

**JOHN LAING plc**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2013**



**Registered number: 1345670**

Annual Report & Accounts **2013**

**John Laing**  
making infrastructure happen

**THE LEADING INTERNATIONAL**  
INFRASTRUCTURE INVESTOR AND ASSET MANAGER

**“John Laing is positioned as a market leader  
in privately financed infrastructure investment,  
with a portfolio valued at more than £680m.”**

**John Laing plc** (the Company the Group or John Laing )

is a leading international infrastructure investor and asset manager

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## KPIs AND FINANCIAL HIGHLIGHTS

### KPIs

	2013	Restated 2012
Assets under Management <sup>1</sup>	<b>£1,544.6m</b>	£1,120.9m
Portfolio valuation <sup>2</sup>	<b>£684.4m</b>	£574.7m
Cash yield from investments <sup>3</sup>	<b>£29.3m</b>	£26.7m
New investment committed	<b>£112.4m</b>	£146.1m

### IFRS statutory accounts

Profit before tax	<b>£125.8m</b>	£80.9m
Net assets	<b>£524.9m</b>	£427.1m
Proceeds from investment realisations <sup>4</sup>	<b>£110.5m</b>	£137.4m

## FINANCIAL HIGHLIGHTS

- Strong growth in assets under management
- Portfolio valuation increased to £684.4 million (2012 restated – £574.7 million)
- Investment commitments of £112.4 million on ten projects (2012 – £146.1 million on seven projects)
- Profit before tax increased to £125.8 million (2012 restated – £80.9 million)
- Profit before tax of £104.6 million excluding gain on sale of JLIS
- £110.5 million proceeds from sales of investments in five PPP projects

- 1 Assets under Management comprise the sum of the Directors' portfolio valuation (net of the market value of John Laing's shareholding in JLIF), JLIF's market capitalisation and PPP assets held by JLIF as at 31 December
- 2 Portfolio valuation represents the Directors' valuation of the Group's Primary and Secondary Investment portfolios
- 3 Cash yield from investments comprises subordinated debt interest, dividends and capital redemptions received from project companies
- 4 Proceeds from investment realisation in 2012 include £44.5 million from sales of JLIF shares

## OUR CORE VALUES

### Are the foundation of what we do and how we do it

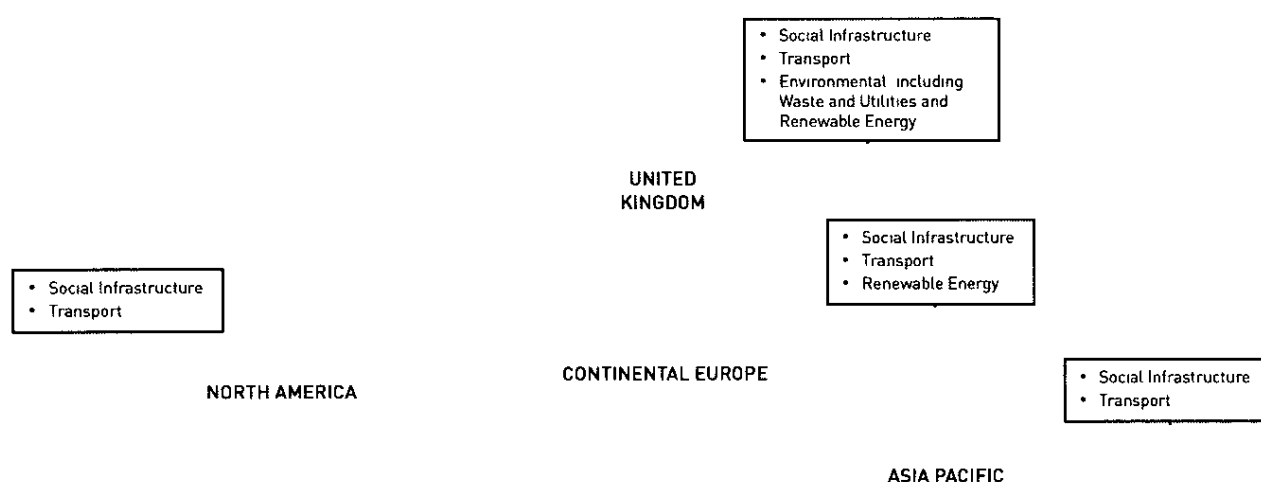
They are the belief system by which we as a business operate, defining the manner in which we interact with and treat each other and our external stakeholders. The John Laing Core Values provide a set of guiding principles for our people, wherever they are, across the Group.

- Commitment
- Adaptability
- Partnership
- Responsibility
- Integrity

**“The business has a strong pipeline of investment opportunities spread across multiple sectors and geographies.”**

## OUR INTERNATIONAL REACH

**John Laing has a well-established presence in its chosen overseas markets: North America, Continental Europe and the Asia Pacific region.**



## OUR ACTIVITIES

### PRIMARY INVESTMENT

Our primary investment activities involve sourcing, bidding for and winning greenfield infrastructure projects. Our Primary Investment portfolio includes traditional PPP projects, strategic partnership structures for healthcare schemes in the UK, as well as renewable energy projects. We work with partners who are individually selected for each project and we bring our broad skills base to everything we do.

### SECONDARY INVESTMENT

Our secondary investment activities involve holding operational PPP and renewable energy infrastructure projects, most of which were originally primary investments for John Laing. We aim to deliver projected investment returns and consistent growth in the value of the Secondary Investment portfolio. Key to this is developing strong working relationships with partners.

### ASSET MANAGEMENT

We provide investment management services to both the Group's Primary and Secondary Investment portfolios, to John Laing Infrastructure Funds (JLIF) investments, and to certain PPP assets held by the John Laing Pension Fund (JLPF). Services include shareholder representation through the provision of directors to the boards of project companies and a central specialist function which identifies and implements value enhancements and carries out portfolio valuations.

**We aim to deliver predictable investment returns and consistent growth in the value of the Primary and Secondary Investment portfolios we manage on behalf of our shareholders, as well as the secondary investments we manage on behalf of third party investors**

## SECONDARY INVESTMENT

[illegible]

CHAIRMAN'S STATEMENT

Phil Nolan  
CHAIRMAN

VALUE CREATION

→ Portfolio valuation	→ Cash yield from investment
£684 4 million	£29 3 million
→ New investment committed	→ Profit before tax (excluding gain on sale of JLIIS)
£112 4 million	£104 6 million

# We have established a strong platform for growth

and the Company is in an excellent position to continue to invest profitably in the years to come



**This has been a pivotal year for John Laing. Following a comprehensive review of the Group, we simplified our structure and sold our facilities management business. The core business remaining has delivered a strong performance across the full range of its activities in Primary Investment, Secondary Investment and Asset Management. This performance has enhanced profitability and created long-term value.**

At the end of the year, the combined value of Assets under Management across the three activities stood at £1.5 billion, an increase of 38% from the equivalent valuation at the end of 2012.

Within Assets under Management, our combined Primary and Secondary Investment portfolios grew in value by £134 million, a 24% year on year increase.

Our IFRS profit before tax increased to £105 million (excluding a profit of £21 million on the sale of John Laing Integrated Services (JLIS)).

Investment commitments in the year totalled £112 million, down on last year's record level but still on a strong upward trend. Projects to which we are committing capital include New Generation Rollingstock (NGR), a rail rolling stock project in Queensland, Australia; Alder Hey, a new hospital development in the UK; and a number of further investments in wind farm projects in the UK and Sweden.

We successfully extended our business model several years ago from our original PPP market in the UK to other geographies and adjacent infrastructure sectors, and established ourselves as a leading

international infrastructure investor and asset manager. In each of our principal markets of Europe, North America and Asia Pacific, we are encouraged by the continuing strong demand for new privately-financed infrastructure and the investment opportunities that result from this. We deploy our resources carefully to ensure we target those markets and those sectors which are most attractive to us and where transaction flow is most secure, while at all times exercising close control over our costs.

Having built up a significant position in the waste and renewable energy sectors, we have launched a new fund, John Laing Environmental Assets Group (JLEN), shares in which are due to begin trading on 31 March 2014. With proceeds from its flotation, JLEN will acquire a seed portfolio of renewable energy and waste assets from John Laing and one wastewater treatment asset from a fund managed by Henderson Equity Partners. The launch of a second listed fund bearing the John Laing name marks a major step forward for the Group and follows the statement I made last year about our desire to expand our third party asset management activities.

Early in 2013, we entered into a four-year bank facility of £285 million and increased this to £305 million in October 2013. This facility provides us with a stable financing platform. We are financing future investments through a combination of cash flow from existing assets and our corporate borrowing facility. We also disposed of five investments during the year, including three investments to John Laing Infrastructure Fund (JLIF), our first listed fund, which was established in 2010.

Our Assets under Management increased to £1,544.6 million at 31 December 2013 from £1,120.9 million at 31 December 2012, resulting in increased income for our Asset Management division. We expect further growth in Assets under Management in 2014, especially as a result of the launch of JLEN.

Following endorsement in November 2013 by the EU of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), the Group concluded that it qualifies as an investment entity under those Amendments. Accordingly, the Group has adopted investment entity accounting in its 2013 accounts, with prior year comparative numbers restated. As an

investment entity, the Group records all its investments in project companies at fair value, whereas previously it consolidated those project companies which were subsidiaries. The Board believes that readers will find the new presentation of the Group accounts helpful to their understanding of the business.

Much to our regret, Adrian Ewer has decided to retire. Adrian has given outstanding service to the Company – 23 years in total, eight of which as Chief Executive – and his leadership has been exemplary. He leaves the business well equipped for future growth and, on behalf of the Board, I thank Adrian and wish him a well-deserved retirement.

In January 2014, we announced the appointment of Olivier Brousse as Chief Executive. We are delighted to have attracted someone of his calibre to succeed Adrian. The Board believes Olivier brings with him the necessary drive and experience to ensure we are well placed for the future.

The Board met again during the year outside the regular meeting calendar to review strategy. The focus was on the structure of the Group and the steps required to position it for the future. As a result of these discussions, the Board took the decision to sell JLIS, the Group's facilities management business. The sale of JLIS completed in October 2013 and we wish all its staff well under their new ownership.

The Board has worked effectively during the year and I am confident we have the right blend of skills and experience at both executive and non-executive level to capture the opportunities available to the business and to continue to take the Group forward. Equally, this year's performance would not be possible without the dedication and commitment of our staff and, once again, I would like to thank them for their very strong contribution.

This year, we have again demonstrated the strength and flexibility of our business model and we have established a strong platform for growth in a sector where demand is growing worldwide. The simplification of our structure allows us to focus on our core strengths and puts the Company in an excellent position to continue to invest profitably in the years to come.

**Phil Nolan**  
CHAIRMAN



## CHIEF EXECUTIVE'S REVIEW

“

I am very pleased to report that 2013 was yet another year of strong performance. We have become a successful developer of onshore renewable energy projects and have built a high quality pipeline of PPP investment opportunities in rail, roads and social infrastructure.

We delivered impressive results in each of our three core activities – Primary Investment, Secondary Investment and Asset Management – and consolidated our position as a leading international infrastructure investor and asset manager. A key feature of the John Laing strategy is to maintain a flexible business model so that we are constantly re-aligning our human and financial resources with the sectors and geographies that offer us the greatest potential to invest profitably whilst always focusing on our core expertise. The 29% growth in profit before tax to £104.6 million (excluding the gain on the sale of JLIIS) and 24% underlying growth in portfolio value compared to 17% in the previous year are testimony to the resilience of our strategies.

**OBJECTIVES** Our objectives for the business are to grow its profitability and value.

- *Primary Investment* by winning new opportunities to invest in pre-construction infrastructure projects and through the successful completion of in-construction projects.
- *Secondary Investment* by generating a strong yield from operational projects as well as enhancing their value and
- *Asset Management* by growing our Assets under Management (AUM) and associated fee income through the efficient delivery of investment management services.

**STRATEGIES** John Laing's strategies to achieve these objectives are centred on:

- Growth in the volume of funds committed to infrastructure.
- Growth in both the value of project investments during the construction and operating phases and in cash yield from operating projects.
- Growth in the total value of AUM.
- Cost efficiencies in bidding and asset management.
- Growth in fee income from managing third party assets.

Risk management is high on our agenda in order to mitigate against the potential delivery risks, revenue risks and operational risks associated with major infrastructure projects. Our projects are held within Special Purpose Vehicles (SPVs) and structured such that providers of third party debt finance have no contractual recourse to equity investors.

### Strategies for growing investment volumes

Our Primary Investment team is responsible for growing the volume of investment committed to infrastructure projects. We target those countries or geographic regions in which four key criteria are capable of being met:

- Central or local government demonstrates commitment to developing a pipeline of PPP projects and we can see a clear political will to drive the programme.
- There is a stable political and legal framework and we are confident that long-term contracts with government counterparties will be fairly interpreted and honoured.

