

³ Retired from the Board on 9 May 2019.

⁴ Patrick O'D Bourke was deemed a good leaver by the Committee and, in accordance with the LTIP Rules, his outstanding LTIP awards have been pro-rated to the date of his leaving the Group.

⁵ Appointed to the Board on 25 April 2019.

⁶ Patrick O'D Bourke received a payment in May 2019 in lieu of holiday not taken.

⁷ This relates to a cash payment of £2,687 made in May 2019 under Luciana Germinario's Buy Out Agreement and the first tranche of the buy-out award which vested in September 2019. The value of the buy-out award is based on the share price on the date of vesting.

→ 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

Details of members of the Committee are detailed on page 78. All members of the Committee are independent Non-executive Directors.

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, determines the remuneration structure for the wider workforce and prepares an Annual Report on Remuneration for approval by shareholders at the AGM.

The Company had adopted the FCA's Remuneration Code which is applied to those employees involved in regulated activities but following the sale of the remaining fund management business to Foresight Group in June 2019, and the subsequent deregistration of the business from the FCA during the year, this requirement ceased. 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 other 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 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 reviewed during the year, can be viewed on our website at www.laing.com.

The Committee has three regular scheduled meetings each year and meets additionally as circumstances require. The Committee met five times during the year. Details of attendees at these meetings are shown on page 78.

ADVISERS

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

Aon plc (Aon) was appointed in early 2015 by the Committee to act as an independent adviser to it. Aon was selected following a thorough process at the time of the IPO. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During 2019, 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. Aon also provides general remuneration advice. Fees charged by Aon for advice provided to the Committee for 2019 amounted to £72,955 (excluding VAT) (2018 – £72,789). Aon has also provided support to management on implementation of incentives. The Committee is satisfied that these additional services do not prejudice Aon's position as the Committee's independent adviser.

DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2019 (AUDITED)

The table below provides a breakdown of the various elements of Directors' pay for the year ended 31 December 2019 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2019 to 31 December 2019, and the prior period from 1 January 2018 to 31 December 2018.

£'000	Salary / Fees		Benefits ¹		Pension ²		Bonus ³		LTIP ^{4,5}		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Olivier Brousse	484	465	2	2	63	60	305	379	973	1,452	n/a	n/a	1,827	2,358
Luciana Germinario ⁷	222	–	2	–	27	–	102	–	–	–	89 ⁸	–	442	–
Patrick O'D Bourke ⁶	125	346	5	12	15	45	57	279	432	964	16 ⁹	n/a	650	1,646
Will Samuel	195	144	–	–	–	–	–	–	–	–	–	–	195	144
David Rough	65	59	–	–	–	–	–	–	–	–	–	–	65	59
Andrea Abt	50	32	–	–	–	–	–	–	–	–	–	–	50	32
Jeremy Beeton	50	48	–	–	–	–	–	–	–	–	–	–	50	48
Toby Hiscock	65	63	–	–	–	–	–	–	–	–	–	–	65	63
Anne Wade	65	62	–	–	–	–	–	–	–	–	–	–	65	62

¹ This relates to private health insurance. The figures for Patrick O'D Bourke also includes a car allowance (2019 – pro-rated £3,400; 2018 – £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, or where higher, 60% of maximum bonus potential, 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 2018 figures relate to the 2016 LTIP award which vested in April 2019. The figures have been adjusted to reflect the actual share price on vesting of 398.94p per share. These are the final award values based on the share price at the time of vesting and include the dividend equivalents which were payable upon vesting. The figures disclosed for Olivier Brousse and Patrick O'D Bourke in the 2018 Annual Report & Accounts of £1,163,000 and £772,000 respectively were estimated values based on the average share price over the period 1 October 2018 to 31 December 2018.

⁵ The 2019 figures are an estimate of the 2017 LTIP award which is due to vest in April 2020. 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 2019. The value of the award is based on the average share price for the last three months of 2019 and includes an estimate of the value of the dividend equivalents which are payable upon vesting. See page 99 for further details.

⁶ Retired from the Board on 9 May 2019.

⁷ Appointed to the Board on 25 April 2019.

⁸ This relates to a cash payment of £2,687 made in May 2019 under Luciana Germinario's Buy Out Agreement and first tranche of the buy-out award which vested in September 2019. The value of the buy-out award is based on the share price on the date of vesting.

⁹ Patrick O'D Bourke received a payment in May 2019 in lieu of holiday not taken.

DETAILS OF VARIABLE PAY EARNED IN THE YEAR (AUDITED)

Annual Bonus

The bonus payable for 2019 was assessed by the Committee taking into account performance against the following scorecard of metrics:

£ million	Threshold	Target	Stretch	Actual	Outcome
NAV (including dividends)	1,754	1,802	1,850	1,705	Below threshold
Value enhancements	43	45	50	157	Above stretch
Distributions (excluding from non-portfolio assets)	55	58	64	57	Between threshold and target
Disposals	233	245	270	143	Below threshold
New investments	340	358	394	184	Below threshold
Profit before tax	190	238	286	100	Below threshold

Based on the achievement of the above scorecard of metrics, the Committee determined that the overall bonus payable for corporate performance was 40% of the maximum, equivalent to 48% and 32% of salary for the Chief Executive Officer and Chief Financial Officer respectively.

Four of the six targets were below threshold. However, management delivered above stretch for value enhancements which mitigated the write downs and transmission issues which impacted on NAV. Distributions were also above threshold. The level of bonus payable for corporate performance reflects that despite the challenges faced, the team delivered a solid performance and demonstrated the resilience of the business model and the regional structure.

DIRECTORS' REMUNERATION REPORT continued

→ ANNUAL REPORT ON REMUNERATION continued

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 2019 and a summary of the Committee's assessment of the Executive Directors' performance against these objectives are set out below:

Chief Executive Officer, Olivier Brousse

The Committee has exercised its discretion in awarding a 2019 bonus to Olivier in recognition that he has worked throughout 2019 and will continue to work in 2020 during his notice period (up to 12 months) to achieve a smooth handover and to maintain his focus during 2020.

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

- Strategic review of John Laing's traditional investment markets, and new opportunities to enhance the long-term sustainable success of John Laing.
- More focus on improving asset allocation and investment decision making in the regions, to help secure the global objectives.
- Assisting with the induction and integration of Luciana Germinario into the Executive Team and other stakeholder groups, such as investors and clients.
- Continuing to develop the Group's diversity agenda and ESG proposition.

The Committee is pleased with the progress achieved in 2019, notwithstanding its challenges, the strategic evaluation of both existing and new market opportunities leaves the Group well positioned for the future. This includes the decision to pause stand alone on-shore wind and solar generation; new research into energy storage and other elements of decarbonizing the economy; and investments in new markets such as Colombia which contribute to opportunities for John Laing to pursue sustainable growth in 2020 and beyond. Additionally, the leadership to drive regional management teams in extracting value enhancements from the portfolio was an important lever in global NAV growth this year. The induction and integration of the new CFO has exceeded expectations, and we continue to make progress on the Group's diversity agenda and ESG propositions. Accordingly the Committee awarded the Chief Executive Officer 50% of the maximum potential for performance against his individual objectives.

Chief Financial Officer, Luciana Germinario

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

- Strengthening forecasting for the Group.
- Establishing a saving plan in respect of costs for 2019 and 2020.
- Managing and leading the 2019 disposals plan to ensure delivery, and prepare the 2020 disposal strategy.
- Contributing to driving progress in terms of gender balance and gender pay gap.

The Committee is very pleased with the progress achieved by the CFO in the months since she joined. The forecasting model in particular has been greatly expanded in terms of detail and inputs, and was implemented rapidly, leading to enhanced accuracy in projections throughout the year; the development of a granular plan on costs has come at an important time given unexpected challenges during the year; and the work on disposals, particularly to prepare for 2020 has been impressive. The Committee has accordingly awarded the Chief Financial Officer 70% of the maximum potential for performance against her individual objectives.

Group Finance Director, Patrick O'D Bourke

In addition to the oversight of all Group objectives, the Group Finance Director was individually tasked with the successful delivery of the 2018 year end results and facilitation of a smooth handover of the role to Luciana Germinario. The Committee was pleased with the transition process and awarded the Group Finance Director 70% of the maximum potential for performance against his individual objectives.

Overall, bonuses for 2019 for the Executive Directors were as follows:

% salary	Olivier Brousse	Luciana Germinario ¹	Patrick O'D Bourke ²
Corporate (maximum 80% of salary or maximum bonus potential if higher)	48%	32%	32%
Individual (maximum 20% of salary or maximum bonus potential if higher)	15%	14%	14%
Total (maximum 150%/100%/100% of salary)	63%	46%	46%
Total to be paid in cash (£'000)	305	102	57

¹ Bonus to be paid to Luciana Germinario pro rated from 25 April 2019.

² Bonus to be paid to Patrick O'D Bourke pro rated for the period to 9 May 2019.

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.

None of the bonuses payable to Executive Directors were in excess of 60% of salary (or if higher, of the maximum bonus potential). Therefore no amounts have been deferred in respect of the 2019 Annual Bonus.

Vesting of the 2017 Long-Term Incentive Plan award (audited)

The awards granted on 19 April 2017 under the John Laing Group plc Long-Term Incentive Plan (LTIP) are due to vest in April 2020. 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) ³
Compound annual growth in NAV per Share	50%	01/01/17 to 31/12/19	10% p.a.	16% p.a.	13.7% p.a. ²	35.63%
TSR relative to the constituents of the FTSE 250 Index	50%	01/01/17 to 31/12/19	Median ranking	Upper quartile ranking or above	Upper quartile (61.1% 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 2017 awards was also adjusted to reflect the dilutive nature of the Rights Issue. NAV per share as at 31 December 2019, the end of the performance period, adjusted to include the value of dividends, was 362.7p (per share).

³ Total vesting outcome is 85.63%.

Based on the above, the number of shares vesting under the 2017 LTIP is set out in the table below:

	Type of award	Number of shares granted ¹	Rights issue additional shares	Anticipated number of shares vesting ²	Estimated value of shares vesting ³
Olivier Brousse	LTIP (nil cost option)	262,680	23,505	262,264	£972,999
Patrick O'D Bourke ⁴	LTIP (nil cost option)	175,030	15,662	116,501	£432,219

¹ 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 as shown above by 1.09 times.

² Anticipated number of shares vesting includes an estimate of the number of shares awarded for dividend equivalents that have accrued on the awards.

³ Estimated value based on the average share price over the period 1 October 2019 to 31 December 2019 (371p).

⁴ Patrick O'D Bourke was granted good leaver status under the rules of the LTIP, and therefore will be entitled to a pro-rated number of shares on vesting, which is based on the number of months between the date of grant to the date of his retirement on 9 May 2019.

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.

DIRECTORS' REMUNERATION REPORT continued

→ ANNUAL REPORT ON REMUNERATION continued

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	Number of shares	Grant date	Performance period	Performance targets
Olivier Brousse	LTIP (nil cost option)	175% salary	£846,300 ¹	215,892	10 April 2019	1 January 2019 to 31 December 2021	50% based on relative TSR and 50% based on NAV per share.
Luciana Germinario	LTIP (nil cost option)	150% salary	£487,500 ²	126,623	16 May 2019		

¹ Calculated using the closing middle market share price on the day preceding the date of grant which was 392.0p.

² Calculated using the closing middle market share price on the day preceding the date of grant which was 385.0p.

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 2019 award is 323p 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 2018 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	25,612	£100,400	10 April 2019
Patrick O'D Bourke	DSBP (nil cost option)		18,193	£71,320	

¹ Calculated using the closing middle market share price on the day preceding the date of grant which was 392.0p

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. As a result of him leaving the Company on 9 May 2019, Patrick O'D Bourke's DSBP vested on this date, and he exercised his awards on 20 May 2019. Dividend equivalents are payable on the deferred shares on vesting.

Buy-out awards

In compensation for cash-based long-term incentive awards that Luciana Germinario forfeited on leaving her previous employer, Eight Roads, it was agreed by the Committee that she would receive buy-out awards on commencement of service. The buy-out awards, which were designed to mirror the time horizon and expected value of the remuneration forfeited, were primarily delivered in shares. The grant value of the buy-out awards was US\$320,288. On 16 May 2019, the following awards were granted, as conditional share awards over ordinary shares of 10p each in the Company:

Award	Number of shares	Value of award	Vesting date
A	24,314	US\$119,731	15 September 2019
B	13,182	US\$64,911	10 March 2020
C	3,528	US\$17,370	15 September 2020
D	16,964	US\$83,535	10 March 2021
E	3,528	US\$17,370	15 September 2021
F	3,528	US\$17,371	15 September 2022
Total	65,044	US\$320,288	

The awards were granted under and subject to the terms of a one-off award agreement entered into upon reliance of FCA Listing Rule 9.4.2(2) to facilitate Luciana's recruitment. The share-based awards may only be satisfied using existing shares. Unvested awards shall ordinarily be forfeited on cessation of service. No payment was required for the grant of the awards. The awards are not transferable, except on death. The awards are not pensionable. Appropriate adjustments may be made to the awards in response to variation of share capital.

Under Award A, 24,314 shares vested on 16 September 2019.

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 2018	No. of shares owned on 31 December 2019	Other interests in shares as at 31 December 2019 ⁴		Total interest in shares as at 31 December 2019
			Outstanding LTIP awards	Outstanding DSBP awards	
Olivier Brousse	225,138	427,748	791,047	46,683	1,265,478
Patrick O'D Bourke ¹	304,202	439,003	188,615	- ³	627,618
Luciana Germinario ²	-	12,863	167,353	-	180,216
David Rough	47,007	47,007	N/A	N/A	47,007
Will Samuel	50,000	50,000	N/A	N/A	50,000
Jeremy Beeton	21,674	21,674	N/A	N/A	21,674
Toby Hiscock	27,278	27,245	N/A	N/A	27,245
Anne Wade	27,007	27,007	N/A	N/A	27,007
Andrea Abt	-	-	N/A	N/A	-

¹ Resigned from the Board on 9 May 2019. Interests in shares are shown as at 9 May 2019.

² Appointed to the Board on 25 April 2019. Outstanding LTIP awards figure includes buy-out awards which were granted under the LTIP scheme rules.

³ Patrick O'D Bourke was deemed a good leaver under the Rules of the DSBP. As a result, all outstanding awards vested on 20 May 2019 and he exercised these shares on 20 May 2019, electing to sell all of the shares which vested.

⁴ The closing share price on 31 December 2019 was 380.0p.

Between 31 December 2019 and the date of this report there have been no changes in the Directors' shareholdings.

The guideline shareholding for Executive Directors for 2019 was 200% of salary. At 31 December 2019, Olivier Brousse and Luciana Germinario held shares worth 347.13% and 14.68% of salary respectively. Shares counting towards achievement of this guideline include beneficially owned shares and unvested shares (net of tax) held under the DSBP.

DIRECTORS' REMUNERATION REPORT continued

→ ANNUAL REPORT ON REMUNERATION continued

Of the total interests in shares held at 31 December 2019, the following shares are subject to a post-vesting holding requirement:

	Vested LTIP awards ¹	Outstanding LTIP awards ²
Olivier Brousse	356,209	791,047
Patrick O'D Bourke	236,449	188,615
Luciana Germinario	–	126,623

¹ Shares vesting from the 2015 and 2016 LTIP awards (which are subject to a two year post-vesting holding requirement). These shares are included in the number of shares owned on 31 December 2019 in the table above.

² Unvested LTIP awards will ordinarily lapse on cessation of employment. However, in certain circumstances (see page 111), 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. Patrick O'D Bourke retired from the Company on 9 May 2019, and was granted good leaver status under the rules of the scheme. The outstanding LTIP awards detailed above have been pro-rated for the period of service during the performance period in accordance with the rules of the scheme. Luciana Germinario's buy-out awards are not subject to a post-vesting holding requirement.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Patrick O'D Bourke ceased to be an Executive Director with effect from 9 May 2019. Following his departure, Patrick received salary, benefits and pension up to the date of cessation of employment on 9 May 2019. As his retirement was agreed by the Board, Patrick received good leaver status under the Company's incentive plans. Under the terms of the Policy and respective incentive plans he:

- is 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 that point, it will be paid solely in cash;
- retained his outstanding DSBP awards, which vested in full on cessation of employment on 9 May 2019 (in accordance with the Policy for awards granted prior to May 2019); and
- retained his outstanding LTIP awards which will continue to vest on the normal vesting date and be subject to a post-vesting holding requirement and have been pro-rated for time served.

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	2019	2018
Remuneration paid to or receivable by all employees	31	32 ¹
Distributions to shareholders by way of dividends	47	44
Distributions to shareholders by way of share buy-backs	Nil	Nil

¹ Remuneration paid to or receivable by all employees comprises salary costs, including cash bonuses, associated social security costs and pension contributions but excludes the cost of share-based incentives and pension-related costs under IAS 19.

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 2018 and 31 December 2019 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	4.0%	59.0% ¹	(19.7%) ²
Average for other UK employees ⁴	7.0%	36.3%	(21.9%) ³

¹ Increase in medical premiums and take up of dental plan for the first time.

² 2019 maximum bonus potential increased from 100% to 150% and corporate element reduced from 82% to 40%.

³ Corporate element reduced from 82% to 40%.

⁴ Data based on the average employee for 2019 compared with the average employee for 2018 employed throughout these periods.

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 the 2018 Annual Report & Accounts, in order to increase the transparency of our reporting in this area, we disclosed the 2018 numbers as shown in the tables below ahead of the new reporting requirements and are reporting on this for the second time this year.

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 56 to 61 of this report.

Group:

Financial Year	Methodology	Pay Ratios			Calculation	Remuneration Values			
		P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)		Chief Executive Officer	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2019	A (see notes below)	18:1	10:1	6:1	Total Remuneration €000s	€1,827	€103	€189	€282
	Salary only	7:1	3:1	2:1	Salary only €000s	€484	€73	€145	€194
2018	A (see notes below)	22:1	14:1	8:1	Total Remuneration €000s	€2,069	€93	€145	€257
	Salary only	7:1	6:1	3:1	Salary only €000s	€465	€64	€78	€138

UK:

Financial Year	Methodology	Pay Ratios			Calculation	Remuneration Values			
		P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)		Chief Executive Officer	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2019	A (see notes below)	34:1	16:1	9:1	Total Remuneration €000s	€1,827	€54	€115	€215
	Salary only	11:1	7:1	4:1	Salary only €000s	€484	€43	€71	€123
2018	A (see notes below)	28:1	17:1	9:1	Total Remuneration €000s	€2,069	€74	€122	€234
	Salary only	9:1	5:1	4:1	Salary only €000s	€465	€52	€86	€129

Notes:

- The employees at the 25th, 50th and 75th percentiles (lower, median and upper quartile) were determined as at 31 December 2019 based on full-time equivalent remuneration for all 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 (e.g. maternity leave, unpaid sabbatical).
- Joiners and leavers 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 under the Option A methodology and fairly reflects pay at the relevant quartiles amongst the Group and UK employee population. 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.

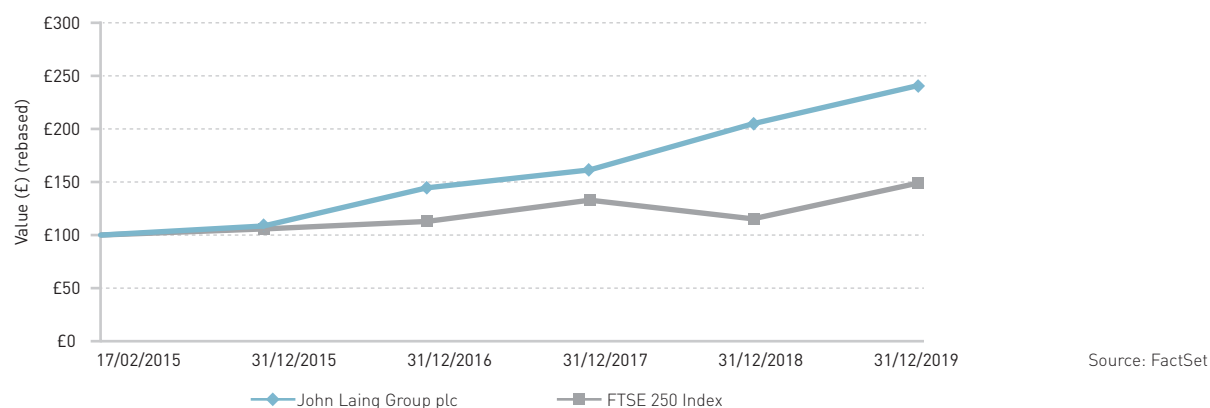
DIRECTORS' REMUNERATION REPORT continued

→ 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 2019. 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.

Total shareholder return



This graph shows the value, by 31 December 2019, of £100 invested in John Laing Group plc on the date of Admission (17 February 2015), compared with the value of £100 invested in the FTSE 250 Index on the same date.

The other points plotted are the values at intervening financial year-ends.

The total remuneration figures for the Chief Executive Officer for 2015 to 2019 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 ¹	2019
Total remuneration (£'000)	1,535	759	1,702	2,358	1,827
Annual bonus (% of maximum)	70%	63%	79%	82%	42%
LTIP (% of maximum)	Nil	Nil	78%	96%	86%

¹ Total remuneration for 2018 has increased from £2,069,000 as disclosed in the 2018 Annual Report & Accounts to reflect the values of the 2016 LTIP awards that vested in April 2019.

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	9 May 2019	395,359,997 (99.11%*)	3,552,094 (0.89%*)	120,541
Resolution to approve the Directors' Remuneration Policy	9 May 2019	372,132,031 (95.31%*)	18,296,521 (4.69%*)	8,604,080

* Percentage of votes cast.

Application of the Remuneration Policy for 2020

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 Luciana Germinario – £346,300 Details in respect of the remuneration arrangements for Olivier Brousse’s successor will be disclosed on appointment.														
Benefits	No change														
Pension	No change for incumbent Directors. New Directors will be aligned with the majority of the UK workforce at 8% of salary.														
2020 Bonus	Consistent with the Policy, the 2020 bonuses will be based on 80% corporate and 20% individual objectives. Corporate performance will be assessed taking into account NAV (including dividends), distributions (excluding from non-portfolio assets), disposals, new investments, value enhancements and profit before tax. The performance targets for 2020 are deemed to be commercially sensitive and will be disclosed in next year’s Annual Report on Remuneration. Olivier’s remuneration arrangements upon exit will be determined in due course and will be in accordance with our Policy and Olivier’s contractual arrangements. In accordance with the Remuneration Policy, the maximum bonus opportunity for the CEO will be 150% of salary. Luciana Germinario will have a maximum opportunity of 100% of salary.														
2020 LTIP	LTIP awards granted to Luciana Germinario will be over shares worth 168% of salary. The 2020 LTIP awards will be measured over three years and subject to the following conditions (with an equal weighting on each measure): <table border="1" data-bbox="359 862 1332 1019"> <thead> <tr> <th>Performance condition</th> <th>Threshold (25% vesting)</th> <th>Maximum (100% vesting)</th> </tr> </thead> <tbody> <tr> <td>Compound annual growth in NAV per share</td> <td>9% p.a.</td> <td>15% p.a.</td> </tr> <tr> <td>TSR relative to the constituents of the FTSE 250 Index</td> <td>Median performance</td> <td>Upper quartile performance</td> </tr> </tbody> </table> <p>There will be straight-line vesting between these points. Olivier Brousse tendered his resignation in January 2020 and is not eligible for a LTIP award. The remuneration details for the new CEO will be announced at the time of appointment. The maximum opportunity for the LTIP is 200% of salary.</p>	Performance condition	Threshold (25% vesting)	Maximum (100% vesting)	Compound annual growth in NAV per share	9% p.a.	15% p.a.	TSR relative to the constituents of the FTSE 250 Index	Median performance	Upper quartile performance					
Performance condition	Threshold (25% vesting)	Maximum (100% vesting)													
Compound annual growth in NAV per share	9% p.a.	15% p.a.													
TSR relative to the constituents of the FTSE 250 Index	Median performance	Upper quartile performance													
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: <table border="1" data-bbox="359 1220 1204 1489"> <tbody> <tr> <td>Chairman</td> <td>£195,000</td> </tr> <tr> <td>Non-executive Directors:</td> <td></td> </tr> <tr> <td>Base fee</td> <td>£53,000¹</td> </tr> <tr> <td>Additional fees for:</td> <td></td> </tr> <tr> <td>Chairing the Audit & Risk Committee</td> <td>£15,000</td> </tr> <tr> <td>Chairing the Remuneration Committee</td> <td>£15,000</td> </tr> <tr> <td>Senior Independent Director & Chairing the Nomination Committee</td> <td>£15,000</td> </tr> </tbody> </table> <p>¹ Increased from £50,000 as from 1 April 2020.</p>	Chairman	£195,000	Non-executive Directors:		Base fee	£53,000 ¹	Additional fees for:		Chairing the Audit & Risk Committee	£15,000	Chairing the Remuneration Committee	£15,000	Senior Independent Director & Chairing the Nomination Committee	£15,000
Chairman	£195,000														
Non-executive Directors:															
Base fee	£53,000 ¹														
Additional fees for:															
Chairing the Audit & Risk Committee	£15,000														
Chairing the Remuneration Committee	£15,000														
Senior Independent Director & Chairing the Nomination Committee	£15,000														
Retirement of Patrick O’D Bourke	Patrick continued to receive salary, benefits and pension contributions up until the date of cessation of employment. As his retirement had the agreement of the Board, under the terms of the Policy and respective incentive plans he: <ul style="list-style-type: none"> Was eligible to receive, subject to performance, a pro-rata bonus for 2019. This will be paid on the normal payment date in March 2020 and as he was no longer an employee of the Company at this point, will be paid solely in cash; and Retained his outstanding LTIP awards, which will continue to vest on the normal vesting date and be subject to a post-vesting holding requirement and have been pro-rated for time. 														

By order of the Board

Anne Wade

Chair of the Remuneration Committee

2 March 2020

DIRECTORS' REMUNERATION REPORT continued

→ DIRECTORS' REMUNERATION POLICY

This report sets out the updated Remuneration Policy for the Directors.

The 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. Updates to the Policy on pensions and the post-cessation shareholding requirement have been made as set out in the Chair's letter on page 93.

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 2020 see the Annual Report on Remuneration on page 105.

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; Chief Financial Officer up to 12%; new hires up to 8%. Pension provision for future appointments to be aligned with the majority of the UK workforce. The UK workforce is considered to be the appropriate comparator since it aligns with the local market and the Executive Directors are based in the UK.

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.</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 2019 bonus are set out in the Annual Report on Remuneration on page 97 and the metrics to be used for the 2020 bonus are set out in the Annual Report on Remuneration on page 105.</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 2020, 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	Up to 200% of salary.

DIRECTORS' REMUNERATION REPORT continued

→ 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.

Effective 2020, upon the implementation of the relevant contractual arrangement a post-cessation shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold the shareholding guideline or, if lower, 100% of their pre-cessation shareholding guideline including shares vesting from the DSBP and LTIP for two years from leaving office with a phase down of up to 50% permitted in the second year post-cessation. Shares purchased by the Executive Directors are not included in the post-employment shareholding requirement. The shareholding requirement ceases to apply in cases of death. Remuneration Committee discretion can be applied in implementing the post-cessation shareholding requirement. Enforcement of the shareholding requirement will be supported by a formal policy.

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 101.

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 2019:

Metric	Link to strategy
NAV (including dividends)	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.

The majority of the bonus (currently 80% of salary or maximum bonus potential if higher 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.

INCENTIVE PLAN OPERATION

The Committee operates the Company's incentive plans according to their respective rules and are 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 2019, 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 undertook a substantial consultation of its shareholders prior to the 2019 policy review, and as a matter of policy 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. 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.

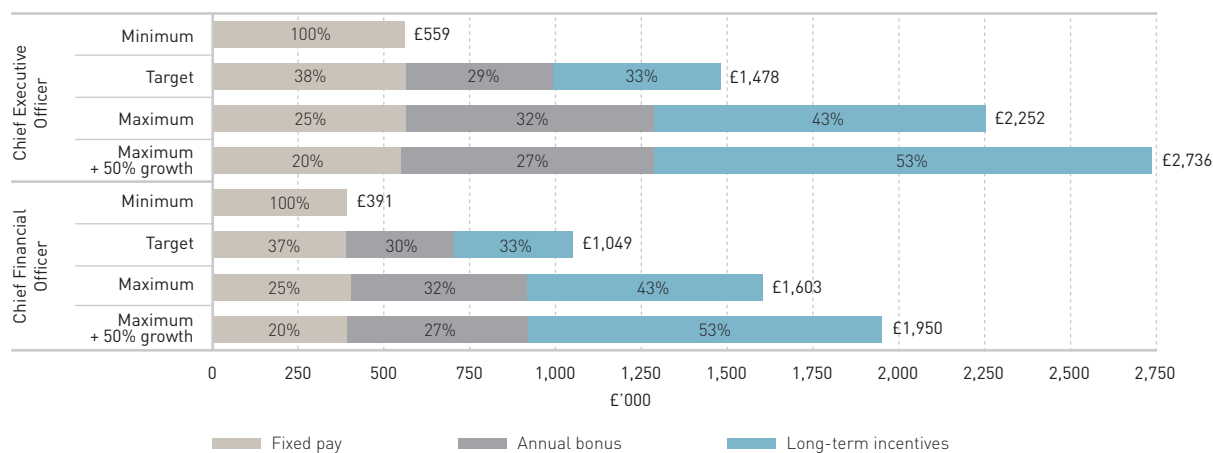
There are some differences in the structure of the Remuneration Policy for the Executive Directors compared to other employees, which the Committee believes are necessary to reflect the different levels of responsibility. The two main differences are the increased emphasis on performance-related pay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

REMUNERATION REWARD SCENARIOS

The total remuneration for the Executive Directors that could result from the Remuneration Policy in 2020 is shown below:



Notes:

- Fixed pay consists of salary, benefits and pension. Salary is the amount to be paid in 2020 and benefits are based on the estimated value for 2020. Pension is shown as 15% 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.
- The maximum bonus opportunity for 2020 is 150% of salary, with 60% of the maximum earned at target performance. The amount of any bonus in excess of 60% of salary (or maximum bonus potential if higher) is deferred in shares, which vest subject to continued employment over one, two and three years.
- The maximum LTIP award for 2020 is 200% of salary. 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.
- 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, and gave notice on 22 January 2020. 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.