### THREE CORE ACTIVITIES

# The John Laing business model

is designed to deliver cost efficiency, value creation and optimised investment yields over the life of PPP or renewable energy projects

- Financial returns on infrastructure projects are likely to meet our hurdle rates on a risk adjusted basis. The Board reviews the hurdle rates of return for each geographic region on an annual basis
- We can develop strong relationships with supply chain partners (contractors, service providers and providers of project finance) who demonstrate strong credentials for delivery in the local market

Our activities are currently focused on the UK, Continental Europe, North America and Asia Pacific. Within these broad geographic regions, the overseas countries that feature most prominently in our bid pipeline are the US, the Netherlands, Belgium, Sweden, Australia and New Zealand. The US and Asia Pacific markets, in particular, offer strong opportunities for future investment.

The sectors that we target for PPP investment fall into three main categories: social infrastructure, environmental infrastructure and transport infrastructure. We do not aim to strike any particular balance between the levels of investment within each of these categories but we do aim to maintain a balance in terms of delivery risk and revenue risk. In particular, we limit our exposure to projects that have revenue risk associated with patronage or real tolls and we monitor closely our exposure to any single construction partner. At 31 December 2013, 19% by value of our portfolio of PPP projects had revenue exposure to patronage/real toll risk.

John Laing is independent of supply chain partners and this enables us to shift our geographic and sector focus as markets change. Our independence sets us apart from competitors who have construction or service businesses at their core, and our project and asset management heritage sets us apart from purely financial investors.

In the renewable energy sector, which is still relatively immature in certain markets, our strategy has been to build a portfolio of onshore wind and solar projects. We have not set geographic boundaries but to date our investments have been in the UK and Sweden. In addition to growing a portfolio of solar and onshore wind assets, we are actively pursuing biomass projects.

In the immediate future, the strategy for Primary Investment growth will remain focused on PPP and renewable energy within our existing geographic markets. The profile of investment in PPP projects can be irregular due to the very long lead times between pre-qualification as a bidder and financial close. In 2012 we committed £146 million to infrastructure investments, including £84 million on Phase 1 of the Intercity Express Programme (IEP). In 2013 we committed £112 million and in 2014 we expect to see another step change as Phase 2 of IEP should reach financial close.

## Strategies for growing project values

Our strategies are designed to deliver base case investment returns as a minimum, and to enhance those returns through active asset management. We categorise these strategies under two headings: value protection and value enhancement.

### Value protection

- To ensure construction risks associated with design, workmanship, cost overruns and delays lie with our construction supply chain partners
- To ensure operational performance and cost risks, often referred to as 'hard and soft Facilities Management (FM)' for social infrastructure projects, lie principally with our service supply chain partners

- To eliminate the risk of increased interest costs over the life of an infrastructure project by swapping variable interest rates to fixed interest rates on third party debt finance
- To structure projects so that there is a positive correlation between investment returns and inflation rates
- To target PPP projects which have government-backed revenue streams based on availability of the underlying infrastructure asset rather than revenues based on patronage or real tolls
- To reduce the impact of short-term volatility on revenues in our renewable energy projects by entering into short/medium term power purchase agreements with electricity suppliers

### Value enhancement

- To optimise major maintenance and asset renewal costs over the life of an infrastructure project and thereby increase investor returns
- To optimise SPV management costs and project insurance premiums through bulk purchasing or efficiency gains, thereby increasing investor returns
- To respond to clients' needs for changes over the life of PPP infrastructure projects and where possible generate incremental revenues therefrom
- In renewable energy projects, to capture the benefit of long-term upward pressure on energy prices
- To ensure projects are efficiently financed

## CHIEF EXECUTIVE'S REVIEW / continued

**Strategies for growth in AUM**

In 2010 John Laing launched JLIF on the London Stock Exchange. As a listed fund, JLIF has been able to raise new capital each year for the purpose of acquiring investments in operational PPP assets from John Laing and other parties. Through our investment advisory role, we have helped JLIF to grow from its original launch value of £270 million to a market capitalisation of £883 million at 31 December 2013.

John Laing has a strategy to grow the value of its AUM. This will be achieved in part through growth in the value of JLIF and in part by the launch of new secondary funds. Consistent with this, we have launched JLEN, a new environmental fund, which will hold renewable energy, wastewater treatment and waste management assets.

**Strategies for achieving cost efficiencies**

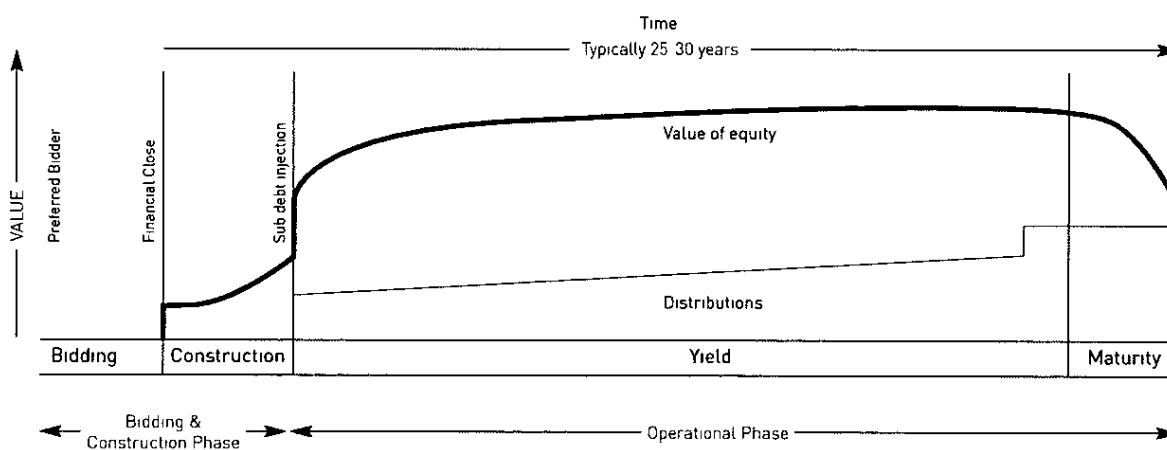
Our costs fall under two main headings:

- Bid costs and
- Asset management costs

The quantum of bid costs that we incur is a function of the volume of bids that we work on. The Board manages bid costs at risk by setting an annual budget based on a percentage of the potential investment value.

Asset management costs cover all activities other than bidding. Costs largely reflect staffing levels, office accommodation and IT. Our strategy is to minimise directly related costs as a percentage of AUM and to grow fee income from managing third party assets.

**BUSINESS MODEL** The John Laing business model is designed to deliver cost efficiency, value creation and optimised investment yields over the life of a PPP or renewable energy project. The life of a PPP project typically breaks down into the phases depicted below.

**VALUE CREATION**

During the bidding phase we are focused on the identification of winning strategies for the bid. This includes joining or assembling consortia for PPP projects with strong sector-specific credentials. John Laing typically provides experienced staff to lead or participate in the bid process, and we speculate bid costs appropriate to the investment potential prior to the selection of a preferred bidder by the client.

The renewable energy projects we target typically already have planning permission and grid connection offers – we then take projects through contract tendering, construction and full commissioning. We maintain a wide range of contacts through which we access new renewable energy opportunities and we may also bid for assets being sold. We seek to minimise our bidding costs until we reach an exclusive position with vendors.

At the point of committing to new investments whether they be PPP or renewable energy projects, our decision is based upon the target rates of return included within the investment appraisal (base case returns). Base case returns are measured as IRRs over the whole project life and as annualised returns over the expected period to steady-state operations at which point the investment can be valued as an operational, de-risked asset. Value is created by recognising the difference (ie the 'yield shift') between the primary or pre-construction rates of return on which we base our investment decisions and the secondary yields typically delivered by operational infrastructure assets. Value is also created by improving the future cash distributions to investors as a result of the value enhancement strategies described above.

After construction completion, the value that has been generated through the yield shift between primary and secondary investment returns can either be held within our portfolio valuation and realised on an ongoing basis, or it can be crystallised by selling our investment into the secondary market, providing the Group with additional capital for primary investment. John Laing has created a robust platform for realising investments in operating PPP projects with the establishment of JLIF as a leading secondary market investor. Not only does this provide the opportunity to re-cycle capital into new primary PPP investment opportunities, it also generates asset management fee income. The establishment of JLEN as a secondary market participant should provide John Laing with a further such platform for environmental assets, including renewable energy projects.

## MARKET REVIEW

**Overseas Markets – PPP** The overseas markets where the business is currently active are North America, Europe and Asia Pacific.

In North America we have been bidding in the Canadian market for a number of years but this market has become very competitive. As a result, and despite some early successes when we entered the Canadian market, our win rate has not been at the levels that we expected. During 2013, we reviewed our strategy for this market and concluded that we should be even more selective about the projects we target.

We are now seeing an increased level of activity in the US PPP market and this is where our North American team is focusing its attention. Projects in the US market tend to arise from the need for upgraded transport links – roads, bridges and rail – and revenues are generally linked to availability, as opposed to real tolls.

In Europe, our activities are concentrated on Benelux, the Nordic region and Germany. There are a small number of infrastructure projects under procurement within these markets and, as with the US, the majority are transport-related.

In the Asia Pacific region we are concentrating upon Australia and New Zealand. In these jurisdictions, projects cover both social infrastructure and transport. We have had recent success in the rail sector in Australia and this specific sector presents a number of further PPP opportunities. We have a strong pipeline of projects to bid in Australia and we see this as the main driver of growth in our portfolio of PPP investments over the next few years.

**Renewable Energy – UK and Overseas** We have now established a significant presence in the renewable energy sector. While there is ongoing political debate about whether government support for renewable energy should be at the expense of energy consumers or tax payers, that should not have any lasting impact on the need to continue developing new projects. The UK has a legally binding target set at 15% of total energy consumption being sourced from renewable energy sources by 2020, just 4% was achieved in 2012.

Returns from UK renewable energy are competitive but are still attractive to investors. John Laing has established a sound platform in the UK and a presence in Sweden in this sector. To achieve continued profitable growth, the Company will also target other overseas markets.

→ Manchester Waste VL CO UK

## CHIEF EXECUTIVE'S REVIEW / continued

→ A1 Gdansk Poland

**UK – PPP** Budgetary constraint continues to influence UK government procurement. Given this and the time it has taken to develop the PF2 model (which replaced PFI in the UK in late 2012) it is not surprising that the value of PFI/PF2 projects entering procurement over the last two years has been relatively low.

John Laing has been at the forefront of developing new funding models to deploy where public sector clients have requirements for new or improved infrastructure but where the use of PFI/PF2 is not appropriate. We are currently focusing on schemes in the health sector on which we are making good progress. In Scotland there are a small number of infrastructure projects in procurement under the 'Not for Profit Distribution' model. While returns on these projects are relatively low, the risks to investors are commensurately reduced when compared to PFI/PF2.

John Laing has an existing preferred bidder position in the rail sector (IEP Phase 2) which was originally established in 2009. This presents a significant investment opportunity in 2014 subject to project financing negotiations which are progressing satisfactorily.

**RESULTS** The profit before tax on continuing operations for the year ended 31 December 2013 was £104.6 million before the gain on the sale of JLIS of £21.2 million (2012 – £80.9 million). The increase was driven by growth in our portfolio valuation.

**INVESTMENT PORTFOLIO** As at 31 December 2013, our portfolio of infrastructure investments comprised 45 projects, excluding the shareholding in JLIF (2012 – 45 projects). Based on the Directors' valuation methodology which is explained on page 22, the year-end portfolio value, including the shareholding in JLIF, was £684.4 million (2012 – £574.7 million). During 2013, we invested cash of £115.5 million (2012 – £115.6 million) in line with investment commitments entered into.

The portfolio valuation represents the Directors' assessment of the fair value of investments in projects based on discounted cash flow methodology other than shares in JLIF which are held at market value. The 2013 valuation reflected underlying growth of 24.3% after adjusting for acquisitions, realisations, new investment and cash yield.

The weighted average discount rate used in the portfolio valuation for 2013 was 9.3% (2012 – 8.6%), reflecting the increase in our Primary Investment portfolio and amendments to our valuation methodology. The weighted average is made up of 10.0% for Primary Investment and 8.6% for Secondary Investment.

The cash yield from the Secondary Investment portfolio in 2013 was £29.3 million (2012 – £26.7 million), a yield of 7.6% (2012 – 7.5%). This represents cash receipts in the form of dividends, interest and shareholder loan repayments.

**JOHN LAING INTEGRATED SERVICES (JLIS)**

In October 2013 we sold our wholly-owned subsidiary JLIS to Carillion plc. JLIS provides facilities management services to PPP project companies as well as directly to public sector clients. The disposal underlines our continued focus on our core business of bidding for, investing in and providing asset management services to infrastructure projects.