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 upon cessation of employment
LTIP	Unvested awards will lapse upon cessation of employment

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	<p>Awards will vest on the normal vesting date, subject to performance and a time pro-rata reduction.</p> <p>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.</p> <p>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.</p> <p>The post-vesting holding requirement and post-employment shareholding policy continues to apply.</p>

Departure on agreed terms

This 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 REPORT 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. Luciana Germinario holds no external positions.

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 105. 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>
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Expenses	<p>The Chairman and the Non-executive Directors are entitled to reimbursement of reasonable expenses (and any tax payable thereon).</p>
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Letters of appointment and policy on termination	<p>The letter of appointment for the Chairman states that his appointment 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>
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Director	Date of letter of appointment
Will Samuel	7 December 2017
Andrea Abt	10 May 2018
Jeremy Beeton	18 December 2014 ^{1,2}
Toby Hiscock ³	16 January 2015 ^{1,2}
Philip Keller	01 January 2020
David Rough	17 December 2014 ^{1,2}
Anne Wade	17 December 2014 ^{1,2}

¹ The agreements were conditional on and did not become effective until the Company's admission to the Official List on 17 February 2015.

² Amendments to the letters of appointment were signed in January 2018, extending the terms by a further three years to 16 February 2021.

³ Toby Hiscock will retire from the Board with effect from 7 May 2020.

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>
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COMPLIANCE AGAINST THE 2018 CORPORATE GOVERNANCE CODE

1. BOARD LEADERSHIP AND COMPANY PURPOSE

- A. The Group is led by an effective, committed Board, which collectively takes responsibility for the long-term sustainable success of the Group, ensuring due regard is given to all of the Group's stakeholders. Its effectiveness is assessed annually, and further details can be found on pages 84 to 85. Further details regarding how the Board carried out its duties during the year can be found on pages 44 to 46 in respect of stakeholders, and page 82 in respect of activities during the year.
- B. The Board takes responsibility for establishing the Company's purpose, establishing the culture, setting the strategy and determining the values to be observed in achieving that strategy. Details of the Group's strategy and purpose are found on pages 8 to 73.
- C. The Board ensures that the necessary resources are in place for the company to meet its agreed objectives and measure performance against them, and monitors the use of these resources to ensure they are effectively deployed. Further details regarding the risk management structure of the Group can be found on pages 49 to 54.
- D. The Board and senior management actively engages with its stakeholders, and recognises the importance of doing so in order to meet its strategic goals and agreed objectives. The engagement which has taken place during the year is detailed on pages 44 to 46, which also provides details of how the Directors have complied with the requirements under section 172 of the Companies Act 2006.
- E. In reviewing the Group's various policies and procedures, the Board ensures that they are aligned with the Group's purpose and values. The Board receives regular updates on matters relevant to colleagues. Further details on workforce engagement can be found on pages 46, 61 and 77, and details of the Group's whistleblowing procedures can be found on page 83.

2. DIVISION OF RESPONSIBILITIES

- F. The Chairman has overall responsibility for the leadership of the Board and for ensuring its effectiveness. Details of the division of responsibilities can be found on page 81, and details of the board evaluation process and findings can be found on pages 84 and 85.
- G. The Nomination Committee is responsible for assessing the balance of skills, experience, independence and knowledge of the Board as a whole and individual Directors. These aspects are assessed when considering appointments, and on an annual basis. The Board also assesses conflicts of interest and the time commitment of each Director. Details of the Director's independence can be found on page 91, and the findings of the Board effectiveness review can be found on pages 84 and 85. Details of the Board's biographies and the overall composition and diversity of the Board can be found on pages 74 to 75 and 78 respectively. Details of the division of responsibilities can be found on page 81.
- H. All newly appointed Non-executive Directors are advised on their expected time commitments prior to appointment, and are required such time as is necessary to discharge their duties effectively. The Board reviews time commitments on appointment, and on a regular basis thereafter, and is satisfied that there are no Directors whose time commitments are considered to be a matter for concern. Any new external appointments must be approved by the Board prior to acceptance. For details of independence and time commitments, refer to page 91, and for details of attendance at meetings during the year, please see page 78.
- I. The Chairman, supported by the Group Company Secretary, ensures that Board members receive appropriate and timely information. All Directors have access, at the Company's expense, to independent professional advisers if required to assist the Directors in their role. Board Committees are also provided with sufficient resources to discharge their duties.

COMPLIANCE AGAINST THE 2018 CORPORATE GOVERNANCE CODE *continued*

3. COMPOSITION, SUCCESSION AND EVALUATION

- J. The Nomination Committee leads and oversees Board appointments, and makes recommendations to the Board. Further details on this process can be found in the Nomination Committee report on pages 90 to 91.
- K. The Chairman, supported by the Group Company Secretary leads the training and development of Directors. Any newly appointed Director receives a thorough, tailored induction programme taking account of the Director's existing skills and experience, and the role in which they have been appointed to perform.
All Directors will seek re-election at the 2020 AGM, or election, in the case of Philip Keller. The Board believes that all Directors continue to be effective and committed to their roles.
- L. An externally facilitated Board evaluation was conducted during the year. For further information, please see pages 84 to 85. Individual performance of Directors is considered on an annual basis.

4. AUDIT, RISK AND INTERNAL CONTROL

- M. The Audit & Risk Committee is responsible for overseeing the financial reporting process, the effectiveness of internal controls, the risk management framework of the Group, and the work undertaken by the internal and external auditors. This Committee reports regularly on its activities to the Board, and the report detailing how it discharged its duties during the year can be found on pages 86 to 89.
- N. The Audit & Risk Committee, and the Board as a whole reviews the Annual Report and Accounts to ensure it is reflecting a fair, balanced and understandable assessment of the Company's position and prospects. The Directors' and Auditors' Statements of Responsibility can be found on pages 119 and 125 respectively. Details of the Group's strategy can be found on pages 8 to 73.
- O. The Board is collectively responsible for the Group's risk management and internal control system. In discharging these duties, the Board is supported by the Audit & Risk Committee which has delegated authority as detailed in the Audit & Risk Committee Report on pages 86 to 89. Details of the risk management framework of the Group can be found on pages 49 to 54. The related Directors' Viability Statement can be found on page 47, and the going concern statement can be found on page 41.

5. REMUNERATION

- P. The Remuneration Policy is designed to promote the long-term and sustainable success of the Company. The Directors Remuneration Report provides further details regarding the Remuneration of Directors, and the current Remuneration Policy, which was last approved by shareholders in 2019.
- Q. The Remuneration Committee seeks to ensure that all remuneration is fair and transparent. The details of how the Committee worked during the year, and agreed Director remuneration can be found on pages 92 to 112.
- R. The Remuneration Policy seeks to ensure all remuneration decisions made by Directors fully consider the wider circumstances as relevant to that decision, including but not limited to, individual performance. For further information regarding the Remuneration Committee's decisions and outcomes during the year can be found on pages 92 to 105. The Directors Remuneration Report also includes details of any external consultants engaged during the year, and whether they have any other connection with the Company, or its individual Directors.

DIRECTORS' REPORT

The Directors present their report and the audited financial statement of John Laing Group plc (the "Company") together with its subsidiary undertakings (the "Group") for the year ended 31 December 2019. 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 8 to 73 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 2019 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 in the following pages:

Disclosure	Page
Long-term incentive schemes	92-112
Unaudited Financial Information	185-188
Contracts of significance	118
Shareholder waiver of dividends	115
Shareholder waiver of future dividends	115

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 public company incorporated in England and Wales with company number 05975300.

A list of the Company's investments and subsidiaries at 31 December 2019 can be found in note 13 to the Company financial statements on page 178 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 2019 are set out in the Group Income Statement on page 128. The Group profit before tax for the year ended 31 December 2019 was £100 million (2018 – £296 million).

The Company-only profit after tax for the year was £124 million (see page 168) (2018 – £294 million).

The Board proposes, subject to the approval of shareholders at the AGM to be held on 7 May 2020, that a base dividend of 3.68 pence per ordinary share, plus a special dividend of 3.98 pence per ordinary share, totalling a final dividend of 7.66 pence per ordinary share be paid on 15 May 2020 to shareholders whose names are on the register of members at the close of business on 24 April 2020. Further information on the final dividend can be found on page 130. This payment, together with the interim dividend of 1.84 pence per ordinary share paid on 25 October 2019, makes a total for the year of 9.5 pence per share.

During the year under review Sanne Fiduciary Services Limited, trustee of the John Laing Group Employee Benefit Trust, has waived its entitlement to dividends. With effect from 24 January 2020, the Company transferred the Employee Benefit Trust from Sanne to Equiniti Trust (Jersey) Limited. Equiniti Trust (Jersey) Limited has also 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 pages 16 and 17 are appropriate measures to assess the delivery of the Group's strategy.

DIRECTORS' REPORT continued

CHANGES TO THE BOARD DURING THE YEAR

Changes to the composition of the Board since 1 January 2019 up to the date of this report are shown on the table below.

	Joined the Board	Left the Board
Luciana Germinario	25 April 2019	
Patrick O'D Bourke		9 May 2019
Philip Keller	1 January 2020	

APPOINTMENT AND RETIREMENT OF DIRECTORS

The appointment and retirement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code and the Companies Act 2006. The Company's Articles may only be amended by a special resolution of the shareholders in a general meeting.

The Company does not have any 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.

In the interests of good governance and in accordance with the provisions of the UK Corporate Governance Code, all Directors will retire, and those wishing to serve again will submit themselves for re-election at the 2020 AGM.

Biographies of current Directors can be found on pages 74 and 75. Details of the Directors seeking election or re-election at the AGM are set out in the Notice of Meeting.

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 2019 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 reviewing and managing conflicts of interest as noted in the Corporate Governance report on page 83. Directors have a duty to notify the Chairman and Group Company Secretary as soon as they become aware of actual or potential conflict situations. The Company's Articles 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' AND OFFICERS' 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.

The Directors of the Company, including the former Director who retired during the year, have entered into individual deeds of indemnity with the Company which constituted "qualifying third-party indemnity provisions" for the purposes of the Companies Act 2006. The deeds indemnify the Directors to the maximum extent permitted by law and remain in force. The deeds were in force during the whole of the financial year or from the date of appointment in respect of the Director appointed in 2019. Deeds for existing Directors are available for inspection at the Company's registered office.

The Company has also granted deeds of indemnity by deed poll which constitute "qualifying third-party indemnity provisions" to the directors of the Group's subsidiary companies, including to former directors who retired during the year and since the year end, and to remain in force as at the date of this report.

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 showing in note 21 to the Group financial statements on page 164 of this Annual Report. All ordinary shares, including those acquired through the 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

Information provided to the Company by significant shareholders pursuant to the DTR is published via a Regulatory Information Service.

As at 31 December 2019 and 2 March 2020, being the last practicable date, the Company had been notified by its significant shareholders under Rule 5 of the DTR of the following interests in the Company's shares:

Notification received by	31 December 2019	% of issued share capital ¹	2 March 2020	% of issued share capital
Standard Life Aberdeen plc	69,595,741	14.12	79,026,448	16.03
JP Morgan Asset Management Holdings Inc	25,363,186	5.15	Notification received of reduction below 5% threshold on 6 February 2020	Below 5%
SFM UK Management LLP	-	-	24,693,676	5.00
Baillie Gifford & Co	24,734,900	5.04		
Kames Capital plc	14,747,579	3.00		
Norges Bank	14,728,606	3.00		

¹ Percentage provided was correct at the date of notification.

The processes by which the Company seeks to understand the views of its major shareholders are described on pages 44 to 46.

ARTICLES OF ASSOCIATION

In accordance with the Act, the Articles may only be amended by 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, other than those disclosed in note 26 of the financial statements.

POLITICAL DONATIONS

The Group made no political donations during 2019 (2018 – 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 70 to 73.

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 reappointment of Deloitte LLP as auditor and authorising the Directors to set its remuneration are included in the Notice of Meeting and will be put to shareholders at the 2020 AGM.

DIRECTORS' REPORT continued

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:

- So 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 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.

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

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 8 to 73. The Strategic Report includes the Financial Review on pages 34 to 41, the viability statement on pages 47 to 48 and the principal risks facing the Group on pages 49 to 54.

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 27 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 2022 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.

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 as provided if necessary.

Further details relating to employees of the Group (including details of certain of the Group's employment policies) can be found on pages 56 to 62 of the Corporate Responsibility section of the Annual Report. Details regarding workforce engagement can be found on pages 46, 61 and 77.

The Directors' Report, the Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report were approved by the Board on 2 March 2020.

GOVERNANCE ARRANGEMENTS

Information regarding the Company's governance arrangements is set out in the Corporate Governance Report on pages 76 to 85. These pages are incorporated by reference into the Directors' Report.

On behalf of the Board

Clare Underwood

Group Company Secretary

2 March 2020

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 2 March 2020 and is signed on its behalf by:

Olivier Brousse
Chief Executive Officer

2 March 2020

Luciana Germinario
Chief Financial Officer

2 March 2020

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 2019 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 statement; and
- the related notes 1 to 27 of the Group financial statements and the related notes 1 to 13 of the Parent Company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union ("EU") 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 The key audit matters that we identified in the current year were:

- *Valuation of investments*
- *Valuation of defined benefit pension scheme liabilities.*

The above key audit matters are consistent with the prior year.

Materiality The materiality that we used for the Group financial statements was £17 million (December 2018: £21 million) which was determined on the basis of shareholders' equity.

Scoping Our audit scope primarily focused on the fair value of those investments which are significant to the Group. Our audit included local valuation specialists to undertake audit work on the valuation of a sample of European, North American, Asia Pacific assets. This reflects that the valuation of these assets is now initially undertaken by management in each of these regions.

Significant changes in our approach There has been no significant change in our audit approach in the current year other than the involvement of valuation specialists in Europe, Australia and North America.

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 Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We 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 Group's and Parent 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.

Principal risks and viability statement

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

- the disclosures on pages 49 to 54 that describe the principal risks, procedures to identify emerging risks and an explanation of how these are being managed or mitigated;
- the directors' explanation on pages 47 to 48 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.

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.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

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

VALUATION OF INVESTMENTS

Key audit matter description The Group holds a range of investments in infrastructure assets. The total value of these assets at 31 December 2019 was £1,768 million (31 December 2018 – £1,560 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 wind and solar generation assets) and social infrastructure, and a range of geographies comprising Europe, North America, Asia Pacific and Latin America.