**STAFF** Our staff numbers reduced significantly during 2013 following the sale of JLIS which was by far the largest employing entity within the business. Excluding JLIS we reduced our staff numbers from 270 at the beginning of the year to 215 on 31 December 2013. This reduction occurred mainly within our UK activities as we re-aligned our human resources and cost base recognising the reduced UK market for PFI/PF2 projects.

**PROSPECTS** It is key to the John Laing strategy that we maintain a flexible approach towards individual markets and sectors. This has enabled us in the past to respond quickly to changing market conditions and to align our resources and expertise with the best opportunities to grow our investment portfolio. We operate in sectors that depend upon government support and as recent experience has taught us the level of support in any one market can change relatively quickly – we need to continue to adapt our response accordingly.

Over the last two years we have built a solid platform in UK renewable energy and in Australian PPP projects. We believe that the US will become a very significant market for PPP projects and that renewable energy will continue to remain a key focus in many markets. Based on these alone we see a significant opportunity to grow investment volumes and in the UK IEP Phase 2 should give us a strong start to 2014.

We expect there will continue to be sufficient yield shift between primary investment returns and the discount rates applied to secondary asset valuations. We also expect to see further increases in the value of third party AUM and this will generate increased fee income from our asset management activities.

Finally, I feel privileged to have been Chief Executive of John Laing for the last eight years and to have worked with such a committed inspirational and innovative group of people throughout my career at John Laing. I believe we have achieved great success in positioning the business as a market leader in privately financed infrastructure and I would like to thank my colleagues for all their support. The business is in robust health and I would like to wish my successor, Olivier Brousse every success.

**Adrian Ewer**  
CHIEF EXECUTIVE

## PRIMARY INVESTMENT



For more than 30 years, we have been associated with bidding for and winning a wide range of innovative projects in the infrastructure sector. We continue to build on that heritage, using our wide skill base and experience, combined with independence from the supply chain, financial analysis, technical, operational and sector skills to help meet clients' needs.

**Derek Potts**  
EXECUTIVE DIRECTOR  
PRIMARY INVESTMENT

→ **INTERCITY EXPRESS PROGRAMME (IEP), UK** The IEP comprises the infrastructure, rolling stock and franchise changes needed to replace services operated by the UK's aging fleet of high speed trains on two of Britain's busiest intercity rail routes: the Great Western Mainline (GWML) and the East Coast Mainline (ECML). Agility Trains, a consortium of John Laing and Hitachi, achieved financial close for the GWML or Phase 1 project in July 2012. Financial close for the ECML or Phase 2 project will follow in 2014. With a total value in excess of £4.5 billion it is one of the largest PPP projects to be awarded.

## HIGHLIGHTS

- **Renewable Energy** – closed six investments in 2013, in the second full year of the Group's activity in this strongly developing sector. Our focus continues to be on onshore wind and solar photo-voltaic generation projects.
- Secured agreement from the UK government to the IEP Phase 2 rail project, which is planned to reach financial close in spring 2014 with total financing in excess of £2.0 billion.
- Awarded preferred bidder status and reached commercial close on the NGR project in Australia, the Group's first rail investment in that country. Financial close was achieved on 15 January 2014.
- Awarded preferred bidder status and reached financial close on the Alder Hey hospital project in the UK, adding to the Group's long history of investments in this sector.
- Awarded preferred bidder and reached commercial close on a new strategic health partnership with the Cambridge NHS Trust in the UK, from which an initial mixed hospital/hotel/conference centre project (the 'Addenbrookes Forum') is due to reach financial close in 2014.
- Developed an enhanced pipeline of shortlisted positions in the Australian PPP market, providing a strong platform for 2014 and 2015 investment opportunities and also established a strong position for the increasing opportunities we see in the US market.

**During 2013, the Primary Investment team successfully secured ten investments, consisting of total commitments of £112.4 million. This included eight investments in renewable energy projects in the UK and Sweden.**

## BUSINESS REVIEW

John Laing's Primary Investment activities involve sourcing, bidding for and winning greenfield infrastructure projects. During 2013, the Primary Investment team successfully secured ten investments, consisting of total commitments of £112.4 million. This included eight investments in renewable energy projects in the UK and Sweden.

The Primary Investment portfolio comprises the Group's shareholdings in 14 PPP projects as well as in six renewable energy projects which have recently reached financial close and/or are in the construction phase. The Directors' valuation of the Group's Primary Investment portfolio was £300.7 million at 31 December 2013 (2012 – £219.1 million).

Asset management services in respect of the Primary Investment portfolio are provided by John Laing's Asset Management team. When underlying projects reach the end of construction, the investments transfer into our Secondary Investment portfolio.

The Primary Investment team is responsible for all the Group's bid development activities. This includes traditional PPP projects as well as renewable energy investments and new strategic partnership structures in the UK health sector. The team takes responsibility for market research, project selection, bid co-ordination and finalisation of negotiations with public sector clients or vendors and the supply chain through to financial close. Activities are focused in Europe, North America and Asia Pacific. John Laing works with strong delivery partners in each market. For instance, in the UK, the Group is currently working with leading contractors and service providers including Costain, Hitachi, Interserve, Laing O'Rourke, Pinnacle, Shanks, Skanska, Sir Robert McAlpine, Viridor and Wates. This approach is replicated overseas in each region.

Activities cover a wide variety of sectors including all the main social infrastructure areas such as healthcare, education, police and criminal justice, government and local authority accommodation, social housing and defence, as well as transport (roads, street lighting, highways maintenance and rail) and environmental projects (waste management and renewable energy).

In the PPP sector, we maintained our international reach during the year and deepened our engagement in the most active markets. This was particularly the case in Australia, where we substantially enhanced our shortlisted positions during the year, providing a strong platform for investment opportunities in 2014 and 2015. In North America and Continental Europe, John Laing's bidding activities continued, although public expenditure constraints in certain markets moderated the flow of opportunities. In the UK, sectors like rail continued to provide good opportunities, such as IEP Phase 2, although social infrastructure programmes were at low levels. We are participants in consortia bidding for PPP projects in transportation and social infrastructure in Scotland.

In 2013, the Group continued to implement its strategy in the renewable energy sector. We financially closed six investments during the year, as well as securing rights to two onshore wind farm projects in the UK and Sweden, both of which should reach financial close in the first half of 2014. Renewable energy is a very important focus for the Group and offers a valuable diversification away from government-funded capital procurement. At the end of 2013, projects under our ownership had a combined peak power capacity of 68.9 MW, comprising onshore wind farms of 44.4 MW and solar farms of 24.5 MW. The launch of JLEN should offer an additional exit route to the Group for renewable energy investments as they mature.

→ Branden Solar Parks UK



## PRIMARY INVESTMENT / continued

→ Denver FasTracks US

**FINANCIAL MARKETS** While fewer banks are participating in long term project finance liquidity and pricing improved during 2013 and we were able to secure financing for projects where required. New institutional sources of long-term project finance continued to be available in Europe although the reduced level of deal-flow is constraining their development. In the UK the government's stated intention is to increase the use of long-term pension fund capital for PPP but few projects have been procured on this basis so far. In Australia and New Zealand medium-term bank debt and refinancing requirements are well established. In Canada and the US, projects tend to be financed in the debt capital markets rather than with bank financing. John Laing's international breadth and diversification allow the Group to sustain large and growing levels of investment.

**PROJECTS IN CONSTRUCTION** A number of key primary investments are currently at various stages of construction including IEP (Phase 1) Manchester Waste VL Co, Manchester Waste TPS Co, New Royal Adelaide Hospital, Denver FasTracks, Wiri Prison and A15 Netherlands. Commentary on the status of these and other projects is set out in the Asset Management section on page 20.

**PIPELINE**

**Overseas PPP markets** The Group's main growth potential in both the medium and long term continues to be in international markets. In some economies, levels of public sector investment are moderated due to austerity constraints but for John Laing this is mitigated by the international spread of markets in which we operate.

Asia Pacific offers very substantial opportunities and the Group's current bidding activities are concentrated on Australia and New Zealand which offer a strong pipeline and where the Group has a strong base.

In North America our focus has shifted more to the US where the Group is engaged in what is increasingly becoming a very substantial PPP market.

In Continental Europe, activity continues at a consistent level in selected countries such as the Netherlands and Belgium.

In addition to the above the Group monitors potential new markets whilst maintaining tight control over costs. Potential markets which offer upside potential in the medium to long term include South America for instance Chile and other markets in Europe. In the coming year these will continue to be monitored.

**United Kingdom PPP markets** The UK market for PPP in 2014 continues to include activity in the rail sector (specifically rail rolling stock) and a pipeline for transportation and social infrastructure projects in Scotland. However PPP procurement in the rest of the UK particularly new social infrastructure remains at modest levels.

**Renewable Energy** The renewable energy pipeline includes a number of wind and solar projects in the UK and other European countries as well as potential investment opportunities in biomass projects.

Further information on the Primary Investment portfolio is set out in the Portfolio Valuation section on pages 21 to 24.

**Derek Potts**  
EXECUTIVE DIRECTOR  
PRIMARY INVESTMENT

→ **GRONINGEN TAX OFFICE, NETHERLANDS**

The project comprises the design, build and financing of new accommodation for the Informatie Beheer Groep and the Regional Tax Office including the maintenance and operation of the building for a concession period of 20 years. The building accommodates approximately 2,500 employees.

## SECONDARY INVESTMENT

**Our Secondary Investment activities involve ownership of a substantial portfolio of investments in both PPP and renewable energy operational projects.**

→ A55 Road UK

→ **CROYDON - BERNARD WEATHERILL HOUSE, UK**  
CCURV a 50/50 joint venture partnership between John Laing and Croydon Council achieved practical completion on the 240 000sqft BREEAM excellent office building designed to house Croydon Council and a range of local service providers in May 2013 in line with the contractual completion date. Construction work had commenced in March 2010.

The majority of our Secondary Investments were originated as Primary Investments of John Laing but some investments were acquired when the underlying assets were already at the operational stage. Asset management services in respect of the portfolio are delivered by John Laing's Asset Management team.

The Secondary Investment portfolio comprises the Group's shareholdings in 25 projects (20 PPP projects and five renewable energy projects) at the operational stage, valued at £344.0 million at 31 December 2013 (2012 - £318.4 million), together with our investment in JLIF valued at £39.7 million at the same date (2012 - £37.2 million). Cash yield from investments, including that received from projects prior to disposal, was £29.3 million (2012 - £26.7 million), reinforcing the robust nature of the projects and the benefit of continued pro-active asset management.

Cash flow projections from our Secondary Investment portfolio are constantly reviewed for value enhancement opportunities. Such opportunities identified during 2013 contributed £60.2 million to the growth of the portfolio during the year.

**INVESTMENT REALISATIONS** During the year investments in three projects – Barnsley BSF, Kelowna and Vernon Hospitals and North Staffordshire Hospital – were sold to JLIF for total proceeds of £88.5 million. Our investments in Brisbane AirLink and Corsham MOD were sold separately to other parties.

As part of its launch in February 2014, it is intended that JLEN will buy the Group's investments in two waste projects (East London Waste and Dumfries and Galloway Waste) and five renewable energy projects (Amber Solar Parks, Branden Solar Parks, Bilsthorpe Wind Farm, Hall Farm Wind Farm and WALLP Wind Farms).

#### TRANSFERS FROM PRIMARY INVESTMENT

During the year, three UK investments became part of the Secondary Investment portfolio as the underlying projects moved into the operational stage.

- Croydon BWH – the construction of Croydon Council's new office, Bernard Weatherill House, was completed in May 2013 as part of John Laing's 25 year partnership with Croydon Council.
- Bilsthorpe Wind Farm, Nottingham – 10.2 MW wind farm commissioned in July 2013.
- Branden Solar Parks, Cornwall – 14.7 MW solar park across three sites commissioned in June 2013.

Other developments within the Secondary Investment portfolio:

- Kelowna and Vernon Hospitals in British Columbia were presented with the Gold Service Delivery Award by the Canadian Council for Public Partnerships.
- City Greenwich Lewisham (DLR) – this light rail project continued to perform well; passenger numbers for 2013 were ahead of budget.
- A1 Gdansk Poland – both phases of this road project are performing well.
- Our operational renewable energy plant (Bilsthorpe Wind Farm, Hall Farm Wind Farm, WALLP Wind Farms, Amber Solar Parks and Branden Solar Parks) together generated 45.9 GWh of electricity during the year.

Further information on the Secondary Investment portfolio is set out in the Portfolio Valuation section on pages 21 to 24.

→ Branden Solar Parks UK

## ASSET MANAGEMENT

→ Second Severn River Crossing UK

Our principal asset management activities generate fee income through the provision of investment management services in respect of our Primary and Secondary Investment portfolios: the portfolio held by JLIF and certain PPP assets held by JLPF.

Total AUM were £1 544.6 million at 31 December 2013 compared to £1 120.9 million at 31 December 2012: an increase of 37.8%.

Our approach to asset management is to ensure assets are delivered and maintained in accordance with contractual terms whilst balancing the needs of public authority clients, private investors, contractors and debt providers. In the UK, we have supported HM Treasury's initiative for the public and private sectors to work together in a more effective way to deliver cost savings from operational PPP projects.

Our asset management services operate across projects in Australia, Canada, Germany, the Netherlands, Sweden, Poland, the UK and the United States. Staff are based at offices in Sydney, Melbourne, Toronto, Vancouver and Amsterdam as well as in London, Manchester and Glasgow.

During the year we reorganised our activities to provide greater focus on and segregation between investment management services and activities related to project management services.

### INVESTMENT MANAGEMENT SERVICES

Investment management services include:

- Shareholder representation through the provision of directors to the boards of project companies
- A central specialist function which identifies and implements value enhancements and carries out portfolio valuations
- Pro-active oversight of contractors during the construction phase of a project and mobilisation services at the start of operations
- Planning and management of lifecycle maintenance and capital expenditure within projects
- Refinancings and management of disputes, arbitration and litigation and
- Realisation of investments in the Secondary investment portfolio

Further investment management services are provided to JLIF through John Laing Capital Management Limited (JLCM), which is a wholly owned subsidiary of John Laing plc, authorised and regulated in the UK by the Financial Conduct Authority (FCA). It acts as investment adviser to JLIF under an appointment which started in October 2010.

To the extent that the Group may decide to dispose of investments in PPP projects, JLIF has rights of first offer in respect of certain investments held by John Laing. In February 2014, these rights were amended to cover certain existing and potential investments held by John Laing in the rail sector in substitution for investments in the waste sector.



**Our vision as asset managers is to be recognised as the partner that adds most value wherever we operate**

**Chris Waples**  
EXECUTIVE DIRECTOR, ASSET MANAGEMENT

JLCM has a dedicated team and is also supported by specialist functions within the wider John Laing Group. In 2013 JLCM made a strong financial contribution to the Group underpinned by fees earned from JLIF's acquisitions from the Group and other parties.

On the basis that shares in JLEN start trading on 31 March 2014 as expected JLCM will also act as its investment adviser. In addition JLEN will have a right of first offer over environmental assets in John Laing's portfolio.

The launch of JLEN will create a further third party asset management income stream for John Laing and is indicative of the wider opportunities which exist to manage capital on behalf of third parties.

**PROJECT MANAGEMENT SERVICES** The Asset Management team also provides services of an administrative nature directly to project companies in which John Laing, JLIF and JLPF are stakeholders. These services are provided under Management Services Agreements (MSAs). As at 31 December 2013 there were a total of 33 MSAs with John Laing projects and a further 32 MSAs with JLIF projects.

Each MSA typically covers administration, accounting and financial services, company secretarial services and risk and compliance management. Staff who deliver these services are located at the projects themselves and at our network of offices, in both cases supported by central staff in London.

Revenues from project management services in 2013 were £15.5 million, delivered by some 120 staff.

John Laing has continued to provide services under MSAs to projects following their divestment to JLIF, giving continuity to both the project company and to key stakeholders.

**OPERATIONAL UPDATE** An operational update on certain projects within the Primary and Secondary Investment portfolios is set out below.

**Manchester Waste** – The 25 year Greater Manchester Waste PPP contract is the UK's largest combined waste and renewable energy project. The Group has investments in the two projects comprising this contract: Manchester Waste VL Co (50% interest) and Manchester Waste TPS Co (34.43% interest). Of the 42 sites making up Manchester Waste VL Co, one Mechanical Biological Treatment (MBT) plant has not yet been taken over from the contractor. While the plant is substantially complete, isolated process elements are not yet performing satisfactorily, but should be resolved by mid 2014. The delay in takeover of this MBT plant is not expected to affect the financing of the project nor have a material impact on its performance.

Fuel produced from the Manchester Waste MBT plants will be used to generate heat and power at the thermal power station (Manchester Waste TPS Co) being built at Runcorn in Cheshire. Construction of the thermal power station has incurred delays although commissioning has now commenced and is anticipated to be completed by mid 2014. In October 2013 the contractor for this power station reached its contractual longstop date impacting both the TPS Co and VL Co credit agreements. John Laing has been working with its joint venture partners, Viridor and Ineos Chlor, as well as the project lenders, as a result of which agreement has been reached for the contractor to complete the project and extend its liquidated damages package to cover the costs of delay.

→ **MANCHESTER WASTE TPS CO, UK**

In April 2009 the Greater Manchester Waste Disposal Authority signed a 25 year waste and recycling contract with Viridor Laing (Greater Manchester) Limited, a partnership between Viridor and John Laing. The deal triggered a £640 million construction programme, creating a network of state-of-the-art recycling facilities over a 5 year period.

## ASSET MANAGEMENT / continued

## → Croydon &amp; Lewisham Street Lighting UK

During 2014 John Laing will be monitoring closely the commissioning programme for both the remaining MBT plant and the TPS Co thermal power station. There are cross guarantees between the two Manchester Waste projects. Lenders to both projects have been kept fully informed of developments and remain supportive. The combined valuation of the investments was £93.7 million at 31 December 2013 (2012 – £74.0 million) within the Group's total portfolio valuation of £684.4 million. The Directors are of the opinion that the Group's aggregate investment in the two Manchester Waste projects is fairly valued as at 31 December 2013, reflecting the full involvement of equity holders as well as ongoing support of lenders. In the discount rate used to determine the fair value of the Group's investments, a significant risk premium has been retained to reflect the risks associated with the projects.

**Street Lighting** – the Surrey Street Lighting project is currently five months ahead of programme and should now be completed in April 2014. The Croydon and Lewisham Street Lighting project is proving to be more challenging with delays in getting electrical works certified. A recovery plan has been implemented.

**Denver FasTracks** – our rail project in Colorado, USA, remains on programme for operation at the end of 2016. Production of the trains is well advanced with 50 of the 56 car bodies completed and being tested before shipment from Korea to Philadelphia for assembly. This is a complex project and involves the design, build, maintenance and operation of two commuter lines, one of which will join Denver International Airport to Denver Union Station.

**IEP (Phase 1)** – this project, comprising rolling stock and associated rail infrastructure, is needed to replace some of the UK's ageing fleet of high speed trains. The new rolling stock will provide faster, higher capacity, more comfortable and more environmentally friendly services and will support growth on the UK's busiest intercity rail route, the Great Western Mainline. Construction work has commenced on the depots and design work is progressing on the train fleet.

**New Royal Adelaide Hospital** – construction is progressing despite the identification of ground contamination at greater levels than expected. Following the deployment of additional contractor resource, the expectation is that completion will be achieved in 2015.

**Wiri Prison** – construction is currently three months ahead of programme. This 960 place prison is scheduled to become operational in 2015.

**A15 Netherlands** – construction is now 70% complete and well ahead of the original contractual schedule.

**Burton Wold Wind Farm** – this 14.4 MW wind farm is expected to be commissioned in October 2014.

**Carscraugh Wind Farm** – this 15.3 MW wind farm is expected to be commissioned in April 2014.

**Svartvallsberget Wind Farm** – this 20.0 MW wind farm is expected to be commissioned in May 2014.

**Wear Point Wind Farm** – this 8.2 MW wind farm is expected to be commissioned in April 2014.

## PORTFOLIO VALUATION

**The Directors' portfolio valuation increased to £684.4 million at 31 December 2013 from £574.7 million at 31 December 2012. This represented growth of 24.3% after adjusting for cash invested, cash yields and realisations.**

→ CCURV Waddon Leisure and Housing Scheme UK

→ **BILSTHORPE WIND FARM, UK** Bilsthorpe Wind Farm, which became operational in June 2013, is John Laing's first project in the onshore wind farm sector. John Laing purchased the project in October 2011 and construction of the access tracks and foundations began in June 2012, with the erection of the turbines in April 2013. The project currently generates enough electricity to meet the needs of over 6,000 homes.

Of the 24.3% growth, approximately 8.6% represented the increase that would be expected as a result of the unwinding of discounting. In addition, growth in the value of the Group's shareholding in JLIF was £4.7 million (13.4%) after adjusting for cash yields.

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 Directors' portfolio valuation represented a fair market value in the market conditions prevailing at 31 December 2013.



## PORTFOLIO VALUATION / continued

	Retained £ million	Disposed £ million	JLIF £ million	Total £ million
<b>Portfolio valuation at</b>				
<b>1 January 2013</b>	<b>423.1</b>	<b>95.7</b>	<b>37.2</b>	<b>556.0</b>
- Restatement (see page 54)	18.7	-	-	18.7
<b>Restated portfolio valuation at</b>				
<b>1 January 2013</b>	<b>441.8</b>	<b>95.7</b>	<b>37.2</b>	<b>574.7</b>
- Cash invested	115.5	-	-	115.5
- Cash yield	(15.3)	(11.8)	(2.2)	(29.3)
- Proceeds of investment realisation	-	(110.5)	-	(110.5)
<b>Rebased value</b>	<b>542.0</b>	<b>(26.6)</b>	<b>35.0</b>	<b>550.4</b>
- Growth on rebased value	102.7	26.6	4.7	134.0
<b>Portfolio valuation at</b>				
<b>31 December 2013</b>	<b>644.7</b>	<b>-</b>	<b>39.7</b>	<b>684.4</b>

The Group's portfolio of project investments is made up of primary and secondary investments. The Primary Investment portfolio includes PPP and renewable energy assets which have yet to reach the end of construction. Secondary Investments comprise operational PPP and renewable energy assets, most of which were originated as primary investments for John Laing. The split between primary and secondary investments is shown in the table below.

	31 December 2013 £ million	Restated 31 December 2012 £ million
Primary investments	300.7	219.1
Secondary investments	383.7	355.6
<b>Portfolio valuation at 31 December</b>	<b>684.4</b>	<b>574.7</b>

**METHODOLOGY** A valuation of the Group portfolio is prepared on a consistent, principally discounted cash flow basis every quarter, at 31 March, 30 June, 30 September and 31 December. The valuation is carried out on a fair value basis assuming that forecast cash flows are received until maturity of the underlying assets.

In 2013, the Group made certain amendments to its valuation methodology. In previous valuations, discount rates were derived from long-term government bond rates, to which risk premia were added to reflect the individual risk profile of each project. Under the amended methodology, a base case discount rate for an operational project is derived from secondary market information and other available data points. The base case discount rate is then adjusted to reflect additional project-specific risks. In addition, risk premia are added during the construction phase to reflect the additional risk during 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 operating stage.

The cash flows on which the discounted cash flow valuation was based were those forecast to be distributable to the Group at 31 December 2013, derived from detailed financial models. These incorporate assumptions reflecting the Group's expectations of likely future cash flows, including value enhancements.

For the December 2013 valuation, the overall weighted average discount rate was 9.3% (2012 - 8.6%). This was made up of 10.0% for the Primary Investment portfolio and 8.6% for the Secondary Investment portfolio.

The shareholding in JLIF was valued at its closing market price on 31 December 2013 of 115.2p per share. JLIF's market capitalisation grew to £882.8 million at 31 December 2013 (2012 - £553.6 million).

**CHANGES IN VALUATION** The absolute increase in the portfolio valuation was attributable to new investment commitments, growth in the portfolio and value enhancements achieved, offset by the net effect of realisations during the year.

Cash investments in respect of commitments entered into during 2013 totalled £67.7 million. In addition, equity and loan note subscriptions of £47.8 million were injected into existing projects in the portfolio as they progressed through, or completed, construction, to give a total of £115.5 million cash invested.

The Group completed the realisation of five investments during 2013 for proceeds of £110.5 million.

Cash yield during 2013 totalled £29.3 million.

The growth on the rebased value was £134.0 million, which comprised discount rate unwinding of £53.2 million, as well as value enhancements (net of amendments to the valuation methodology) of £80.8 million.

**IMPACT OF ECONOMIC INDICATORS** During the year, higher than previously forecast inflation had a positive impact on the majority of forecast project cashflows within the portfolio. Deposit rates received on cash balances during 2013 were low, but this was anticipated in forecasts made in prior valuations for the majority of projects. Deposit rates are anticipated to remain at low levels in the short-run and this is reflected in project forecasts.

Overseas assets are investments denominated in foreign currencies (including Australian, Canadian, New Zealand and US Dollars, and Euro). Foreign exchange movements relative to Sterling impacted the portfolio valuation of retained projects and these are included within the growth on rebased value in the table above.