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. The quantum and timing of value enhancements recognised in the portfolio was the other significant judgement identified in the current financial year. Given the level of judgement involved, we consider these areas to be fraud risks. Other key sources of estimation uncertainty include forecast project cash-flows, in particular future power prices, margined loss factor and energy yields which impact the value of the Group's investments in Renewable Energy projects. In addition to Asia-Pacific assets, North American and European assets were valued locally by John Laing valuation teams in the current year.

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. The level of transactional evidence over the past five years has increased as the Group has divested assets.

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, marginal loss factor and energy yields) can be found in the Audit & Risk Committee report on page 87 and note 4 to the Group financial statements.

How the scope of our audit responded to the key audit matter

- We obtained an understanding of the relevant controls in place to value the Group's investments.
- We benchmarked 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.
- A sample of value enhancements were agreed to underlying third party evidence to assess the value and timing of recognition in the portfolio valuation. We assessed consistency of certain enhancements across regions and asset classes.
- We worked with Deloitte valuation specialists in Europe, Asia Pacific and North America who assessed the discount rates on a sample of assets.
- 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 agreed the marginal loss factor and energy yield forecasts to external third party reports.
- We also visited the North America, Europe and Asia Pacific operations of the Group which included a site visit to a sample of assets. We 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

- We consider the judgements adopted in valuing the Group's investments as a whole to be appropriate and within an acceptable range.
- We consider the disclosures in respect of the valuation of investments to be appropriate and in accordance with IFRS as adopted by the EU.

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 surplus of £13 million at 31 December 2019 (deficit of £33 million at 31 December 2018).</p> <p>The valuation of the surplus is subject to a number of assumptions including the adoption of the appropriate (i) discount rate (ii) inflation rate and (iii) mortality assumptions. We consider this to be a fraud risk due to the quantum of the defined benefit obligation liability, its sensitivity to the underlying assumptions and the management judgement involved in deciding on the underlying 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 Requirement and their Interaction.'</p> <p>For further information, see note 19 to the Group financial statements and the Audit & Risk Committee report on page 88 and the Group's disclosures around critical accounting judgements and key sources of estimation uncertainty in note 4 to the Group financial statements.</p>
How the scope of our audit responded to the key audit matter	<ul style="list-style-type: none"> • We obtained an understanding of the relevant 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. • 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 with management's judgement that the Group has the ability to recover any surplus under the rules of the John Laing Pension Fund and consequently is not subject to a minimum funding requirement under IFRIC 14. • We also consider the disclosures around the valuation of the defined benefit pension schemes to be appropriate and in accordance with IFRS as adopted by the EU.

OUR APPLICATION OF MATERIALITY

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	£17 million (December 2018 – £21 million)	£15 million (December 2018: £19 million)
Basis for determining materiality	1.0% of Group shareholders' equity (December 2018 – 1.3%)	1.0% of Parent Company shareholders' equity (December 2018 – 1.2%)
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.

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

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018 - 70%). In determining performance materiality, we considered our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes. Our past experience of the audit has indicated a low number of corrected and uncorrected misstatements in prior periods.

Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £750,000 (2018: £750,000), 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 investments which are significant to the Group.

A full scope audit is performed on 26 (2018 - 30) entities comprising a mix of those entities in the fair value group and those entities which provide investment-related services and which are consolidated into the Group financial statements. Materialities range from £8.5m to £15m (2018: £10.5m to £17m). 100% of Group revenue, profit before tax and net assets are covered by auditing these entities. All audit work is 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 visited the Group's North American, Europe 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 12 of the Group's investments which covered 40% of the investment portfolio by value at 31 December 2019.

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:

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.

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 and non-compliance with laws and regulations 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:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit and Risk Committee on behalf of the board on 5 November 2019;
- results of our enquiries of management, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
 - the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the discount rate assumption in the valuation of the investment portfolio, the quantum and timing of the recognition of value enhancements and the adoption of the appropriate discount rate, inflation rate and mortality assumptions in determining the defined benefit pension scheme surplus. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

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

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 schemes as key audit matters related to the potential risk of fraud. 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 described as having a direct effect on the financial statements;
- 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 and 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, including internal specialists, 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

Following the recommendation of the Audit & Risk Committee, we were reappointed as auditor by the Board of John Laing Group plc at the Annual General Meeting on 9 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering the years ended 31 December 2008 to 31 December 2019.

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 Parent 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 Parent 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 Parent Company and the Parent 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

2 March 2020

GROUP INCOME STATEMENT

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Net gain on investments at fair value through profit or loss	13	147	366
Other income	8	32	31
Operating income	5	179	397
Administrative expenses (excluding GMP equalisation charge)		(68)	(66)
GMP equalisation charge	19	-	(21)
Total administrative expenses		(68)	(87)
Profit from operations	9	111	310
Finance costs	11	(11)	(14)
Profit before tax	5	100	296
Tax (charge)/credit	12	-	-
Profit for the year attributable to the Shareholders of the Company		100	296
Earnings per share (pence)			
Basic	6	20.4	63.1
Diluted	6	20.2	62.4

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Profit for the year		100	296
Actuarial gain/(loss) on retirement benefit obligations	19	19	(3)
Other comprehensive income/(loss) for the year		19	(3)
Total comprehensive income for the year		119	293

Actuarial gain/(loss) on retirement benefit obligations will not be subsequently reclassified to the Group Income Statement.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Notes	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2019		49	416	6	1,115	1,586
Profit for the year		-	-	-	100	100
Other comprehensive income for the year		-	-	-	19	19
Total comprehensive income for the year		-	-	-	119	119
Share-based incentives	7	-	-	4	-	4
Vesting of share-based incentives	7, 21	-	-	(4)	4	-
Purchase of own shares related to share-based incentives	21	-	-	(4)	-	(4)
Dividends paid ¹		-	-	-	(47)	(47)
Balance at 31 December 2019		49	416	2	1,191	1,658

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		37	218	6	863	1,124
Profit for the year		-	-	-	296	296
Other comprehensive loss for the year		-	-	-	(3)	(3)
Total comprehensive income for the year		-	-	-	293	293
Share-based incentives	7	-	-	3	-	3
Vesting of share-based incentives	7, 21	-	-	(3)	3	-
Net proceeds from issue of shares	21, 22	12	198	-	-	210
Dividends paid ¹		-	-	-	(44)	(44)
Balance at 31 December 2018		49	416	6	1,115	1,586

¹ Dividends paid

	Year ended 31 December 2019 pence	Year ended 31 December 2018 pence
Dividends on ordinary shares		
Per ordinary share:		
- final paid	7.70	7.17 ^a
- interim proposed and paid	1.84	1.80
- final proposed	7.66	7.70

^a 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 2020 in respect of the proposed final dividend for 2019 is £38 million based on the number of shares in issue as at 31 December 2019. The final dividend paid for 2019 will depend on the number of share-based incentives vesting before the final dividend is paid.

GROUP BALANCE SHEET

as at 31 December 2019

	Notes	31 December 2019 £ million	31 December 2018 £ million
Non-current assets			
Right-of-use assets		4	-
Investments at fair value through profit or loss	13	1,897	1,700
Retirement benefit asset	19	13	-
		1,914	1,700
Current assets			
Trade and other receivables	14	6	8
Cash and cash equivalents		2	6
		8	14
Total assets		1,922	1,714
Current liabilities			
Borrowings	16	(236)	(66)
Trade and other payables	15	(15)	(20)
		(251)	(86)
Net current liabilities		(243)	(72)
Non-current liabilities			
Retirement benefit obligations	19	(7)	(40)
Finance lease liabilities		(4)	-
Provisions	20	(2)	(2)
		(13)	(42)
Total liabilities		(264)	(128)
Net assets		1,658	1,586
Equity			
Share capital	21	49	49
Share premium	22	416	416
Other reserves		2	6
Retained earnings		1,191	1,115
Equity attributable to the Shareholders of the Company		1,658	1,586

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 2 March 2020. They were signed on its behalf by:

Olivier Brousse
Chief Executive Officer

2 March 2020

Luciana Germinario
Chief Financial Officer

2 March 2020

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Net cash outflow from operating activities	23	(61)	(54)
Investing activities			
Net cash transferred (to)/from investments at fair value through profit or loss	13	(50)	12
Net cash (outflow)/inflow from investing activities		(50)	12
Financing activities			
Proceeds from issue of shares		-	210
Purchase of own shares related to share-based incentives		(4)	-
Dividends paid		(47)	(44)
Finance costs paid		(11)	(15)
Proceeds from borrowings		339	15
Repayment of borrowings		(170)	(121)
Net cash from financing activities		107	45
Net (decrease)/increase in cash and cash equivalents		(4)	3
Cash and cash equivalents at beginning of the year		6	3
Cash and cash equivalents at end of the year		2	6

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2019

1 GENERAL INFORMATION

The results of John Laing Group plc (the "Company" or the "Group") are stated according to the basis of preparation described in note 3 below. The Company is a public limited company incorporated in England and Wales and 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 2019, the Group adopted one 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 2019 (and have been endorsed for use within the EU).

- IFRS 16 Leases
- 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*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Other than IFRS 16, 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 16 are described below.

Impact of initial application of IFRS 16 Leases

The Group adopted IFRS 16 Leases using the modified retrospective method of adoption with a date of application of 1 January 2019. This method involves measuring the right-of-use asset at an amount equal to the lease liability at the transition date. As permitted under this method, the Group has not restated comparatives for the 2018 reporting period. The Group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease – at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low value assets') being those assets with a value less than £5,000.

The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.75%.

The effect of adoption of IFRS 16 is as follows:

	1 January 2019 £ million
Assets	
Right-of-use assets	5
Total assets	5
Liabilities	
Finance lease liability	(5)
Total liabilities	(5)
Equity	
Retained earnings	-
Total equity	-

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

2 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

A reconciliation of the Group's outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings previously disclosed in the 2018 Annual Report & Accounts to the lease liability recognised under IFRS 16 is shown below.

	1 January 2019 £ million
Within one year	(1)
In the second to fifth years inclusive	(3)
After five years	(2)
	(6)
Discount on lease liability	1
Total liabilities recognised under IFRS 16	(5)

The impact on the Group Income Statement for the year ended 31 December 2019 from recognising an interest expense on the lease liability and depreciation of the right-to-use asset in contrast to the operating lease charge, which would have been applied under IAS 17, was a net £0.1 million credit.

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 17 *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IFRS 3 *Definition of a business*
- Amendments to IAS 1 and IAS 8 *Definition of material*
- Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards*

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.

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:

- as an entity listed on the London Stock Exchange, the Company is owned by a number of investors;
- 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;
- the Group's business model is to originate, invest in, and actively manage infrastructure assets. It invests in infrastructure 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

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

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

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

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

- a) significant restrictions (resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of an unconsolidated subsidiary to transfer funds to the Group in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Group; and
- b) current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support, beyond the Group's original investment commitment.

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

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

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 2022. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when approved and paid.

(ii) Net gain on investments at FVTPL

Net gain on investments at FVTPL excludes dividend income referred to above. Please refer to accounting policy 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 the Jura and JLEN funds under Investment Advisory Agreements as well as fees for providing services under Management Services Agreements to 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.

Management services to the Jura and JLEN funds ceased to be provided in the year ended 31 December 2019.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

(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 and other assets and liabilities of investment entity subsidiaries. Investments in project companies are recognised 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 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.

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.

- 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, but exclude bank overdrafts unless 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

(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 financial assets classified as trade and other receivables at 31 December 2019 were only £4 million, or 0.2% 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

(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 2019

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 2019 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) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (being those assets with a value less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the Group Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Group Balance Sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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 financial year) 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. The critical accounting judgement is how the investment in John Laing Holdco Limited is fair valued. Fair value is determined based on the fair value of investments in project companies (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, 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 assumes that forecast cash flows are received until maturity of the underlying assets. The cash flows on which the discounted cash flow valuation is based are those forecast to be distributable to the Group at each balance sheet date, derived from detailed project financial models. These incorporate a number of assumptions with respect to individual assets, including: dates for construction completion (where relevant); 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

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

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. These premia reduce over time as the project progresses through its construction programme, reflecting the significant reduction in risk once the project reaches the operational stage. The discount rates applied to investments at 31 December 2019 were in the range of 6.4% to 12.4% (31 December 2018 – 6.8% to 11.7%). 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 marginal loss factors impacting Australian wind and solar generation assets, future energy prices and energy yields impacting all renewable energy projects and forecasts for long-term inflation across the whole portfolio. Note 18 provides details of the sensitivities to the investment portfolio value from changes in forecast energy prices marginal loss factors, energy yields 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 accounting surplus in the Group's defined benefit pension schemes at 31 December 2019 was £13 million (2018 – deficit of £33 million). In determining the Group's defined benefit pension surplus, 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 JLPPF, 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 2019 and the sensitivity of the pension liabilities to certain changes in these assumptions are illustrated in note 19.

Brexit

In assessing the risks facing our business, we have considered the implications of and the potential impact on the Group's results of the UK withdrawing from the European Union. We believe our business model is robust enough and adaptable to weather any potential short-term disruption which might arise through the transition period and beyond. 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 in these areas.

5 OPERATING SEGMENTS

Following an internal reorganisation, under which the Primary Investment and Asset Management teams in each of the four core geographical regions report to a single regional head, 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 performance on a regional basis. Regional performance targets have also been set. Accordingly, the reportable segments under IFRS 8 are based on regions which are currently: Asia Pacific, Europe and Middle East, North America and Latin America. Further reportable segments are "Fund management", relating to the external fund management activities for Jura and JLEN, which ceased in 2019, and "Central", which covers the corporate activities at the Group's headquarters. The prior period segmental information has been restated accordingly.

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

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 2019 and 31 December 2018:

	Year ended 31 December 2019						
	Asia Pacific £ million	Europe £ million	North America £ million	Latin America £ million	Fund Management £ million	Central £ million	Total £ million
Net gain on investments at FVTPL	12	18	100	12	–	5	147
Other income	2	3	6	–	20	1	32
Operating income	14	21	106	12	20	6	179
Administrative expenses	(10)	(12)	(14)	(3)	(5)	(24)	(68)
Profit from operations	4	9	92	9	15	(18)	111
Finance costs	–	–	–	–	–	(11)	(11)
Profit before tax	4	9	92	9	15	(29)	100

	Year ended 31 December 2018 (restated)						
	Asia Pacific £ million	Europe £ million	North America £ million	Latin America £ million	Fund Management £ million	Central £ million	Total £ million
Net gain on investments at FVTPL	86	188	88	–	–	4	366
Other income	2	4	6	–	19	–	31
Operating income	88	192	94	–	19	4	397
Administrative expenses (excluding GMP equalisation charge)	(10)	(17)	(9)	(1)	(9)	(20)	(66)
GMP equalisation charge	–	–	–	–	–	(21)	(21)
Profit from operations	78	175	85	(1)	10	(37)	310
Finance costs	–	–	–	–	–	(14)	(14)
Profit before tax	78	175	85	(1)	10	(51)	296

For the year ended 31 December 2019, the Group had three investments (2018 – two investments) from which it received more than 10% of its operating income. The operating income from the three investments was £54 million, £28 million and £26 million, which is reported within the Europe and Middle East and the North America segments. The Group treats each investment in a project company as a separate customer for the purpose of IFRS 8.