**DISCOUNT RATE SENSITIVITY** The weighted average discount rate used at 31 December 2013 was 9.3% (2012 – 8.6%). The table below shows the sensitivity of changes in this rate of up to plus or minus 3.0%

Discount Rate Sensitivity	Portfolio valuation £ million	Difference in valuation £ million
3.0%	548.2	(136.2)
2.0%	587.1	(97.3)
1.0%	632.0	(52.4)
0.0%	684.4	–
-1.0%	745.7	61.3
-2.0%	817.9	133.5
-3.0%	903.7	219.3

**VALUE BY TIME REMAINING ON CONCESSION**  
£ million

The Group benefits from holding long-term PPP concessions and renewable energy assets with long-term useful economic lives. As demonstrated in the table above, 14% of the portfolio by value had a greater than 30-year unexpired concession term or useful economic life remaining at 31 December 2013, 61% had 20 to 30 years remaining and a further 13% had 10 to 20 years remaining. The investment in JLIF which represented 6% of the portfolio value is shown separately since the underlying projects held by JLIF have a range of concession lengths.

→ **FORTH VALLEY ROYAL HOSPITAL UK**  
A JLIF investment to which John Laing provides project management services

## PORTFOLIO VALUATION / continued

→ Croydon Bernard Weatherill House UK

### VALUE BY SECTOR £ million

Including the shareholding in JLIF whose investments are in operational PPP projects secondary PPP projects made up the largest sector within the portfolio representing 45% of the portfolio valuation

### VALUE BY REVENUE TYPE £ million

Including the shareholding in JLIF whose projects are primarily availability-based availability-based assets continued to make up the majority of the portfolio valuation representing 59% of the portfolio Renewable energy assets made up 22% of the portfolio by value with volume-based assets 17% and shadow toll-based assets 2%

## FINANCIAL REVIEW

Additional information on the Group's financial performance can be found elsewhere in the Annual Report and Accounts as indicated below

Topic	Additional information
Group trading performance	See page 49 for further details on the Group's trading performance
Group cash flow performance	More detailed analysis of the movements in net cash is shown on page 53 and in note 25
Directors' portfolio valuation	The valuation is set out on pages 21 to 24
Principal risks	The Financial Review largely focuses on Treasury-related risks. A broader description of the Group's principal risks is included on pages 29 to 31

**YEAR UNDER REVIEW** In 2013, the Company adopted early Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (the Amendments) after the Directors concluded that the Company qualified as an investment entity (see basis of preparation on page 54). The early adoption of the Amendments has had a significant impact on the way the Group reports its results and has resulted in the restatement of the results for the year ended 31 December 2012.

As an investment entity in accordance with the Amendments, the Company no longer consolidates its investments in subsidiary project companies on a line by line basis but instead measures such investments at fair value through profit or loss. This treatment is the same as for the Company's investments in joint venture project companies.

The restatement of the 2012 results is summarised on page 54.

All the amounts included in this Financial Review are on the current basis of accounting.

The profit before tax on continuing operations for the year was £104.6 million excluding the gain on the sale of JLIS of £21.2 million (2012 – £80.9 million). The increase was primarily driven by growth in the value of our investment portfolio which increased over the year from £574.7 million to £684.4 million.

	Primary Investment		Secondary Investment		Asset Management		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Profit before tax excluding JLIS	20.9	41.9	80.8	23.2	8.8	11.0	110.5	76.1
JLIS	-	-	-	-	3.2	14.3	3.2	14.3
Total profit before tax on continuing operations	20.9	41.9	80.8	23.2	12.0	25.3	113.7	90.4
Post retirement charges							(8.8)	(8.0)
Other							(0.3)	(1.5)
Profit before tax excluding gain on disposal of JLIS							104.6	80.9
Gain on disposal of JLIS							21.2	-
<b>Profit before tax</b>							<b>125.8</b>	<b>80.9</b>

	2013	2012	2013	2012	2013	2012	2013	2012
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Portfolio valuation	300.7	219.1	383.7	355.6	-	-	684.4	574.7
Other net current liabilities							(8.9)	(31.9)
Group net cash							55.8	74.1
Retirement benefit obligations							(204.4)	(189.8)
<b>Group net assets</b>							<b>526.9</b>	<b>427.1</b>

## FINANCIAL REVIEW / continued

**Primary Investment** – profit before tax in 2013 includes a total gain on investments of £45.8 million (2012 – £60.2 million). The gain in 2012 included a value uplift on financial close of IEP (Phase 1). In addition, profit in 2012 benefitted from higher fee income earned on financial closures of projects (2013 – £9.7 million, 2012 – £20.2 million), most of which related to the IEP project on which bid costs had been incurred over several years.

**Secondary Investment** – profit before tax in 2013 includes a total gain on investments of £88.2 million (2012 – £33.0 million) comprising discount unwinding of £27.0 million, value enhancements of £60.2 million and foreign exchange gains of £1.0 million.

**Asset Management** – profit before tax excluding JLIS is lower than 2012 primarily due to costs incurred in 2013 in relation to the launch of JLEN and other corporate activities. JLIS profit before tax in 2013 applies to the period to 18 October 2013 when the company was sold. JLIS profit before tax in 2012 also included a £5.9 million increase from a change in revenue recognition policy and a £4.4 million onerous contract provision release.

Other matters affecting the financial performance, financial position and cash flows of the Group in 2013 were:

- Total new investment commitments of £112.4 million on ten projects (2012 – seven projects with investment commitments of £146.1 million), including acquisitions.
- Cash investment of £115.5 million into (i) existing projects during and at the end of their construction phase and (ii) on acquisitions of projects (2012 – £115.6 million).
- Realisation of investments in five projects (including three investments sold to JLIF) for total proceeds of £110.5 million. In 2012, there were realisations of investments in five projects, resulting in total proceeds of £92.9 million.
- Disposal of JLIS for a profit under IFRS of £21.2 million, and
- The combined deficit of the Group's defined benefit pension (under IAS 19) and post-retirement medical schemes at 31 December 2013 increased to £204.4 million (2012 – £189.8 million), due to the effect of higher inflation expectations partially offset by a lower discount rate and cash contributions to JLPF of £25.2 million. The contributions made were in line with a schedule of contributions agreed as part of the actuarial valuation of JLPF at 31 March 2010. The actuarial valuation of JLPF at 31 March 2013 was finalised in December 2013. This resulted in a new schedule of contributions over 10 years.

**BASIS OF PREPARATION** The Group's accounts are prepared under IFRS as adopted by the EU. At 31 December 2013, the Group held investments in 45 project companies. As a result of adoption of the Amendments, all investments in project companies are now accounted for at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes to fair value recognised in profit or loss.

Project companies in which the Group invests are described as 'non-recourse', i.e. providers of debt to such project companies do not have recourse to those John Laing companies which are investors in such projects. Other John Laing subsidiaries, including operating companies such as JLCM, Laing Investments Management Services Limited (LIMS) and/or companies in which corporate borrowings and cash balances reside, are described as 'recourse'.

**GROUP INCOME STATEMENT** The Group Income Statement includes:

- the consolidated results of the Group's recourse subsidiaries, and
- the movement in the fair value of its investments in non-recourse project companies and the investment in JLIF, as adjusted for dividends and other income received during the year.

Group operating income, as presented in these accounts, relates only to recourse subsidiaries of the Group.

The Group achieved financial close on seven projects in 2013 and charged fees of £9.7 million (2012 – seven projects closed with £20.2 million fees). Most of the fees in 2012 related to the IEP (Phase 1) project, on which bid costs had been incurred over several years. The Group also achieved commercial close on NGR in December 2013 followed by financial close in January 2014. On commercial close, recovery of bid costs relating to NGR was virtually certain.

The Group's valuation of its investments in project companies is calculated by discounting their future cash flows. Discount rates used are based on rates at which operational projects are valued in the secondary market and to which risk premia are applied. After taking into account the net impact of investment in new projects, distributions and disposals, there was an uplift of £134.0 million (2012 – £82.3 million) in the fair value of investments in projects. This is presented within the Group Income Statement as: dividend income of £12.1 million (2012 – £16.4 million), interest income of £31.0 million (2012 – £27.6 million) and net gains on investments of £95.1 million (2012 – £44.6 million) which include £4.2 million (2012 – £6.3 million) of income not from the portfolio. The Group's investment in JLIF is held at its closing market value at the year end.

Future growth of the business is being financed from: cash flow from the Group's investment portfolio and asset management activities; corporate borrowing facilities; and working capital created through investment realisations. During the year, investments in three projects were sold to JLIF and two investments were sold to other parties, resulting in total proceeds of £110.5 million. Any uplift in the value on disposal of these investments is recognised within the net gains on investments in the Group Income Statement.

Interest income and finance costs are analysed in note 2 and note 7 to the accounts, respectively. Interest income includes interest from investments in projects. Finance costs include the net finance cost on JLPF of £7.5 million in 2013 (2012 – £7.2 million).

Profit before tax was £125.8 million (2012 – £80.9 million). Excluding the gain on sale of JLIS, profit before tax was £104.6 million.

During 2013, dividends of £0.3 million (2012 – £0.3 million) were paid to the Company's shareholder, Henderson Infrastructure Holdco Limited.

**TAXATION** The Group's tax credit on continuing activities for 2013 was £6.7 million (2012 – credit of £2.8 million). This mainly arises from consortium and group relief from PPP project companies.

The annual contributions made to JLPF are tax deductible when paid and, as a result, there is minimal tax payable by the UK holding and asset management activities of the Group.

Capital gains from the realisation of investments in projects are generally exempt from tax under the Substantial Shareholding Exemption for shares in trading companies. 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.

The net deferred tax asset in the Group Balance Sheet is £1.5 million (2012 – £1.9 million)

At 31 December 2013 the Group had a significant unrecognised deferred tax asset relating to carried forward tax losses of £39.2 million (2012 – £68.8 million)

**GROUP BALANCE SHEET** The Group Balance Sheet includes the recourse group's assets and liabilities and the fair value of its investments in project companies

**PORTFOLIO VALUATION** The Directors' valuation of the Group's portfolio of investments in project companies was £684.4 million at 31 December 2013 (2012 – £574.7 million). The methodology for valuation is set out in the Portfolio Valuation section on pages 21 to 24

The portfolio value is reconciled to the Group Balance Sheet as follows

	31 December 2013 £ million	31 December 2012 £ million
Group Balance Sheet		
– Investments at fair value through profit or loss	565.9	568.7
– Investments at fair value through profit or loss included as assets held for sale*	118.9	7.2
<b>Total per Group Balance Sheet</b>	<b>684.8</b>	<b>575.9</b>
Value of other investments included above not included in portfolio valuation	(0.4)	(1.2)
<b>Portfolio valuation</b>	<b>684.4</b>	<b>574.7</b>

\* See note 9 to the Group Financial Statements

**DEFINED BENEFIT PENSION SCHEMES AND POST-RETIREMENT MEDICAL OBLIGATIONS** The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2013 was £204.4 million (2012 – £189.8 million). The Group operates two defined benefit schemes in the UK – the John Laing Pension Fund (the Fund) and the John Laing Pension Plan (the Plan). Both schemes are closed to new members and future accrual. Pension benefits for current John Laing staff are delivered through a defined contribution scheme.

The amount of the pension deficit in the Fund is dependent on key assumptions, principally inflation, the discount rate used and the anticipated longevity of members. The sensitivity of the Fund's pension liabilities to changes in these assumptions is illustrated in note 21.

During 2013 the Company continued to work with the Fund Trustee on risk reduction initiatives including interest rate hedging.

The Company made cash deficit reduction contributions in 2013 of £25.2 million (2012 – £24.3 million). The triennial actuarial valuation of the Fund at 31 March 2013 showed a 75% funding position. In December 2013 a schedule of contributions over a period of 10 years was agreed with the Fund Trustee comprising annual contributions of £26.1 million increasing by 3.55% annually payable in March starting from March 2014. The next triennial actuarial valuation of the Fund is due as at 31 March 2016.

The most recent actuarial valuation of the Plan as at 31 March 2011 showed a surplus of £2.0 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2014.

**LIQUIDITY** The Group's liquidity risk is constantly monitored against the bank facilities available to it and is regularly reviewed by the Board to ensure that there are sufficient funds to cover current and forecast project investment commitments. These commitments are mostly backed by letters of credit issued under the Group's borrowing facilities. The letters of credit support the Group's share of the equity and subordinated debt of projects generally up to the completion of construction following which funds are injected.

At 31 December 2013, the Group had committed borrowing facilities of £305 million comprising a revolving credit facility expiring in February 2017 (2012 – £305 million and coterminous bilateral facilities of £19.6 million). Of the Group's committed facilities £139.1 million was undrawn at 31 December 2013 (2012 – £137.3 million). Net available financial resources at 31 December 2013 were £194.9 million (2012 – £210.6 million).