The Group's investment portfolio valuation is the aggregation of the values of the investment portfolios in each region where the investments are actively managed. Other assets and liabilities, including cash balances and borrowings as well as retirement benefit obligations, are also managed centrally.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

5 OPERATING SEGMENTS (CONTINUED)

	31 December 2019 £ million	31 December 2018 £ million
Asia Pacific	587	505
Europe and Middle East	599	580
North America	514	465
Latin America	68	–
Central	–	10
Portfolio valuation	1,768	1,560
Other assets and liabilities	129	140
Investments at FVTPL	1,897	1,700
Retirement benefit assets	13	–
Other assets	12	14
Total assets	1,922	1,714
Retirement benefit obligations	(7)	(40)
Other liabilities	(257)	(88)
Total liabilities	(264)	(128)
Group net assets	1,658	1,586

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.

6 EARNINGS PER SHARE

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

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Earnings		
Profit for the purpose of basic and diluted EPS	100	296
Profit for the year	100	296
Number of shares		
Weighted average number of ordinary shares for the purpose of basic EPS	491,491,257	469,502,029
Dilutive effect of ordinary shares potentially issued under share-based incentives	4,825,962	5,535,545
Weighted average number of ordinary shares for the purpose of diluted EPS	496,317,219	475,037,574
EPS (pence/share)		
Basic	20.4	63.1
Diluted	20.2	62.4

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	
	2019	2018
At 1 January	5,216,928	5,258,970
Granted	1,506,698	1,747,340
Adjustment for the Rights Issue bonus factor	-	436,067
Lapsed	(572,841)	(842,082)
Vested	(1,887,795)	(1,383,367)
At 31 December	4,262,990	5,216,928

In April 2019, 1,380,075 share awards were granted (2018 – 1,747,340). The weighted average fair value of the awards was 289.3p per share (2018 – 191p per share) for the share-based performance condition, determined using the Stochastic valuation model, and 393.4p per share (2018 – 285p per share) for the non-share based performance condition determined using the Black Scholes model. The weighted average fair value of these awards from both models was 341.4p per share (2018 – 238.02p). The significant inputs into the model were the share price of 394.2p (2018 – 286p) at the grant date, expected volatility of 17.91% (2018 – 17.28%), expected dividend yield of 2.41% (2018 – 3.12%), an expected award life of three years and an annual risk-free interest rate of 0.68% (2018 – 0.88%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years. The weighted average exercise price of the awards granted during 2019 was £nil (2018 – £nil).

A further 126,623 share awards were granted in May 2019 to the Chief Financial Officer on her appointment. The weighted average fair value of the awards was 270.1p per share for the share-based performance condition, determined using the Stochastic valuation model, and 367.9p per share for the non-share based performance condition determined using the Black Scholes model. The weighted average fair value of these awards from both models was 319.1p per share. The significant inputs into the model were the share price of 386.8p at the grant date, expected volatility of 17.34%, expected dividend yield of 2.41%, an expected award life of three years and an annual risk-free interest rate of 0.70%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years. The weighted average exercise price of the awards granted during 2019 was £nil.

The 2016 LTIP award vested in April 2019. As detailed in the Directors' Remuneration Report, vesting was at 95.63% of the maximum, taking into account the TSR and NAV performance conditions over the performance period, which resulted in 1,887,795 shares vesting and being exercised. In addition, a further 108,968 shares were issued in lieu of dividends payable since the grant date on the vested shares (see note 21).

During the year ended 31 December 2019, a total of 572,841 awards lapsed (2018 – 842,082), of which 86,371 awards lapsed on the vesting of the 2016 LTIP award (2018 – 380,350) and a further 486,470 awards lapsed as a result of leavers in the year (2018 – 461,732).

Of the 4,262,990 awards outstanding at 31 December 2019 (2018 – 5,216,928), none were exercisable at 31 December 2019 (2018 – nil). 1,398,846 awards are due to vest or lapse on 15 April 2020, 1,415,556 awards are due to vest or lapse on 18 April 2021 and 1,448,588 awards are due to vest or lapse on 17 April 2022 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2019 was £nil (31 December 2018 – £nil).

Deferred Share Bonus Plan

The Group operates a Deferred Share Bonus Plan (DSBP) for Executive Directors and certain senior executives under which the amount of any bonus above 60% of their base salary (or, for Executive Directors, where higher, 60% of maximum bonus potential) is awarded in deferred 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.

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7 SHARE-BASED INCENTIVES (CONTINUED)

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

	Number of share awards under DSBP	
	2019	2018
At 1 January	175,141	63,121
Granted	112,554	138,987
Adjustment to awards granted in the prior period	-	(8)
Adjustment for the Rights Issue bonus factor	-	5,647
Lapsed	(13,781)	-
Vested	(115,049)	(32,606)
At 31 December	158,865	175,141

In April 2019, 112,554 share awards were granted (2018 – 138,987). The weighted average fair value of the awards was 394.5p per share (2018 – 286p per share). The significant inputs into the model were the share price of 394.2p (2018 – 286p) at the grant date, expected volatility of 18.27% (2018 – 17.28%), expected dividend yield of 2.41% (2018 – 3.12%), an expected award life of three years and an annual risk-free interest rate of 0.68% (2018 – 0.88%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over three years. The weighted average exercise price of the awards granted during 2019 was £nil (2018 – £nil).

During the year ended 31 December 2019, 115,049 shares vested and were exercised under the 2016 DSBP, 2017 DSBP, 2018 DSBP and 2019 DSBP. A further 4,030 shares were awarded in lieu of dividends payable since the grant date on the vested shares (see note 21).

Of the 158,865 awards outstanding at 31 December 2019 (2018 – 175,141), 13,400 were exercisable at 31 December 2019 (2018 – nil). 60,397 awards are due to vest in March and April 2020, 58,206 awards are due to vest in March and April 2021 and 26,862 awards are due to vest in April 2022 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2019 was £nil (31 December 2018 – £nil).

Buy-out award

In May 2019, the Chief Financial Officer was granted six buy-out awards over a total number of 65,044 shares, in compensation for cash-based long-term incentive awards that were forfeited on leaving her previous employer. The awards vest between 4 months and 3 years and 4 months from the date of grant and are subject to continued employment and the Plan Rules. The first award of 24,314 shares vested in September 2019 leaving 40,730 awards outstanding at 31 December 2019.

The weighted average fair value of the awards was 388.97p per share. The significant inputs into the model were the share price of 386.8p at the grant date, expected volatility of 17.89%, expected dividend yield of 2.46%, an expected award life of between four months and three and a third years and an annual risk-free interest rate of 0.72%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the period of time commensurate with the vesting time of the last tranche (three and a third years) immediately prior to the date of grant. The weighted average exercise price of the awards granted during 2019 was £nil.

During the year ended 31 December 2019, 24,314 shares vested and were exercised.

Of the 40,730 awards outstanding at 31 December 2019, none were exercisable at 31 December 2019 (2018 – nil). 16,710 awards are due to vest in 2020, 3,528 awards are due to vest in 2021 and 3,528 awards are due to vest in 2022 subject to the conditions described above. The weighted average exercise price of the awards outstanding at 31 December 2019 was £nil (31 December 2018 – £nil).

The total expense recognised in the Group Income Statement for awards granted under share-based incentive arrangements for the year ended 31 December 2019 was £4 million (2018 – £3 million).

Employee Benefit Trust (EBT)

On 19 June 2015, the Company established an 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.

8 OTHER INCOME

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Fees from asset management services	22	27
Sale of investment advisory agreement	5	–
Recovery of bid costs	5	4
Other income	32	31

Other income represents revenue from contracts with customers under IFRS 15 Revenue From Contracts with Customers.

The Company completed the sale of its remaining fund management activities by way of a novation of the Investment Advisory Agreement with JLEN and transfer of the investment advisory team to Foresight Group.

9 PROFIT FROM OPERATIONS

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ 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	(0.2)	(0.1)
The audit of the annual accounts of the Company's subsidiaries	(0.2)	(0.2)
Total audit fees	(0.4)	(0.3)
Audit related assurance services	(0.1)	(0.1)
Other assurance services	–	–
Non-assurance related services	–	(0.3)
Total non-audit fees	(0.1)	(0.4)
Operating lease charges:		
rental of land and buildings	–	(1.5)
Depreciation of plant and equipment and right-of-use asset	(1.0)	(0.1)

The fee payable for the audit of the Company and consolidated financial statements was £202,117 (2018 – £151,576). The fees payable for the audit of the annual accounts of the Company's subsidiaries were £194,615 (2018 – £186,744).

Fees for audit related assurance services comprised £53,200 (2018 – £42,200) for a review of the Group interim report and Enil (2018 – £12,875) for a FCA regulatory review. Fees for other assurance services of £6,700 (2018 – £15,000) were paid for agreed upon procedures.

In 2018, fees of £276,000 for non-assurance related services was paid for reporting accountant services in relation to the Rights Issue of the Company in March 2019, which were deducted from share premium as an expense on the issue of equity shares.

Total non-audit fees for 2019 were £59,900 (2018 – £346,075).

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10 EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Employee costs comprise:		
Salaries	(26)	(27)
Social security costs	(4)	(3)
Pension charge		
– defined benefit schemes (note 19) ¹	(2)	(23)
– defined contribution	(1)	(2)
Share-based incentives (note 7)	(4)	(3)
	(37)	(58)

¹ The cost for 2018 includes a one-off GMP equalisation charge of £21 million.

Annual average employee numbers (including Directors):

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Staff	153	168
UK	65	99
Overseas	88	69
Activity		
Primary investments, asset management and central activities	153	168

Details of Directors' remuneration for the year ended 31 December 2019 can be found in the audited sections of the Directors' Remuneration Report.

11 FINANCE COSTS

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Finance costs on corporate banking facilities	(9)	(10)
Amortisation of debt issue costs	(1)	(3)
Net interest cost of retirement obligations (note 19)	(1)	(1)
Finance costs	(11)	(14)

12 TAX (CHARGE)/CREDIT

The tax (charge)/credit for the year comprises:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Current tax:		
UK corporation tax (charge) – current year	(1)	–
UK corporation tax credit – prior year	1	–
Tax (charge)/credit	–	–

12 TAX (CHARGE)/CREDIT (CONTINUED)

The tax (charge)/credit for the year can be reconciled to the profit in the Group Income Statement as follows:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Profit before tax	100	296
Tax at the UK corporation tax rate	(19)	(56)
Tax effect of expenses and other similar items that are not deductible	(1)	(5)
Non-taxable movement on fair value of investments	26	70
Adjustment for management charges to fair value group	(6)	(7)
Other movements	(1)	(2)
Prior year – current tax credit	1	–
Total tax (charge)/credit	–	–

For the year ended 31 December 2019 a tax rate of 19% has been applied (2018 – 19%).

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019				
	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	1,550	10	1,560	140	1,700
Distributions	(57)	–	(57)	57	–
Investment in equity and loans	267	–	267	(267)	–
Realisations from investment portfolio	(132)	(11)	(143)	143	–
Fair value movement	140	1	141	6	147
Net cash transferred to investments at FVTPL	–	–	–	50	50
Closing balance	1,768	–	1,768	129	1,897

	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	1,184	10	1,194	152	1,346
Distributions	(33)	(1)	(34)	34	–
Investment in equity and loans	342	–	342	(342)	–
Realisations from investment portfolio	(296)	–	(296)	296	–
Fair value movement	353	1	354	12	366
Net cash transferred from investments at FVTPL	–	–	–	(12)	(12)
Closing balance	1,550	10	1,560	140	1,700

Of the fair value movement in the year ended 31 December 2019 of £147 million (2018 – £366 million), £10 million (2018 – £nil) was received during the year as a dividend from John Laing Holdco Limited.

Included within other assets and liabilities at 31 December 2019 above is cash collateral of £118 million (31 December 2018 – £132 million) in respect of future investment commitments to the I-66 Managed Lanes project (31 December 2018 – I-66 Managed Lanes and I-77 Managed Lanes).

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The investment disposals that have occurred in the years ended 31 December 2019 and 2018 are as follows:

Year ended 31 December 2019

During the year ended 31 December 2019, the Group disposed of its interests in two PPP and two renewable energy project companies for £132 million as well as its holding of shares in JLEN.

Details were as follows:

	Date of completion	Original holding %	Holding disposed of %	Retained holding %
Westadium Project Holdco Pty Limited	11 March 2019	50.0	50.0	–
John Laing Rocksprings Wind HoldCo Corp	2 May 2019	95.3	95.3	–
John Laing Sterling Wind HoldCo Corp	2 May 2019	92.5	92.5	–
A1 mobil GmbH & Co. KG	25 November 2019	42.5	42.5	–

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 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	–

14 TRADE AND OTHER RECEIVABLES

	31 December 2019 £ million	31 December 2018 £ million
Current assets		
Trade receivables	2	7
Other taxation	1	–
Prepayments and contract assets	3	1
	6	8

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 2019 £ million	31 December 2018 £ million
Sterling	3	7
Australian dollar	1	–
Other currencies	2	1
	6	8

Other currencies mainly comprise trade and other receivables in Canadian dollars (31 December 2018 – Canadian dollars).

There were no significant overdue balances in trade and other receivables at 31 December 2019 and 31 December 2018.

15 TRADE AND OTHER PAYABLES

	31 December 2019 £ million	31 December 2018 £ million
Current liabilities		
Trade payables	(3)	(2)
Other taxation and social security	(1)	(1)
Accruals	(11)	(17)
	(15)	(20)

16 BORROWINGS

	31 December 2019 £ million	31 December 2018 £ million
Current liabilities		
Interest-bearing loans and borrowings net of unamortised financing costs (note 17 c and note 18)	(236)	(66)
	(236)	(66)

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

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17 FINANCIAL INSTRUMENTS

a) Financial instruments by category

	Cash and cash equivalents £ million	Receivables at amortised cost £ million	Assets at FVTPL £ million	Financial liabilities at amortised cost £ million	Total £ million
31 December 2019					
Fair value measurement method	n/a	n/a	Level 1 / 3*	n/a	
Non-current assets					
Investments at FVTPL*	-	-	1,897	-	1,897
Current assets					
Trade and other receivables	-	4	-	-	4
Cash and cash equivalents	2	-	-	-	2
Total financial assets	2	4	1,897	-	1,903
Current liabilities					
Interest-bearing loans and borrowings	-	-	-	(236)	(236)
Trade and other payables	-	-	-	(14)	(14)
Total financial liabilities	-	-	-	(250)	(250)
Net financial instruments	2	4	1,897	(250)	1,653
31 December 2018					
Fair value measurement method	n/a	n/a	Level 1 / 3*	n/a	
Non-current assets					
Investments at FVTPL*	-	-	1,700	-	1,700
Current assets					
Trade and other receivables	-	7	-	-	7
Cash and cash equivalents	6	-	-	-	6
Total financial assets	6	7	1,700	-	1,713
Current liabilities					
Interest-bearing loans and borrowings	-	-	-	(66)	(66)
Trade and other payables	-	-	-	(19)	(19)
Total financial liabilities	-	-	-	(85)	(85)
Net financial instruments	6	7	1,700	(85)	1,628

* Investments at FVTPL are split between: Level 1, investment in JLEN, which is a listed investment fair valued at Enil (31 December 2018 – £10 million) using a quoted market price; and Level 3 investments in project companies fair valued at £1,768 million (31 December 2018 – £1,550 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 which the Directors believe approximates to their fair value. These assets and liabilities are Level 3.

17 FINANCIAL INSTRUMENTS (CONTINUED)

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 2019			31 December 2018		
	Floating rate £ million	Non-interest bearing £ million	Total £ million	Floating rate £ million	Non-interest bearing £ million	Total £ million
Sterling	–	2	2	1	7	8
Euro	–	1	1	–	–	–
Canadian dollar	–	1	1	–	1	1
US dollar	–	1	1	–	1	1
Australian dollar	–	1	1	–	3	3
Total	–	6	6	1	12	13

c) Foreign currency and interest rate profile of financial liabilities

The Group's financial liabilities at 31 December 2019 were £250 million (31 December 2018 – £85 million), of which £236 million (31 December 2018 – £66 million) related to short-term cash borrowings of £239 million (31 December 2018 – £70 million) net of unamortised finance costs of £3 million (31 December 2018 – £4 million).

Currency	31 December 2019				31 December 2018			
	Fixed rate £ million	Floating rate £ million	Non-interest bearing £ million	Total £ million	Fixed rate £ million	Floating rate £ million	Non-interest bearing £ million	Total £ million
Sterling	(229)	(7)	(8)	(244)	(51)	(15)	(12)	(78)
Euro	–	–	(1)	(1)	–	–	(1)	(1)
US dollar	–	–	(2)	(2)	–	–	(2)	(2)
Australian dollar	–	–	(3)	(3)	–	–	(3)	(3)
Other	–	–	–	–	–	–	(1)	(1)
Total	(229)	(7)	(8)	(250)	(51)	(15)	(19)	(85)

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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 or revenue risk (including power price risk, marginal loss factors in Australia and energy yield 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 2019 the Group held investments in 42 overseas projects (31 December 2018 – 31 overseas projects) all of which are fair valued based on the spot exchange rate at 31 December 2019. 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 10 forward currency contracts open as at 31 December 2019 (31 December 2018 – 12). The fair value of these contracts was a net asset of £1 million (31 December 2018 – net asset of £1 million) and is included in investments at FVTPL.

At 31 December 2019, the Group's most significant currency exposure was to the US dollar (31 December 2018 – US dollar).

Foreign currency exposure of investments at FVTPL:

	31 December 2019				31 December 2018			
	Project companies £ million	Listed investment £ million	Other assets and liabilities £ million	Total £ million	Project companies £ million	Listed investment £ million	Other assets and liabilities £ million	Total £ million
Sterling	418	–	–	418	361	10	3	374
Euro	181	–	5	186	219	–	1	220
Australian dollar	568	–	7	575	483	–	5	488
US dollar	510	–	116	626	465	–	131	596
New Zealand dollar	19	–	1	20	22	–	–	22
Colombian Peso	68	–	–	68	–	–	–	–
Canadian dollar	4	–	–	4	–	–	–	–
	1,768	–	129	1,897	1,550	10	140	1,700

Investments in project companies are fair valued based on the spot exchange rate at the balance sheet date. As at 31 December 2019, a 5% movement of each relevant currency against Sterling would decrease or increase the value of investments in overseas projects by c.£64 million. The Group's profit before tax would be impacted by the same amounts. There would be no additional impact on equity.

Market risk – interest rate risk

The Group's direct exposure to interest rate risk is from 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.

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

The exposure of the Group's financial assets to interest rate risk is as follows:

	31 December 2019			31 December 2018		
	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	–	1,897	1,897	–	1,700	1,700
Trade and other receivables	–	4	4	–	7	7
Cash and cash equivalents	–	2	2	1	5	6
Financial assets exposed to interest rate risk	–	1,903	1,903	1	1,713	1,713

The Group has indirect exposure to interest rate risk through the fair value of its investments at FVTPL which is determined on a discounted cash flow basis. The key inputs under this basis are (i) the discount rate and (ii) the cash flows forecast to be received from project companies. An analysis of the movement between opening and closing balances of investments at FVTPL is given in note 13. The forecast cash flows are determined by future project revenue and costs, including interest income and interest costs which can be linked to interest rates. Project companies take out either fixed-rate borrowings or enter into interest rate swaps to fix interest rates on variable rate borrowings which mitigates this risk. The level of interest income in project companies is not significant and therefore the Group does not consider there is a significant risk from a movement in interest rates in this regard. Movement in market interest rates can also have an impact on discount rates. At 31 December 2019, the weighted average discount rate was 8.6% (31 December 2018 – 8.6%). As at 31 December 2019, a 0.25% increase in the discount rate would reduce the fair value by £57 million (31 December 2018 – £52 million) and a 0.25% reduction in the discount rate would increase the fair value by £60 million (31 December 2018 – £54 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 2019				31 December 2018			
	Interest-bearing fixed rate £ million	Interest-bearing floating rate £ million	Non-interest bearing £ million	Total £ million	Interest-bearing fixed rate £ million	Interest-bearing floating rate £ million	Non-interest bearing £ million	Total £ million
Interest-bearing loans and borrowings	(229)	(7)	–	(236)	(51)	(15)	–	(66)
Trade and other payables	–	–	(14)	(14)	–	–	(19)	(19)
Total financial liabilities	(229)	(7)	(14)	(250)	(51)	(15)	(19)	(85)

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.

At 31 December 2019, on a sample of five of the larger PPP investments with a total value of £596 million, a 0.25% increase in inflation is estimated to increase their value by c.£14 million and a 0.25% decrease in inflation is estimated to decrease their value 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.

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18 FINANCIAL RISK MANAGEMENT (CONTINUED)

Price or revenue risk

The Group's investments in PPP assets have limited direct exposure to price or revenue 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 and additionally, for Australia wind and solar generation projects, forecast marginal loss factors (MLF) 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 2019, on a sample of seven renewable energy investments with a total value of £338 million, a 5% increase in power price forecasts is estimated to increase their value by £21 million and a 5% decrease in power price forecasts is estimated to decrease their value by £19 million.

At 31 December 2019, on a sample of renewable energy investments with a total value of £233 million, a 5% increase in MLFs is estimated to increase their value by c.£29 million and a 5% decrease is estimated to decrease their value by c.£29 million.

With regards to energy yield risk, our valuation of renewable energy projects assumes a P50 level of electricity output based on reports by technical consultants. The P50 output is the estimated annual amount of electricity generation (in MWh) that has a 50% probability of being achieved or exceeded – both in any single year and over the long term – and a 50% probability of being underachieved. Hence the P50 is the expected level of generation over the long term. A P75 output means a forecast with a 75% probability of being achieved or exceeded and a P25 output means a forecast with a 25% probability of being achieved or exceeded. At a P75 level of electricity output, the valuation at 31 December 2019 of a sample of renewable energy assets with a total value of £293 million would reduce by £38 million and a P25 level of electricity output would increase the value by £36 million.

For all of the above sensitivities on the portfolio value as at 31 December 2019, the Group's profit before tax would be impacted by the same amounts described above. There would be no additional impact on equity.

For further information on these sensitivities, please refer to the Portfolio Valuation section.

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 2019 Less than one year £ million	31 December 2018 Less than one year £ million
Trade and other receivables	4	7
Cash and cash equivalents	2	6
Financial assets (excluding investments at FVTPL)	6	13

None of the financial assets is either overdue or impaired.

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

	31 December 2019 £ million	31 December 2018 £ million
In one year or less, or on demand	(250)	(85)
Total	(250)	(85)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2019			
Fixed interest rate instruments – loans and borrowings	2.71	(229)	(229)
Floating interest rate instruments – loans and borrowings	2.78	(7)	(7)
Non-interest bearing instruments*	n/a	(14)	(14)
		(250)	(250)
31 December 2018			
Fixed interest rate instruments – loans and borrowings	2.73	(51)	(51)
Floating interest rate instruments – loans and borrowings	2.78	(15)	(15)
Non-interest bearing instruments*	n/a	(19)	(19)
		(85)	(85)

* 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 24.

At 31 December 2019, the Group had committed corporate banking facilities of £650 million, £500 million expiring in July 2023 and £150 million expiring in January 2021 (extended in January 2020 until January 2022).

The Group has requirements for both borrowings and letters of credit, which at 31 December 2019 were met by its £650 million committed facilities and related ancillary facilities (31 December 2018 – £650 million). Issued at 31 December 2019 were letters of credit of £95 million (31 December 2018 – £164 million) and parent company guarantee of £6 million, related to future capital and loan commitments, and contingent commitments and bid bonds of £3 million (31 December 2018 – £10 million). The committed facilities and amounts drawn therefrom are summarised below:

	31 December 2019				
	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	(232)	(7)	(104)	307
Total	650	(232)	(7)	(104)	307
	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	(55)	(15)	(174)	406
Total	650	(55)	(15)	(174)	406

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

19 RETIREMENT BENEFIT OBLIGATIONS

	31 December 2019 £ million	31 December 2018 £ million
Pension schemes	13	(33)
Post-retirement medical benefits	(7)	(7)
	6	(40)
Classified as:		
Retirement benefit asset	13	–
Retirement benefit obligations	(7)	(40)

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 million at 31 March 2016 over seven years as follows:

By 31 March	£ million
2017	25
2018	27
2019	29
2020	25
2021	26
2022	26
2023	25

The triennial actuarial valuation of JLPF as at 31 March 2019 is in progress and will be finalised by 30 June 2020.

During the year ended 31 December 2019, John Laing made deficit reduction contributions of £29 million (2018 – £27 million) in cash.

The liability at 31 December 2019 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 2019 (2018 – none). At its last actuarial valuation as at 31 March 2018, the Plan had assets of £13 million and liabilities of £12 million resulting in an actuarial surplus of £1 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2020.

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

An analysis of the members of both Schemes is shown below:

31 December 2019	Deferred	Pensioners	Total
JLPF	3,965	3,790	7,755
The Plan	78	266	344

31 December 2018	Deferred	Pensioners	Total
JLPF	3,928	4,015	7,943
The Plan	99	321	420

The financial assumptions used in the valuation of JLPF and the Plan under IAS 19 at 31 December were:

	31 December 2019 %	31 December 2018 %
Discount rate	2.10	2.85
Rate of increase in non-GMP pensions in payment	2.90	3.10
Rate of increase in non-GMP pensions in deferment	1.90	2.10
Inflation – RPI	3.00	3.20
Inflation – CPI	1.90	2.10

The amount of the JLPF deficit is highly dependent upon the assumptions above and may vary significantly from period to period. The impact of possible future changes to some of the assumptions is shown below, without taking into account any (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 2019	
	Increase in assumption £ million	Decrease in assumption £ million
0.25% on discount rate	45	(48)
0.25% on inflation rate	(34)	33
1 year post-retirement longevity	(54)	53

Mortality

Mortality assumptions were based on the following tables published by the CMI Bureau:

	31 December 2019	31 December 2018
Base tables		
Plan members	100% S2NA tables	100% S2NA tables
JLPF staff members	103%/107% (M/F) S3NA tables	100% S2NA tables
JLPF executive members	83%/109% (M/F) S3NA light tables	100% S2NA light tables
Improvements		
All members	CMI 2018 projections, 1.25% pa long-term improvement rate, initial improvement of A=0% and a smoothing parameter of s=7	CMI 2017 projections, 1.25% pa long-term improvement rate and a smoothing parameter of s=7.5

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

The table below summarises the life expectancy implied by the mortality assumptions used:

	31 December 2019 Years	31 December 2018 Years
Life expectancy – of member reaching age 65 in 2019		
Males	21.8	22.1
Females	23.9	24.2
Life expectancy – of member aged 65 in 2039		
Males	23.1	23.1
Females	25.3	25.3

Analysis of the major categories of assets held by the Schemes

	31 December 2019		31 December 2018	
	£ million	%	£ million	%
Bond and other debt instruments				
UK corporate bonds	97		89	
UK government gilts	280		262	
UK government gilts – index linked	213		147	
	590	48.0	498	45.8
Equity instruments				
UK listed equities	95		106	
European listed equities	45		36	
US listed equities	163		127	
Other international listed equities	97		83	
Option ¹	(4)		–	
	396	32.2	352	32.4
Aviva bulk annuity buy-in agreement	229	18.6	218	20.0
Cash and equivalents	15	1.2	20	1.8
Total market value of assets	1,230	100.0	1,088	100.0
Present value of Schemes' liabilities	(1,217)		(1,121)	
Net pension asset/(liability)	13		(33)	

¹ During 2019, the JLPF entered into a cap and collar option over 25% of its equity assets which limits losses to 10% and caps gains at 13.5%.

Virtually all equity and debt instruments held by JLPF have quoted prices in active markets (Level 1). Equity options can be classified as Level 2 instruments. The JLPF Trustee invests in return-seeking assets, such as equity, whilst balancing the risks of inflation and interest rate movements through the annuity buy-in agreement.

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.

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 2019, the underlying insurance policy was valued at £229 million (31 December 2018 – £218 million), being substantially equal to the IAS 19 valuation of the related liabilities.

The pension asset of £13 million at 31 December 2019 (31 December 2018 – liability £33 million) is a surplus under IAS 19 of £12 million in the Fund (31 December 2018 – liability £35 million) and a surplus £1 million in the Plan (31 December 2018 – £2 million).

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Analysis of amounts charged to operating profit

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Current service cost*	(2)	(2)
GMP equalisation charge**	-	(21)
	(2)	(23)

* The Schemes no longer have any active members. Therefore, under the projected unit method of valuation the current service cost for JLPF will increase as a percentage of pensionable payroll as members approach retirement. The current service cost has been included within administrative expenses.

** Following the High Court ruling on the Lloyds Banking Group Guaranteed Minimum Pension (GMP) equalisation case in October 2018, a £21 million non-recurring charge was made in 2018. This represents the additional costs to JLPF arising from the judgement, estimated at 1.90% of JLPF's liabilities.

Analysis of amounts charged to finance costs

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Interest on Schemes' assets	30	28
Interest on Schemes' liabilities	(31)	(29)
Net charge to finance costs	(1)	(1)

Analysis of amounts recognised in Group Statement of Comprehensive Income

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	137	(62)
Experience loss arising on Schemes' liabilities	6	(4)
Changes in financial assumptions underlying the present value of Schemes' liabilities	(117)	56
Changes in demographic assumptions underlying the present value of Schemes' liabilities	(6)	7
Actuarial gain/(loss) recognised in Group Statement of Comprehensive Income	20	(3)

The cumulative gain recognised in the Group Statement of Changes in Equity is £24 million gain (31 December 2018 – £4 million).