#### Analysis of Group financial resources (recourse)

	31 December 2013 £ million	31 December 2012 £ million
Cash and bank deposits <sup>1</sup>	55.8	73.3
<b>Committed borrowing facilities</b>		
Syndicated	305.0	305.0
Bilateral	–	19.6
Less		
Letters of credit drawn	(159.9)	(187.3)
Short-term cash borrowings	(6.0)	–
Undrawn corporate facilities	139.1	137.3
<b>Net available financial resources</b>	<b>194.9</b>	<b>210.6</b>

<sup>1</sup> Includes cash and cash equivalents and other financial assets included in assets held for sale and discontinued operations.

**INTEREST RATES** The Group is not a constant borrower at the corporate level and does not, therefore, generally seek to hedge its exposure to interest rate movements. However, there are significant non-recourse borrowings within the project companies in which the Group invests. Interest rate exposure on the non-recourse debt of such project companies is, in almost all circumstances, fixed on financial close through the issue of either long-dated fixed coupon bonds or through the fixing of floating rate bank debt via interest rate swaps.

Since interest rates on project company borrowings tend to be almost completely fixed, the impact on the Group's shareholder returns from changes in interest rates on borrowings in project companies is minimal. There is an impact from changes in interest rates on the investment income from monies held on deposit both at Group level and within project companies but such an effect has not been and is unlikely to be, significant in the context of the Group Income Statement.

## FINANCIAL REVIEW / continued

**FOREIGN CURRENCY** The Group monitors its total exposure to foreign currencies. The Group may apply an appropriate hedge to a specific currency transaction exposure which could include borrowing in that currency or entering into foreign exchange forward contracts.

At 31 December 2013 the portfolio valuation of £684.4 million (2012 – £574.7 million) is analysed on the basis of foreign currency exposure as follows:

### PORTFOLIO VALUE

#### 2013

Total £684.4 million

#### 2012

Total £574.7 million

Letters of credit in issue denominated in foreign currencies are revalued monthly to Sterling. This retranslation risk does not directly impact the Group Balance Sheet or the Group Income Statement. Letters of credit in issue at 31 December 2013 of £159.9 million (2012 – £187.3 million) are analysed by currency as follows:

### LETTERS OF CREDIT

#### 2013

Total £159.9 million

#### 2012

Total £187.3 million

At 31 December 2013 the Group held investments valued at £142.3 million (2012 – £90.0 million) denominated in Euro, equivalent to 20.8% (2012 – 15.7%) of the total portfolio valuation of £684.4 million (2012 – £574.7 million). The Group regularly reviews its exposure to the Euro, in particular its sensitivity to changes in the exchange rate to Sterling and to the timing and amount of forecast cash flows. As illustrated below, the Group's foreign currency-denominated assets are partly hedged by letters of credit issued in the same foreign currency. In addition, at 31 December 2013 the Group held a foreign exchange forward hedge of £31.0 million (2012 – £nil) against its Euro position. The hedge was entered into in accordance with the Group's foreign exchange hedging policy. As a result, a fall in the value of the Euro versus Sterling would not have a material effect on the financial covenants in the Group's bank facilities at 31 December 2013.

**GOING CONCERN** The Group has committed corporate borrowing facilities until February 2017 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 2013.

**Patrick O'D Bourke**  
GROUP FINANCE DIRECTOR

## 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 Committee responsibility for reviewing the effectiveness of the Group's internal controls including the systems established to identify, assess, manage and monitor risks.

The principal internal controls that operated throughout 2013 and up to the date of this report include:

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

In addition, a Risk Committee comprising senior members of management and chaired by the Group Finance Director, assists the Board and Audit Committee and the executive Directors in monitoring and executing the Group's risk management policy.

The above procedures are underpinned by a control environment which is supported by a culture of openness of communication between operational management and executive management on all matters including risk and control and procedures for bringing matters to the attention of the Board.

All investment decisions are scrutinised in detail by the Investment Committee and, if appropriate, also by the Board.

The Directors' assessment of the principal risks relating to PPP and the other infrastructure markets the Group invests in is set out below. 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.

Risk	Mitigation
<b>Government policy</b> <p>Changes to legislation or policy in the UK or overseas could negatively impact on the volume of potential opportunities available to the Group and the returns from existing opportunities.</p> <p>Further, governments may seek to introduce new policies or legislation that seek to tax or share in, or limit the returns from, PPP or other infrastructure investments.</p>	<p>The Board limits its exposure to any single jurisdiction.</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 and local practices) before any investment is made.</p> <p>Where possible, the Group seeks specific contractual protection within projects from changes in government policy and law. General change of law is considered to be a normal business risk. During the bidding process for a project, the Group takes a view on the appropriate pricing to cover the risk of non-discriminatory changes in law.</p>
<b>Macroeconomic factors</b> <p>Movements in inflation, interest rates, foreign exchange and GDP all potentially impact upon the return generated from an investment, to the extent such factors cannot be hedged.</p> <p>The full or partial break-up of the Eurozone could affect the value of, or the return generated from, an investment denominated in Euro or whose underlying currency is linked to the Euro.</p>	<p>Factors which have the potential to impact adversely on the underlying cash flows of an investment are hedged wherever possible and sensitivities are considered during the investment approval process.</p> <p>Systemic risks, such as persistent deflation, or appreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole.</p> <p>The Group monitors closely the level of investments it has exposed to the Euro, including regularly testing the sensitivity of the financial covenants in its corporate borrowing facilities to a significant change in the value of the Euro. Where possible, specific clauses relating to change in value of currency are incorporated in project agreements.</p>



## PRINCIPAL RISKS AND RISK MANAGEMENT / continued

Risk	Mitigation
<p><b>Liquidity in the secondary market</b></p> <p>Weakness in the secondary market for investments in PPP projects for example as the result of a lack of economic growth in western markets regulatory reform in the banking sector liquidity in financial markets and the current difficulties in the Eurozone, may affect the Group's ability to realise value from its investments</p> <p>The secondary market for investments in renewable energy projects may be affected by inter alia, changes in energy prices in governmental policy and in project finance market conditions</p>	<p>Investments in projects are appraised so that they are capable of being held to maturity. However they are also carefully structured such that they are capable of being divested if appropriate when they become mature. Over recent years the secondary market for both PPP and renewable energy investments has grown</p>
<p><b>Financial resources</b></p> <p>Any shortfall in financial resources on acceptable terms 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 and acquisition opportunities and/or sell assets</p>	<p>The Group closely monitors its working capital and borrowing requirements and maintains an active dialogue with its banks. It operates a policy of ensuring that sufficient financial resources are maintained to satisfy committed and likely future investment requirements</p> <p>In 2013 the Group entered into a corporate borrowing facility which matures in February 2017. Compliance with the financial covenants and other terms of this facility is closely observed</p>
<p><b>Pensions</b></p> <p>The amount of the deficit in the Group's main defined benefit pension scheme can vary significantly due to gains or losses on scheme investments and movements in the assumptions used to value scheme liabilities (in particular mortality discount rate and inflation rate). Consequently the Group is exposed to the risk of increases in cash contributions payable volatility in the deficit reported in the Group Balance Sheet and gains/losses recorded in the Group Statement of Comprehensive Income</p>	<p>The Group's two defined benefit pension schemes are overseen by corporate trustees the directors of which include independent and professionally qualified individuals. The Company 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 the main defined benefit pension scheme is matched by a bulk annuity buy-in agreement with Aviva. Inflation and interest rate risks are also partially hedged</p>
<p><b>Long-term forecasting of revenues and costs</b></p> <p>In circumstances where revenue in a project company is related to patronage (i.e. customer usage) actual revenues may vary materially from assumptions at the time the investment commitment is made. Revenues in renewable energy project companies may also be affected by changes in electricity prices. In addition to the extent that actual costs incurred differ from forecast costs and cannot be passed on to sub-contractors investment returns may be adversely affected</p>	<p>The projects in which Group invest are principally availability based (where the revenue does not generally depend on the level of use of the project asset). Where patronage or volume risk is taken, the Directors review assumptions and their sensitivities in detail prior to any investment commitment</p> <p>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 and (iii) major maintenance and ongoing project company costs are reviewed annually and cost mitigation strategies adopted as appropriate</p> <p>Where revenue in project companies is related to volume and/or price (e.g. with regard to investments in renewable energy) 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) short to medium term fixed price power off-take arrangements and (iv) stress-testing the robustness of projects against significant falls in forecast volumes</p>
<p><b>Project finance</b></p> <p>Inability to secure long-term project finance could affect the Group's future returns on investments in projects or where the Group has a preferred bidder position, the terms on which the underlying project reaches financial close</p>	<p>The Group works closely with a range of project finance providers to secure sufficient cost-effective finance for its projects. In PPP markets such as Australia where the tenor of project finance facilities tends to be shorter the Group's projects have successfully raised such shorter-term facilities</p>

Risk	Mitigation
<p>Adverse financial performance by a project company which affects the financial covenant ratios in its project finance loan documents may result in the project company being unable to make distributions to its shareholders or subordinated debt providers and may enable senior debt providers to declare default of the financing terms and exercise their security</p> <p>Inability to refinance existing project finance cost-effectively may also affect future investment returns</p>	<p>Prior to financial close, all proposed investments are scrutinised by the Investment Committee and by the executive Directors. This scrutiny includes a review of sensitivities to adverse investment returns and financial ratio tests as well as an assessment of a project's ability to be refinanced if the tenor of its 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 loan.</p>
<p><b>Counterparty risk</b></p> <p>The Group is exposed to counterparty credit risk with regards to (i) clients, sub-contractors, lenders and suppliers at a project level and (ii) joint venture partners, financial institutions and suppliers at a Group level.</p> <p>In overseas jurisdictions, the Group's investments backed by public sector clients may ultimately be subject to sovereign risk.</p>	<p>The Group works with multiple clients, joint venture partners, sub-contractors and institutional investors so as to reduce the probability of systemic counterparty risk in its investment portfolio. In establishing contractual arrangements as part of a project bid, the credit standing and relevant experience of a sub-contractor are considered. Independent checks on potential counterparties are carried out. Post contract award, the financial standing of key counterparties is monitored to provide an early warning of possible financial distress.</p> <p>Clients sponsoring PPP projects are normally supported by central and local government covenants, which significantly reduce the Group's risk. Client risk is further reduced by the increasing geographical spread of the Group's business. Entry into new geographical areas which have a different legal framework and/or financial market characteristics is considered by the Board separately from individual investment decisions.</p> <p>A substantial proportion of the revenue generated by renewable energy investments is usually backed by government subsidies.</p> <p>Counterparties for corporate deposits, project debt swaps and deposits in project companies are required to be banks with a suitable credit rating and are monitored closely on an ongoing basis.</p>
<p><b>Cost overruns and construction delays</b></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.</p> <p>Where such risks are not borne by sub-contractors, or sub-contractors fail to meet their contractual obligations, this can result in delays or cost overruns, which may adversely affect the return on the Group's investments.</p> <p>The Group is reliant on the performance of third parties in constructing an asset to an appropriate standard as well as operating it in a manner consistent with contractual requirements. Poor performance by, or failure of, such third parties may result in the impairment or loss of an investment.</p>	<p>The Group has procedures in place to ensure that project companies in which it invests appoint competent sub-contractors with relevant experience and financial strength. Sub-contracting arrangements contain terms enabling the project company to recover liquidated damages, additional costs and lost revenue, subject to limits, from the sub-contractor. 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.</p> <p>Security packages guard against the risk of price movement on re-tendering if a sub-contractor defaults.</p> <p>Extensive due diligence is undertaken throughout the bidding process.</p> <p>The terms of the sub-contracts into which project companies enter provide significant protections for investment returns from the poor performance of third parties.</p>
<p><b>Major incident</b></p> <p>A major incident such as a terrorist attack, fire, flood or epidemic could lead to a loss of crucial business data, technology, buildings, reputation and staff leading to loss of financial control and loss of confidence of investors and key suppliers.</p> <p>In addition, there could be a major investment project failure which could lead to the loss of reputation and possible health and safety issues.</p>	<p>Detailed business continuity plans have been designed and are periodically tested and updated.</p> <p>John Laing operates to independent, third party certified, management systems in respect of health and safety (OHSAS 18001:2007) and environmental management (ISO 14001:2004). In addition, John Laing's compliance team routinely monitors health, safety and environmental issues in the projects the Group invests in, both in the UK and overseas.</p>

## CORPORATE RESPONSIBILITY

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We remain committed to our Corporate Responsibility agenda which is endorsed by the John Laing executive Directors; however it is the engagement of our employees that makes the difference.