Changes in present value of defined benefit obligations

	2019 £ million	2018 £ million
Opening defined benefit obligation	(1,121)	(1,189)
Current service cost	(2)	(2)
Interest cost	(31)	(29)
GMP equalisation charge	-	(21)
Experience loss arising on Schemes' liabilities	6	(4)
Changes in financial assumptions underlying the present value of Schemes' liabilities	(117)	56
Changes in demographic assumptions underlying the present value of Schemes' liabilities	(6)	7
Benefits paid (including administrative costs paid)	54	61
Closing defined benefit obligation	(1,217)	(1,121)

The weighted average life of JLPF liabilities at 31 December 2019 is 15.7 years (31 December 2018 – 15.6 years).

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

a) Pension schemes (continued)

Changes in the fair value of Schemes' assets

	31 December 2019 £ million	31 December 2018 £ million
Opening fair value of Schemes' assets	1,088	1,156
Interest on Schemes' assets	30	28
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	137	(62)
Contributions by employer	29	27
Benefits paid (including administrative costs paid)	(54)	(61)
Closing fair value of Schemes' assets	1,230	1,088

Analysis of the movement in the deficit during the year

	31 December 2019 £ million	31 December 2018 £ million
Opening deficit	(33)	(33)
Current service cost	(2)	(2)
GMP equalisation reserve	-	(21)
Finance cost	(1)	(1)
Contributions	29	27
Actuarial gain/(loss)	20	(3)
Pension deficit	13	(33)

History of the experience gains and losses

	Year ended 31 December 2019	Year ended 31 December 2018
Difference between actual and expected returns on assets:		
Amount (£ million)	137	(62)
% of Schemes' assets	11.0	5.7
Experience loss on Schemes' liabilities:		
Amount (£ million)	6	(4)
% of present value of Schemes' liabilities	0.5	0.4
Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax):		
Amount (£ million)	20	(3)
% of present value of Schemes' liabilities	1.6	0.3

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

b) Post-retirement medical benefits

The Company provides post-retirement medical insurance benefits to 55 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 2019 £ million	31 December 2018 £ million
Post-retirement medical benefits liability – opening	(7)	(8)
Contributions	1	1
Changes in financial assumptions underlying the present value of scheme's liabilities*	(1)	–
Post-retirement medical benefits liability – closing	(7)	(7)

* These amounts are actuarial gains/(losses) that go through the Group Statement of Comprehensive Income.

The annual rate of increase in the per capita cost of medical benefits was assumed to be 5.0% in 2019 (2018 – 5.2%). It is expected to increase in 2020 and thereafter at RPI plus 2.0% per annum (2018 – at RPI plus 2.0% per annum).

The amount of the medical benefit liability is highly dependent upon the assumptions used and may vary significantly from period to period. The impact of possible future changes to some of the assumptions is shown below. In practice, there would be inter-relationships between the assumptions. The analysis has been prepared in conjunction with the Company's actuarial adviser. The Company considers that the changes below are reasonably possible based on recent experience.

	(Increase)/decrease in medical liabilities at 31 December 2019 before deferred tax	
	Increase in assumption £ million	Decrease in assumption £ million
1.0% change on medical cost trend inflation rate	(1)	1
1 year change in life expectancy	(1)	1

20 PROVISIONS

	At 1 January 2019 £ million	Charge to Group Income Statement £ million	At 31 December 2019 £ million
Non-current provisions			
Retained liabilities	(2)	–	(2)
Total provisions	(2)	–	(2)

	At 1 January 2018 £ million	Credit to Group Income Statement £ million	At 31 December 2018 £ million
Non-current provisions			
Retained liabilities	(1)	(1)	(2)
Total provisions	(1)	(1)	(2)

Provisions of £2 million as at 31 December 2019 (31 December 2018 – £2 million) relate to retained liabilities from the legacy construction and home building businesses.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

21 SHARE CAPITAL

	31 December 2019 No.	31 December 2018 No.
Authorised:		
Ordinary shares of £0.10 each	493,000,636	490,775,636
Total	493,000,636	490,775,636

	31 December 2019		31 December 2018	
	No.	£ million	No.	£ million
Allotted, called up and fully paid:				
At 1 January	490,774,825	49	366,960,134	37
Issued under Rights Issue	–	–	122,320,044	12
Issued under LTIP	1,887,795		1,383,367	
Issued under LTIP – granted in lieu of dividends payable	108,968		77,115	
Issued under DSBP	115,049		32,606	
Issued under DSBP – granted in lieu of dividends payable	4,030		1,559	
Issued under buy-out awards	24,314		–	
Shares acquired by the EBT	(1,113,997)		–	
Issued under share-based incentive arrangements – total	1,026,159	–	1,494,647	–
Shares in issue	491,800,984	49	490,774,825	49
Retained by EBT	1,199,652	–	811	–
At 31 December	493,000,636	49	490,775,636	49

During the year ended 31 December 2019, 2,225,000 shares were issued to the EBT to satisfy awards vesting under share-based incentive arrangements (see note 7). Of these, 1,996,763 (2018 – 1,460,482) shares were used to satisfy awards vested and exercised under the Group's LTIPs, 119,079 (2018 – 34,165) shares were used to satisfy awards vested and exercised under the Group's DSBPs and 24,314 were used to satisfy awards vested and exercised under buy-out awards leaving 84,844 held by the EBT.

Subsequent to the LTIP awards vesting and being exercised, certain employees elected to sell shares, partly in order to satisfy tax liabilities arising on the awards. Of the 1,288,377 shares elected to be sold, the EBT was able to sell 174,380 shares in the open market and acquired the remaining 1,113,997 shares. The acquisition of shares by the EBT was funded by the Company and as a result of this transaction, a charge of £4 million has been made through reserves in the Group Statement of Changes in Equity as if such shares were treasury shares as defined by IFRS. Including this acquisition, the total number of shares held by the EBT at 31 December 2019 was 1,199,652, which are excluded for the purposes of calculating earnings per share and NAV per share.

The Company has one class of ordinary shares which carry no right to fixed income.

22 SHARE PREMIUM

	31 December 2019 £ million	31 December 2018 £ million
Opening balance	416	218
Share premium on Rights Issue	–	204
Costs of Rights Issue	–	(6)
Closing balance	416	416

23 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Profit from operations	111	310
Adjustments for:		
Unrealised profit arising on changes in fair value of investments (note 13)	(147)	(366)
Share-based incentives	4	3
IAS 19 service cost	2	2
GMP equalisation reserve	-	21
Contribution to JLPF	(29)	(27)
Increase in provisions	-	1
Operating cash outflow before movements in working capital	(59)	(56)
Decrease in trade and other receivables	2	-
(Decrease)/increase in trade and other payables	(4)	2
Net cash outflow from operating activities	(61)	(54)

24 RECONCILIATION OF NET DEBT

	At 1 January 2019 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2019 £ million
Cash and cash equivalents	6	(4)	-	2
Borrowings	(66)	(169)	(1)	(236)
Net debt	(60)	(173)	(1)	(234)

	At 1 January 2018 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2018 £ million
Cash and cash equivalents	3	3	-	6
Borrowings	(174)	106	2	(66)
Net debt	(171)	109	2	(60)

The cash movements from borrowings make up the net amount of proceeds from borrowings and repayment of borrowings in the Group Cash Flow Statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

25 GUARANTEES AND OTHER COMMITMENTS

At 31 December 2019, the Group had future equity and loan commitments in PPP and renewable energy projects of £219 million (31 December 2018 – £296 million) backed by letters of credit and guarantees of £101 million (31 December 2018 – £164 million) and cash collateral of £118 million (31 December 2018 – £132 million). There were also contingent commitments, performance and bid bonds of £3 million (31 December 2018 – £10 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.

Following the adoption of IFRS 16 Leases for the year ended 31 December 2019, the Group does not have any significant leases classified as operating leases. The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land and buildings as at 31 December 2018 falling due as follows:

	31 December 2018 £ million Total
Within one year	1
In the second to fifth years inclusive	3
After five years	2
	6

26 TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and its related parties are disclosed below.

Transactions with non-recourse entities

The Group entered into the following trading transactions with non-recourse project companies in which the Group holds interests:

	31 December 2019 £ million	31 December 2018 £ million
For the year ended:		
Services income*	11	9
Balances as at:		
Amounts owed by project companies	1	1
Amounts owed to project companies	(1)	(1)

* Services income is generated from project companies through management services agreements and recoveries of bid costs on financial close.

Transactions with recourse subsidiary entities held at FVTPL

The Group had the following transactions and balances with recourse subsidiary entities held at FVTPL that are eliminated in the Group financial statements:

	31 December 2019 £ million	31 December 2018 £ million
For the year ended:		
Management charge payable to the Group by recourse subsidiary entities held at FVTPL	31	31
Net interest receivable by the Group from recourse subsidiary entities held at FVTPL	4	4
Net cash transferred (to)/from investments at FVTPL (note 13)	(50)	12
Balances as at:		
Net amounts owed to the Group by recourse subsidiary entities held at FVTPL	176	215

26 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with other related parties

There were no transactions with other related parties during the year ended 31 December 2019.

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 2019 £ million	Year ended 31 December 2018 £ million
Cash/vested basis		
Short-term employee benefits	4	4
Post-employment benefits	–	–
Awards under long-term incentive plans	4	3
Social security costs	1	1
	9	8
Award basis		
Short-term employee benefits	4	4
Post-employment benefits	–	–
Awards under long-term incentive plans	1	1
Social security costs	1	1
	6	6

The average number of key management personnel during 2019 was 15, an increase from 14 during 2018. This is primarily due to the addition during 2019 of Latin America as a core region.

The awards under long-term incentive plans on a cash/vested basis are the awards that vested in April 2019 in relation to the 2016 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.

The awards under long-term incentive plans on an award basis are those outstanding during the year ended 31 December 2019 on all LTIPs, including the 2019 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.

27 EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

COMPANY BALANCE SHEET

as at 31 December 2019

	Notes	31 December 2019 £ million	31 December 2018 £ million
Non-current assets			
Investments at fair value through profit or loss	4	1,491	1,390
Total non-current assets		1,491	1,390
Current assets			
Trade and other receivables	5	466	300
Cash and cash equivalents		-	4
Total current assets		466	304
Total assets		1,957	1,694
Current liabilities			
Borrowings	6	(236)	(66)
Trade and other payables	7	(34)	(18)
Total current liabilities		(270)	(84)
Total liabilities		(270)	(84)
Net assets		1,687	1,610
Equity			
Share capital	8	49	49
Share premium	9	416	416
Other reserves		2	6
Retained earnings		1,220	1,139
Total equity		1,687	1,610

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 2019 was £124 million (2018 – £294 million).

The financial statements of John Laing Group plc, registered number 05975300, were approved by the Board of Directors and authorised for issue on 2 March 2020. They were signed on its behalf by:

Olivier Brousse
Chief Executive Officer

2 March 2020

Luciana Germinario
Chief Financial Officer

2 March 2020

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2019	49	416	6	1,139	1,610
Profit for the year	-	-	-	124	124
Total comprehensive income for the year	-	-	-	124	124
Share-based incentives	-	-	4	-	4
Vesting of share-based incentives	-	-	(4)	4	-
Purchase of own shares related to share base incentives	-	-	(4)	-	(4)
Dividends paid	-	-	-	(47)	-
Balance at 31 December 2019	49	416	2	1,220	1,687

	Share capital £ million	Share premium £ million	Other reserves £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2018	37	218	6	886	1,147
Profit for the year	-	-	-	294	294
Total comprehensive income for the year	-	-	-	294	294
Share-based incentives	-	-	3	-	3
Vesting of share-based incentives	-	-	(3)	3	-
Net proceeds from issue of shares	12	198	-	-	210
Dividends paid	-	-	-	(44)	(44)
Balance at 31 December 2018	49	416	6	1,139	1,610

The Company had distributable reserves of £376 million at 31 December 2019 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 2019

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Operating activities		
Profit before tax	124	294
Unrealised profit on changes in fair value of investments at FVTPL	(101)	(295)
Dividends receivable	(25)	(3)
Share-based incentives	4	3
Net cash inflow/(outflow) from operating activities	2	(1)
Investing activities		
Interest received	6	3
Dividends received	15	3
Increase in intercompany loans	(141)	(53)
Investment in subsidiary	(1)	-
Net cash outflow from investing activities	(121)	(47)
Financing activities		
Net proceeds from issue of shares	-	210
Purchase of own shares related to share-based incentives	(4)	-
Interest paid	(3)	(9)
Dividends paid	(47)	(44)
Proceeds from borrowings	339	15
Repayment of borrowings	(170)	(121)
Net cash inflow from financing activities	115	51
Net (decrease)/increase in cash and cash equivalents	(4)	3
Cash and cash equivalents at beginning of the year	4	1
Cash and cash equivalents at end of the year	-	4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

1 GENERAL INFORMATION

John Laing Group plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom and registered in England and Wales. 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 92 to 112.

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 135, 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 2019, the Company adopted one 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 2019 (and have been endorsed for use within the EU).

- IFRS 16 Leases
- 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*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

The new standard, amendments and interpretations do not have an impact on the financial statements of the Company.

New and amended IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company 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 17 *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IFRS 3 *Definition of a business*
- Amendments to IAS 1 and IAS 8 *Definition of material*
- Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

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:

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

2 ACCOUNTING POLICIES (CONTINUED)

b) Investments

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*.

(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.

2 ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

(i) Financial assets

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.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

4 INVESTMENTS

	31 December 2019 £ million	31 December 2018 £ million
At 1 January	1,390	1,095
Fair value movement	101	295
At 31 December	1,491	1,390
Investments at FVTPL*	1,477	1,375
Investments at cost less impairment	14	15
	1,491	1,390

* Net gain on investments at FVTPL for the year ended 31 December 2019 is £101 million (2018 – £295 million)

Details of the Company's direct investments and how they are recognised in the accounts are as follows:

Investments	Treatment	2019	2018
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%	100%
Laing Investments Management Services (France) Limited	Cost less impairment	100%	–
Laing Investments Management Services (Germany) Limited	Cost less impairment	100%	100%
Laing Investments Management Services (Israel) Limited	Cost less impairment	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) to 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 2019 £ million	31 December 2018 £ million
Due within one year:		
Amounts owed by subsidiary undertakings	466	300

The amounts owed by subsidiary undertakings at 31 December 2019 and 2018 are repayable on demand and interest is charged at arm's length interest rates.

The Company has made a £nil loss allowance for expected credit losses on trade and other receivables.

6 BORROWINGS

	31 December 2019 £ million	31 December 2018 £ million
Interest bearing loans and borrowings net of unamortised financing costs	(236)	(66)

Reconciliation of net debt:

	At 1 January 2019 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2019 £ million
Cash and cash equivalents	4	(4)	-	-
Borrowings	(66)	(169)	(1)	(236)
Net debt	(62)	(173)	(1)	(236)

	At 1 January 2018 £ million	Cash movements £ million	Non-cash movements £ million	At 31 December 2018 £ million
Cash and cash equivalents	1	3	-	4
Borrowings	(173)	106	1	(66)
Net debt	(172)	109	1	(62)

7 TRADE AND OTHER PAYABLES

	31 December 2019 £ million	31 December 2018 £ million
Amounts owed to subsidiary undertakings	(34)	(17)
Accruals and deferred income	-	(1)
	(34)	(18)

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

8 SHARE CAPITAL

	31 December 2019 No.	31 December 2018 No.
Authorised:		
Ordinary shares of £0.10 each	493,000,636	490,775,636
	493,000,636	490,775,636

	£ million	£ million
Allotted, called up and fully paid:		
493,000,636 ordinary shares of £0.10 (31 December 2018 – 490,775,636 of £0.10) each	49	49
	49	49

The Company has one class of ordinary shares which carry no right to fixed income.

	31 December 2019		31 December 2018	
	No.	£ million	No.	£ million
Allotted, called up and fully paid:				
At 1 January	490,774,825	49	366,960,134	37
Issued under Rights Issue	–	–	122,320,044	12
Issued under LTIP	1,887,795		1,383,367	
Issued under LTIP – granted in lieu of dividends payable	108,968		77,115	
Issued under DSBP	115,049		32,606	
Issued under DSBP – granted in lieu of dividends payable	4,030		1,559	
Issued under buy-out awards	24,314		–	
Shares acquired by the EBT	(1,113,997)		–	
Issued under share-based incentive arrangements – total	1,026,159	–	1,494,647	–
Shares in issue	491,800,984	49	490,774,825	49
Retained by EBT	1,199,652	–	811	–
At 31 December	493,000,636	49	490,775,636	49

See note 21 to the Group Financial Statements for details of the share issues in the year ended 31 December 2019.

9 SHARE PREMIUM

	31 December 2019 £ million	31 December 2018 £ million
Opening balance	416	218
Share premium on Rights Issue	–	204
Costs of Rights Issue	–	(6)
Closing balance	416	416

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 18. The Company's valuation methods are disclosed in note 18 to the Group financial statements.

	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
31 December 2019						
Fair value measurement method						
Non-current assets						
Investments	-	-	1,477	14	-	1,491
Current assets						
Trade and other receivables	-	466	-	-	-	466
Total financial assets	-	466	1,477	14	-	1,957
Current liabilities						
Interest-bearing loans and borrowings	-	-	-	-	(236)	(236)
Trade and other payables	-	-	-	-	(34)	(34)
Total financial liabilities	-	-	-	-	(270)	(270)
Net financial instruments	-	466	1,477	14	(270)	1,687
31 December 2018						
Fair value measurement method	n/a	n/a	Level 3	n/a	n/a	
Non-current assets						
Investments	-	-	1,375	15	-	1,390
Current assets						
Trade and other receivables	-	300	-	-	-	300
Cash and cash equivalents	4	-	-	-	-	4
Total financial assets	4	300	1,375	15	-	1,694
Current liabilities						
Interest-bearing loans and borrowings	-	-	-	-	(66)	(66)
Trade and other payables	-	-	-	-	(18)	(18)
Total financial liabilities	-	-	-	-	(84)	(84)
Net financial instruments	4	300	1,375	15	(84)	1,610

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 2019 £ million	Year ended 31 December 2018 £ million
Amounts owed by subsidiary undertakings	466	300
Amounts owed to subsidiary undertakings	(34)	(17)
Dividends received	25	3
Interest income received	6	6
Interest paid	(1)	(1)

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

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 2019, 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 £343 million (31 December 2018 – £197 million).

On 23 February 2018, the Company became an indemnitor to an uncommitted bonding facility from Tokio Marine HCC. At 31 December 2019 the sum outstanding on this facility was £nil (2018 – £25 million).

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 2019 the sum outstanding on this facility was £nil (31 December 2018 – £8 million).

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 2019 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 (France) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Germany) Limited	*	United Kingdom	100%	Note 1
Laing Investments Management Services (Israel) 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
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
Hurontario John Laing Holdco Corp	**	Canada	100%	100 King Street West, Suite 6200, 1 First Canadian Place, Toronto, Canada , M5X 1B8
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
John Laing Funding Limited	**	United Kingdom	100%	Note 1
John Laing Holdco Limited	*	United Kingdom	100%	Note 1
John Laing Homes Limited	**	United Kingdom	100%	Note 1
John Laing I-4 Holdco Corp	**	United States	100%	Note 8
John Laing I-66 Holdco Corp	**	United States	100%	Note 8
John Laing I-75 Holdco Corp	**	United States	100%	Note 8
John Laing I-77 Holdco Corp	**	United States	100%	Note 8
John Laing INH2 BV	**	Netherlands	100%	Note 3
John Laing Infrastructure Limited	**	United Kingdom	100%	Note 1
John Laing Investments Limited	**	United Kingdom	100%	Note 1
John Laing Investments (Cherry Tree) Pty Ltd	**	Australia	100%	Note 4
John Laing Investments (East Rockingham) BV	**	Netherlands	100%	Note 3
John Laing Investments (Grafton) BV	**	Netherlands	100%	Note 3
John Laing Investments (Granville) BV	**	Netherlands	100%	Note 3
John Laing Investments (Hornsedale) Pty Limited	**	Australia	100%	Note 4
John Laing Investments (Hornsedale 2) Pty Limited	**	Australia	100%	Note 4

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
John Laing Investments (Hornsedale 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 Spain SL	**	Spain	100%	Iberia Mart I, Calle Pedro Texeira 8, 28020 Madrid, Spain
John Laing Investments (Sunraysia) BV	**	Netherlands	100%	Note 3
John Laing Limited	**	United Kingdom	100%	Note 1
John Laing Live Oak Wind HoldCo Corp	**	United States	100%	Note 8
John Laing Projects & Developments (Holdings) Limited	**	United Kingdom	100%	Note 1
John Laing Social Infrastructure Limited	**	United Kingdom	100%	Note 1
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
Manara JL Holdco BV	**	Netherlands	100%	Note 3
Ruta del Cacao JL Holdco SL	**	Spain	100%	Iberia Mart I, Calle Pedro Texeira 8, 28020 Madrid, Spain
Non-recourse subsidiaries				
Subsidiary project companies (measured at fair value)				
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	100%	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 Holding 3 Pty Limited	**	Australia	100%	Note 4
Cross Yarra Holding Trust 3	**	Australia	100%	Note 4
Cross Yarra 3 Pty Limited	**	Australia	100%	Note 4

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
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
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	**	United Kingdom	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 Live Oak Wind OpCo LLC	**	United States	100%	Note 8
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
Live Oak Wind Class B Member LLC	**	United States	75%	Note 8
Live Oak Wind Holdco LLC	**	United States	75%	Note 8
Live Oak Wind Partners LLC	**	United States	75%	Note 8
Live Oak Wind Project LLC	**	United States	75%	Note 8
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

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
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
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
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
Vierte Nordergründe Beteiligungs GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany
Wind Hold Co 1 Limited	**	United Kingdom	100%	Note 1
Wind Project Co 1 Limited	**	United Kingdom	100%	Note 1
Windpark Horath Holding GmbH	**	Germany	100%	Note 7
Windpark Horath Verwaltungs GmbH	**	Germany	100%	Note 7
WP Horath GmbH & Co KG	**	Germany	100%	Note 7
Zweite Nordergründe Beteiligungs GmbH	**	Germany	100%	Lise-Meitner-Strasse 5, 28359 Bremen, Germany

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Details of the Company's joint ventures and other investments at 31 December 2019 were as follows:

Name		Country of incorporation	Ownership interest	Registered office
Non-recourse				
Joint venture project companies (measured at fair value)				
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 Pty Limited	**	Australia	17.26%	c/- Royal Adelaide Hospital, Port road, Adelaide SA 5000, Australia
Celsus Holding Trust	**	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
Concesionaria Ruta del Cacao SAS	**	Colombia	30%	Carrera 26 No. 36 - 14 oficina 702 edificio Fénix Bucaramanga, Santander, Colombia
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
East Rockingham RRF Finance Co Pty Ltd.	**	Australia	40%	Note 4
East Rockingham RRF Hold Co Pty Ltd	**	Australia	40%	Note 4
East Rockingham RRF Hold Co 2 Pty Ltd.	**	Australia	40%	Note 4
East Rockingham RRF Hold Trust	**	Australia	40%	Note 4
East Rockingham RRF Hold Trust 2	**	Australia	40%	Note 4
East Rockingham RRF Project Trust	**	Australia	40%	Note 4
East Rockingham RRF Project Co Pty Ltd.	**	Australia	40%	Note 4
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	15%	Note 5
HWF Holdco 1 Pty Limited	**	Australia	30%	Note 5
HWF 1 Pty Limited	**	Australia	30%	Note 5
HWF Holdco 2 Pty Limited	**	Australia	20%	Note 5

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
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
Mobilinx Hurontario General Partnership Project Co	**	Canada	35%	110 Matheson Boulevard West, 4th Floor, Mississauga, Ontario, Canada L5R 4G7
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%	Four Brindley Place, Birmingham, Midlands, B1 2HZ
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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2019

13 SUBSIDIARIES AND OTHER INVESTMENTS (CONTINUED)

Name		Country of incorporation	Ownership interest	Registered office
Transcend Property Limited	**	United Kingdom	50%	Note 1
Westcoast Wind Pty Ltd	**	Australia	49.8%	Level 13, 664 Collins Street, Dockland VIC 3008, Australia
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

* Entities owned directly by the Company

** Entities owned indirectly by the Company

*** 44.72% of share capital ownership and 55.9% investment in subordinated debt loan

**** 43.35% of share capital ownership and 51% investment in subordinated debt loan

Notes:

1. The registered office of these companies is: 1 Kingsway, London, WC2B 6AN
2. The registered office of these companies is: 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
3. The registered office of these companies is: Schiphol Boulevard 253 D-building, Schiphol, 1118 BH, The Netherlands
4. The registered office of these companies is: Level 16, 15 Castlereagh Street, Sydney NSW 2000, Australia
5. The registered office of these companies is: Suite 3 Level 14, 219-227 Elizabeth Street, Sydney NSW 2000, Australia
6. The registered office of these companies is: 4th Floor 4 Copthall Avenue, London, EC2R 7DA
7. The registered office of these companies is: Münzstraße 21, D-10178 Berlin, Germany
8. The registered office of these companies is: 251 Little Falls Drive, Wilmington, Delaware 19808, USA
9. 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 2019 broken down by infrastructure sector are as follows:

Sector	Company name	Project name	% owned	Description	Operational start date	No. of operational 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.	Sept 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.	Jun 2017	30	£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.	May 2015	25	£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.	Jun 2020	20	£50 – £100 million
Other accommodation	Uliving@Brighton Limited	University of Brighton PBSA	85%	Financing, development and management of the new student facilities.	Oct 2021	50	< £10 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.	Jun 2017	20	£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.	Jul 2018	20	£25 – £50 million
	East Rockingham RRF Project Co. Pty Ltd.	East Rockingham	40%	Design, build, finance and operate a 29 MW waste to energy plant in Western Australia.	Jan 2023	40	£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.	Jun 2016	25	£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.	Jul 2017	30	£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	25	£10 – £25 million
	HWF 1 Pty Limited	Hornsedale Wind Farm (Phase 1)	30%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	Nov 2016	30	£10 – £25 million
	HWF 2 Pty Limited	Hornsedale Wind Farm (Phase 2)	20%	Design, build, finance and operate 32 turbines to give 100 MW total installed capacity in Australia.	Jun 2017	30	< £10 million

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED) continued

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

Sector	Company name	Project name	% owned	Description	Operational start date	No. of operational years	Equity committed / invested (par value)
Environmental (continued)	HWF 3 Pty Limited	Hornsedale Wind Farm (Phase 3)	20%	Design, build, finance and operate 35 turbines to give 109 MW total installed capacity in Australia.	Dec 2017	30	< £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	30	£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 2016	30	< £10 million
	Svartvallsberget SPW AB	Svartvallsberget Wind Farm	100%	Design, build, finance and operate ten 2 MW turbines in Sweden.	Jul 2014	25	£10 – £25 million
	Klettwitz Shipkau Nord Beteiligungs GmbH	Klettwitz Wind Farm	100%	Design, build, finance and operate the re-powering of a windfarm with 27 turbines to give 89 MW total installed capacity in Germany.	Nov 2016	25	£25 – £50 million
	Parc Eolien des Courtibeaux SAS	St Martin Wind Farm	100%	Design, build, finance and operate five 2.05 MW turbines in France.	Jun 2018	30	< £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.	Dec 2017	30	£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.	Nov 2017	28	£25 – £50 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.	Jan 2018	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.	Oct 2018	35	£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.	Dec 2019	35	£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.	Dec 2020	35	£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.	May 2020	30	£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.	May 2020	30	£25 – £50 million
Live Oak Wind Project LLC	Live Oak wind farm	75%	A 200 MW wind farm in Schleicher County, Texas, US.	Dec 2018	30	£50 – £100 million	

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

Sector	Company name	Project name	% owned	Description	Operational start date	No. of operational years	Equity committed / invested (par value)
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 2003	24	< £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.	Dec 2021	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.	Nov 2019	50	£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.	Dec 2022	50	> £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.	Jul 2019	20	< £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.	Jul 2016	21	£10 – £25 million
	Denver Transit Partners LLC	Denver Eagle P3	45%	Design, build, finance, maintenance and operation of passenger rail systems in Denver, Colorado. Construction cost USD \$1.27 billion.	Apr 2019	25	£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.	Mar 2020	16	£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.	Sep 2024	25	£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.	Dec 2023	20	£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.	Aug 2023	25	£10 – £25 million

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED) continued

DETAILS OF INVESTMENTS IN PROJECT COMPANIES (CONTINUED)

Sector	Company name	Project name	% owned	Description	Operational start date	No. of operational years	Equity committed / invested (par value)
Transport (continued)	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.	Feb 2022	10	£10 – £25 million
	Mobilnx Hurontario General Partnership Project Co	Hurontario	35%	Design, build, finance, operate and maintain the Hurontario Light Rail project on Ontario, Canada.	Sep 2024	30	£10 – £25 million
	Concesionaria Ruta del Cacao SAS	Ruta del Cacao	30%	Design, build, finance, maintenance and operation of 236km of road connecting the cities of Bucaramanga, Barrancabermeja and Yondó, Colombia.	May 2022	22.5	£50 – £100 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.	Jun 2020	40	£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.	Dec 2019	26.5	£10 – £25 million

SHAREHOLDER INFORMATION

FINANCIAL DIARY

3 March 2020	Full year results presentation
23 April 2020	Ex-dividend date for final dividend
24 April 2020	Record date for final dividend
7 May 2020	Annual General Meeting
15 May 2020	Payment of final dividend
August 2020	Announcement of half year results
October 2020	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 UK 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
52 Lime Street
London EC2M 7AF

AIB Group (UK) P.L.C.
1 Undershaft
London EC3A 8AB

JOINT STOCKBROKERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ

INDEPENDENT VALUER

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

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.

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John Laing Group plc

Registered Office:
1 Kingsway
London
WC2B 6AN
United Kingdom

Registered No. 05975300

Tel: +44 (0)20 7901 3200

Further copies of this Annual Report & Accounts are available by visiting the Company's website or at the address above

www.laing.com