We are now in the second year of our commitment to provide support to Paddington Academy over three years as part of the BITC flagship educational programme, Business Class

We recognise that we have an important part to play in supporting our public sector clients in achieving environmental targets in the reduction of waste going to landfill and the emissions of greenhouse gases to the atmosphere and their adverse impact on climate change.

Adrian Ewer  
CHIEF EXECUTIVE

→ The John Laing team at the Standard Chartered Great City Race in aid of Seeing is Believing

Our commitment to Corporate Responsibility was rewarded with another Platinum Award in the 2013 Business in the Community (BITC) Corporate Responsibility Index

This follows our success in retaining the CommunityMark the national standard of excellence in community investment awarded by BITC. John Laing is only one of 46 UK companies to have achieved this award since its inception in 2008. We continue to build on this achievement and have maintained our commitment to support the communities in which we operate.

John Laing also achieved a RoSPA Gold Medal in 2013. This award is testament to our continuing commitment to safety and the systems we operate in the control and mitigation of occupational health and safety risks.

## We work closely with our employees and strategic charitable partners to deliver our community investment agenda

During the year, we retained our independent third party certification to BS EN ISO 14001:2004 (Environmental management) and OHSAS 18001:2007 (Occupational Health and Safety management)

### John Laing Community Investment Programme

JLCT also provides valuable support to John Laing's community investment programme which is focused on education and youth unemployment. The programme, which provides volunteering and fund raising opportunities for our employees, includes the following:

**COMMUNITY INVESTMENT** We work closely with our employees and strategic charitable partners to deliver our community investment agenda.

#### The John Laing Charitable Trust

The John Laing Charitable Trust (JLCT) supports the work of welfare visitors who look after the needs of our former employees and their surviving partners. Its trustees set aside considerable funds each year to provide financial help and assistance to current and former employees.

JLCT also provides grants to employees through its 'make a difference' and 'matched giving' schemes to support charities and good causes.

#### Make a difference

All John Laing employees or members of their immediate family directly involved in a charity are able to apply to JLCT for a grant to support a good cause. These grants are generally given to small charities where they can make a real difference. During the past year, 48 payments of £500 were made to a wide variety of organisations including schools, youth football teams, village halls, choirs, youth clubs and many small charities.

#### Matched giving

Through this scheme, JLCT matches money raised by employees up to a value of £1,000 per employee. This year, 64 applications were received from staff with the value of matched donations totalling almost £37,500.

#### Business Class

Business Class is BITC's flagship education programme endorsed by the government. It provides a systematic and proven framework for developing partnerships which are rooted in the needs of schools and underpinned by strategic support and collaborative action.

John Laing chairs the Westminster Business Class cluster of businesses and schools and has worked closely with its partner school, Paddington Academy, for two years. Our employees have volunteered to support a number of activities including student mentoring, curricular support, enterprise events, careers fairs, mock interviews, motivational speaking as well as provision of work experience and paid internships.

In 2013, Chris Waples, Executive Director Asset Management, was appointed to the BITC Education Leadership Team.

→ BITC Business Class collaborative event held at St Augustine's CoE School, involving the Westminster cluster of schools and businesses

## CORPORATE RESPONSIBILITY / continued

→ Year 12 students from Paddington Academy at the Pitch4Change event in December 2013 at which they secured funding to deliver their social action project. The students are mentored throughout by John Laing volunteers

### Envision

Envision's Young Leaders Programme inspires and enables young people to develop and deliver their own social action projects to tackle the social and environmental problems they care most about – often in their local communities.

Over the course of the ten month Envision programme – which concluded in July 2013 – John Laing volunteers supported young people from Paddington Academy to identify issues they felt passionately about and to set up practical projects to challenge those issues, whilst developing key employability skills. John Laing has agreed to support this successful programme for a further three years.

### The Prince's Teaching Institute

John Laing is a corporate patron of the Prince's Teaching Institute which over the past ten years has established a successful model of encouraging children to have higher aspirations and be more engaged in learning through providing subject-based professional development to teachers.

In 2013, funding was secured to allow the delivery of a three year programme to John Laing's partner school – Paddington Academy. We are confident that this programme will add value in motivating teachers and improving the learning experience – which ultimately will improve students' prospects, further education and employment.

→ The John Laing team taking part in the Prince's Trust Ecuador Challenge

### The Prince's Trust

John Laing has been a patron of The Prince's Trust Construction and Business Services Leadership Group since 2006. This has allowed us to work in partnership with The Prince's Trust to help support disadvantaged young people across the UK.

This year, we were particularly delighted to have an enthusiastic team from our European office participate in The Prince's Trust Ecuador challenge. Over seven days at altitudes between 2,800m and 4,900m the team covered a gruelling 75 km trek and a 140 km mountain bike ride.

Through their efforts, the team raised a staggering £21,000 to support vulnerable young people across the UK to realise their potential and move in to work, education or training.

### CommunityMark

John Laing is one of only 38 companies in the UK which currently hold the CommunityMark. The award is made to businesses which can demonstrate a long-term commitment to community investment. CommunityMark companies only achieve this national standard by delivering measurable and positive benefits for their business and the community.

**HEALTH AND SAFETY** John Laing takes its health and safety responsibilities very seriously and holds independent third party certification to the internationally-recognised occupational health and safety management system OHSAS 18001:2007.

This standard enables us to demonstrate our ongoing commitment to the health and safety of our staff and anyone who may be directly or indirectly affected by our activities.

Through this certification, we have seen a continued improvement in our performance in terms of health and safety management, incident reporting and investigation, employee engagement and occupational health and wellbeing.

John Laing was not the subject of any enforcement action throughout 2013 and the Accident Incidence Rate (AIR) (12-month rolling average) for John Laing employees was 176, well below the 2012/13 HSE all industry average of 312.

John Laing was awarded a RoSPA Gold Medal Award for Occupational Health and Safety in 2013. This is the fifth successive year that John Laing has achieved this prestigious award which reflects not only the effectiveness of our management system, but also the safety performance maintained throughout the business.

### ENVIRONMENT

#### Energy

The boundary criteria used for reporting include projects where John Laing provides project management services and/or where it also provides facilities management services.

Whilst we aspire to reduce the impact on the environment of our public sector infrastructure projects in terms of Greenhouse Gas (GHG) emissions and the volume of waste going to landfill, our ability to do so is dependent on our clients' commitment to an emission reduction strategy.

The energy data detailed in this report are based on boundary reporting criteria agreed with the Carbon Trust and cover the period July 2012 to June 2013. The data have been independently verified by the Carbon Trust.

The chart below shows the absolute carbon footprint (GHG Scope 1 & 2) associated with John Laing projects which was 144,851 tonnes of GHG (CO<sub>2</sub>e = CO<sub>2</sub> equivalent). The decrease in emissions on the preceding 12 months was in part a reflection of our partnership with our public sector clients to reduce energy consumption.

#### GREENHOUSE GASES PROTOCOL SCOPE 1 AND 2 – GAS AND ELECTRICITY

## CORPORATE RESPONSIBILITY / continued

### JOHN LAING WASTE FOOTPRINT

#### WASTE DIVERTED FROM LANDFILL %

#### Waste

John Laing's commitment to reduce the volume of waste it and its end-users produce is firmly embedded within the culture of the business. This ethos stems from top management and is cascaded to staff, clients and contractors at all levels.

We continue to work with our stakeholders to look at joint initiatives that provide both environmental and financial benefits. Where possible, we aim to educate our clients and end-users by raising awareness of the negative environmental impact waste has and of the small changes that can be made to lessen the volume of materials sent to landfill.

As can be seen from the graphs below, projects in which John Laing holds investments have achieved both a year on year reduction in volume of waste produced and an improvement in waste diverted from landfill.

#### WORKPLACE

##### Our People

Investing in our people is critical to the success of our business and we support them both to maximise their career potential through learning and development and to achieve a work-life balance. John Laing's focus is to attract, retain, engage, develop and reward high quality employees.

##### Employment

As at 31 December 2013, the Group employed 215 people, of which 30 were employed overseas. The comparable number of employees at 31 December 2012 was 270. During 2013, it became necessary to reduce the resources available in our traditional PPP social infrastructure markets through a reorganisation. Separately, JLIS, our facilities management business, which employed 1,102 staff at 31 December 2012, was sold in October 2013.

### Employee Engagement

John Laing is committed to listening to its employees. Following an employee survey in 2012 we have focused on the areas identified for improvement. We plan to conduct a further survey in 2014 and also to launch an employee forum.

Following the reorganisation in 2013, John Laing has concentrated on the development requirements of individuals and teams, supporting them where necessary with external facilitation, to ensure teams are operating effectively. In addition to keeping employees regularly informed of progress and updated on the business, senior management conduct road shows and briefings on topical and relevant business issues.

John Laing is committed to a positive working environment free from any discrimination or unfair treatment which provides all employees with equal opportunities to develop within the Group.

### Recognition and Reward

We regularly review our pay and benefits structure to ensure we are competitive and are offering attractive packages. As well as a competitive base pay and benefits structure we recognise and reward performance and/or results through bonuses and long-term incentive plans. We also offer a flexible benefits package which allows employees to select and choose from a variety of benefits. At the end of each year we make awards to employees (voted for by other employees) for notable achievements and contributions to both the business and the community.

### Work-Life Balance Policies

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

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

### Learning and Development

John Laing supports the skills development and learning of all employees through a range of means, including external courses and seminars, sponsorship for professional qualifications, secondments, development assessments and coaching and mentoring.

Retention of our employees through effective development is key to the success of the business. Learning and development remain areas of particular focus. Our Future Leaders Programme provides personal development, mentoring and coaching support for a group of employees with high potential. We also run (i) a Management Development Programme for a wide range of managers to support the development of key management skills and (ii) a development programme for existing leaders to support them in their roles and to foster a culture of inspirational leadership.

We continue to promote the development of our people through an annual Appraisal and Development Review, which is based on our competency framework of key skills required in the business.

The Group runs an in-house training programme which is open to all employees. This includes a wide range of courses which cover management development, personal effectiveness, professional development and information technology. We continually revise the development opportunities on offer as well as seek alternative methods of providing accessible learning opportunities. John Laing also offers a personal financial planning course to assist employees in planning for their longer-term financial future including pension planning.

John Laing encourages its employees to take part in volunteering activities which both support the community and aid personal development.

Staff numbers at 31 December 2013, broken down according to certain remuneration and gender criteria, are set out below:

	Total	Male	%	Female	%
Total Company	215	132	61	83	39
Senior Managers earning above £80k	66	59	89	7	11
Senior Managers earning above £70k	89	78	88	11	12
Directors	9	8	89	1	11



## DIRECTORS AND COMPANY SECRETARY

### • EXECUTIVE DIRECTORS

#### • Adrian Ewer FCA

Chief Executive (until 25 March 2014)

After qualifying as a chartered accountant in 1977, Adrian pursued a career in industry in electronics, engineering and construction businesses, including Lilley plc, Ratcliffe Group, Akai UK and Chloride. Having joined John Laing in 1991, he became Deputy Group Finance Director in 1995 and took responsibility for establishment of the Investments Division, the catalyst for John Laing's present day core business. In 1999, Adrian joined the Board as Finance Director and in 2001/02 led John Laing's strategic shift away from construction and house building. He has also driven the current strategy of developing and investing in infrastructure projects principally for public sector clients. He became Chief Executive in 2006. Adrian joined the Board of The Go Ahead Group plc in April 2013 as a non-executive director.

#### • Olivier Brousse EP, ENPC

Chief Executive

Olivier joined John Laing in March 2014. Following graduation from École Polytechnique and École Nationale des Ponts et Chaussées in France, he became Commercial Director of Unic Systems and then Chief of Staff to the Chairman and CEO of Compagnie Générale des Eaux, both in France. In 1998, he moved to London as CEO of Connex South Eastern and then joined Veolia first as CEO of Veolia Transportation Inc in Washington DC and then as Deputy CEO of Veolia Transportation in France. From 2008 to 2014, he served as CEO and then Executive Chairman of Saur SA in France.

#### • Patrick O'D Bourke MA ACA

Group Finance Director

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

#### • Derek Potts MA ACA

Executive Director, Primary Investment

Derek joined John Laing in 2001. He heads the Primary Investment division and has responsibility for all the Group's bidding and primary investment activities, both in the UK and internationally. For several years, he has led the Group's expansion into a number of international markets and new sectors. Derek is a qualified chartered accountant, having graduated as an engineer. He previously held senior positions with Jardine Matheson UK, GB Railways Group plc and Virgin Group.

#### • Chris Waples CDir FIoD

Executive Director, Asset Management

Chris joined John Laing in 2007. He is responsible for the Group's asset management activities which cover the Group's portfolio of primary and secondary investments as well as investments held by third parties. His responsibilities also cover information technology and health and safety. Chris formerly held senior management positions with Amey plc, Scottish Power plc and Blue Circle plc. He is the director responsible for health and safety matters and is a trustee of the John Laing Charitable Trust.

**\*\* NON-EXECUTIVE DIRECTORS****\*\* Phil Nolan BSc PHD MBA**

Chairman

Dr Nolan has a wealth of experience on the boards of many companies private and public and in both an executive and non executive capacity. He joined the Board of Affinity Water Limited as executive Chairman on 1 April 2013 and is currently a non executive director of Ulster Bank Providence Resources Plc and EnQuest PLC. He was Chairman of Infinis a privately held leading renewable energy generator between 2007 and 2010. Chairman of Sepura plc a listed global supplier of TETRA radios between 2007 and 2010 and CEO of Eircom Ireland's national telecommunications supplier from 2002 - 2006. Prior to that he served as an Executive Director of BG Group plc and CEO of Transco plc from 1998 and in 2000 led the demerger of Transco as CEO of the Lattice Group.

**\*\* Priscilla Davies BCom ACA**

Non-executive Director

Priscilla is the Managing Director of Henderson Equity Partners which specialises in Asian private equity infrastructure and private equity fund of funds. Priscilla has over 20 years experience in financial services having qualified as a chartered accountant. She joined Henderson Group in 2000 in a senior tax role and moved to Henderson's private equity division in 2004 where she oversaw its finance and investment operations before becoming Managing Director in January 2012. Prior to joining Henderson Priscilla was a tax professional with PricewaterhouseCoopers in both their Sydney and London offices.

**\*\* Toby Hiscock MA (Oxon) FCA**

Non-executive Director

Toby Hiscock is a qualified chartered accountant with 32 years experience as a finance professional. He was the Chief Financial Officer and an Executive Director of Henderson Group plc from 2003 until his retirement in 2009 and was responsible for all aspects of financial stewardship of the Henderson Group. Before Henderson he was a senior manager at Midland Bank Group in London and from 1981 to 1988 worked for Binder Hamlyn Chartered Accountants after graduating from Oxford University. Toby is also a non-executive Director of and consultant to a number of other public and private institutions.

**\*\* Roger Greville BAgEcon, MCom(Econ)**

Non-executive Director

Roger has over 20 years of international investment and management experience. Until December 2011 he was the Managing Director of Henderson Equity Partners which specialises in Asian private equity infrastructure and private equity fund of funds and he sat on the Executive Committee for Henderson Group plc. Prior to that Roger was CEO of AMP Henderson Global Investors (NZ) Limited a multi-sector asset management company managing listed and unlisted investments. He has also held positions with the Reserve Bank of New Zealand the New Zealand Treasury and Hendry Hay McIntosh Limited (a sharebroking and investment banking firm) as an economist.

**\*\* Guy Pigache BSc**

Non-executive Director

Guy is Head of Infrastructure at Henderson Equity Partners having joined Henderson in 2003. Guy has been active in the infrastructure concessions market for the past 20 years. He previously established the infrastructure equity investment division of HSBC (now InfraRed Capital Partners). Guy started his career in 1982 working for the Charterhouse investment banking group for 20 years.

**COMPANY SECRETARY****Carolyn Cattermole LLB**

Group General Counsel and Company Secretary

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

## DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Group for the year ended 31 December 2013

### GROUP ACTIVITIES

John Laing is a specialist investor in and manager of infrastructure assets in the UK and internationally

The share capital of John Laing plc is wholly-owned by Henderson Infrastructure Holdco Limited on behalf of two funds: Henderson PFI Secondary Fund LP and Henderson PFI Secondary Fund II LP, which are managed by Henderson Equity Partners, a subsidiary of Henderson Group plc

A list of the principal investments and group service companies of the Group can be found in note 31 to the accounts

On 28 August 2013 the Group completed the sale of its wholly-owned subsidiary, Woodcroft Insurance Company Limited, a Guernsey-based captive insurance company

On 18 October 2013 the Group completed the sale of JLIS, its facilities management business, to Carillion plc

There have been no significant changes in the Group's principal activities in the year under review. 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 FOR CONTINUING OPERATIONS

The profit for the year before taxation amounted to £125.8 million (2012 – £80.9 million)

The Directors paid interim dividends for the year of £0.15 million on 27 June 2013 and £0.15 million on 11 December 2013 (2012 – £0.3 million), making a total dividend of 0.077 pence per ordinary share (2012 – 0.077 pence per ordinary share). No final dividend for the year has been recommended.

### STRATEGIC REPORT

Additional information is provided in this annual report and accounts in accordance with best practice for portfolio companies owned by private equity investors (of which John Laing plc is deemed to be one) in accordance with the Walker Guidelines.

The key events during the year and the development of the business are set out in the Strategic Report on pages 6 to 37. The Strategic Report includes the Financial Review on pages 25 to 28 and the principal risks facing the Group on pages 29 to 31.

In the opinion of the Directors, the information contained in this annual report and accounts, including the Strategic Report, is fair, balanced and understandable.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

A resolution to reappoint Deloitte LLP as auditor will be proposed at the next Annual General Meeting.

### DIRECTORS

The Directors who served throughout the year were:

A J H Ewer

P O D Bourke

D Potts

C B Waples

P A Davies

R P Greville

N T Hiscock

P M G Nolan

G R M Pigache

Olivier Brousse was appointed as a Director on 3 March 2014.

## DIRECTORS' REPORT

### EMPLOYEES

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff and resultant queries are handled by the relevant business head or executive Director as appropriate. Regular team briefings at local level provide employees with information about the performance of and initiatives in, their part of the business. A wide range of information is also communicated across the Group's intranet.

The framework within which decisions about people are made is set out in the Group's personnel policies which are available to all staff. It is part of those policies to employ and train disabled people whenever their skills and qualifications allow and when suitable vacancies arise. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

### CREDITORS AND SUPPLIER PAYMENT POLICY

It is the Group's policy to settle suppliers' invoices in accordance with the terms of the underlying transactions. Trade creditors at 31 December 2013 amounted to 35 days (2012 – 35 days) of average supplies for the year.

The Strategic Report and the Directors' Report were approved by the Board on 25 March 2014.

On behalf of the Board



**C T Cattermole**

GROUP GENERAL COUNSEL AND COMPANY SECRETARY  
25 March 2014

## CORPORATE GOVERNANCE

The Board has resolved that the disclosures to be made in the annual report regarding the operation of the Board and its sub-committees should comply where commercially practicable, with the requirements of the UK Corporate Governance Code ("the Code") and best practice generally. However, as the Company is not required to comply with the Code, explanation for any non-compliance is not provided.

### DIRECTORS

The Board meets on a regular basis throughout the year and as needed to deal with special business. The Board has appointed an Audit Committee, a Finance Committee, an Investment Committee, a Nominations Committee and a Remuneration Committee which consider issues relevant to their specific terms of reference. The offices of Chairman and Chief Executive are held separately. Attendance of Directors at meetings of the Board during 2013 was as follows:

#### Number of meetings 11

Attended by		
P M G Nolan	- independent non-executive Chairman	11
A J H Ewer	- Chief Executive	11
P O D Bourke	- Group Finance Director	11
D Potts	- executive Director Primary Investment	10
C B Waples	- executive Director Asset Management	11
P A Davies	- non-executive Director	11
R P Greville	- non-executive Director	11
N T Hiscock	- non-executive Director	10
G R M Pigache	- non-executive Director	11

When Directors are unable to attend meetings they receive the relevant papers and give their comments in advance of the related meetings.

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board as well as any special business. Matters Reserved for the Board include the review of strategy and organisational change, the review of internal controls and risk management processes, the approval of significant investments and disposals, the approval of budgets and the regular review of current trading and the financial position of the Group. A schedule of Matters Reserved for the Board is included on the Company's website at [www.laing.com](http://www.laing.com). The Board receives regular reports prior to meetings on current trading and the financial position and forecasts of the Group. In addition, the Board receives relevant information on business, corporate and strategic issues. Formal procedures exist to ensure that the Board is made aware of any significant health and safety issues and non-compliance with statutory regulations. C B Waples is the Board member responsible for health and safety issues. Further details of the Company's approach to health and safety are set out in the Corporate Responsibility section of the Strategic Report on page 35.

All Directors may take independent professional advice at the Group's expense in the furtherance of their duties and have full access to the Group General Counsel and Company Secretary.

Upon appointment, Directors undertake an induction process to familiarise themselves with the Group's activities, policies and key issues. During their appointment, non-executive Directors are expected to dedicate adequate time to carry out their role effectively and to challenge management in a constructive way.

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

The Chairman has no executive responsibilities but leads and sets the agenda for the Board ensuring its effectiveness. The Chairman also acts as an interface between the executive and non-executive Directors and the Company's shareholder.

### BOARD SUB-COMMITTEES

Sub-committees of the Board have been constituted to consider and make recommendations to the Board regarding matters relating to external and internal audit, internal control and risk management processes, the selection of appropriate accounting policies, the presentation of the interim and full year accounts, investment performance, new investments, the appointment of Directors, and Directors' remuneration. Membership is determined by the Board and the duties of the Board sub-committees are set out in the following sections of this report.

All the sub-committees of the Board operate within clearly defined terms of reference which are reviewed and updated to reflect best practice and the Code as far as is commercially practicable.

## CORPORATE GOVERNANCE

### THE AUDIT COMMITTEE

Throughout the year the Audit Committee was chaired by N T Hiscock – a non-executive Director who has up to date and relevant financial experience. Other members who served during the year were P A Davies and M Jaffe (an appointed representative of the Company's shareholder).

Attendance of Directors at meetings of the Audit Committee during 2013 was as follows

#### Number of meetings five

Attended by	P M G Nolan	P O D Bourke	N T Hiscock – Chairman	P A Davies
	1#	5#	5	4

# attendance only

The Committee meets at least four times a year. Its terms of reference cover the review of internal and external audit plans, the interim results and the full year results, as well as internal control procedures and risk management processes. Regular reviews of significant risks identified as a result of risk management processes are undertaken at meetings of the Committee and the Committee's observations are reported to the Board.

The internal audit department provides independent assurance to the Board, through the Audit Committee, that internal control processes, including those related to risk management, are relevant, effective and operating throughout the business.

The Group Finance Director is normally invited to attend meetings, along with other members of management as appropriate. The external auditor and internal auditor are also invited to attend meetings and meet with the Audit Committee privately, without management present, at least once a year.

The Committee considers and approves the external audit approach with the external auditor. The Committee reviews the independence of the external auditor and the procedures in place to ensure that independence is not compromised. The Committee gives specific approval to non-audit services performed by the external auditor where the fee is expected to exceed £20,000. During 2013, following separate competitive processes, the Committee approved the appointment of Deloitte LLP to provide advice on the disposal of J LIS and the launch of J LEN, which has accounted for a significant increase in non-audit fees. After careful consideration, the Committee is satisfied that the non-audit work carried out by Deloitte LLP in 2013 has not compromised its independence. The external auditor has also confirmed it is satisfied it has maintained its independence since appointment.

Audit Committee meetings are minuted and copies of the minutes are provided to the Directors and the external auditor. The Committee reports to the Board, through the Chairman of the Committee, any relevant issues that should be brought to the attention of the Directors.

### THE FINANCE COMMITTEE

The Finance Committee meets when necessary and its primary purpose is to review the annual Budget and Plan. The current members are N T Hiscock (who acted as Chairman throughout the year), G R M Pigache, M Jaffe (an appointed representative of the Company's shareholder) and P O D Bourke.

Attendance of Directors at meetings of the Finance Committee during 2013 was as follows

#### Number of meetings eight

Attended by	P M G Nolan	P O D Bourke	D Polts	C B Waples	N T Hiscock – Chairman	G R M Pigache	A J H Ewer
	2#	8	4#	1#	8	8	1#

# attendance only

The activities and recommendations of the Committee are reported to routinely scheduled Board meetings.

## CORPORATE GOVERNANCE

### THE INVESTMENT COMMITTEE

The purpose of the Investment Committee is to make recommendations to the Board or to approve proposals within its delegated authority in relation to the Company's investments in infrastructure projects. The Committee also reviews the Company's portfolio valuation process referred to on page 21 and monitors the balance of risk across the portfolio. The activities, recommendations and approvals of the Committee are reported to routinely scheduled Board meetings.

Members of the Committee are appointed by the Board. Membership comprises not less than one non-executive Director of the Company, the executive Directors, the Group General Counsel and Company Secretary and such other people as may be nominated by the Board from time to time. G R M Pigache is the Chairman of the Committee.

Attendance of Directors at meetings of the Investment Committee during 2013 was as follows

#### Number of meetings 35

Attended by	P M G Nolan	A J H Ewer	P O D Bourke	D Potts	C B Waples	R P Greville	G R M Pigache – Chairman	N T Hiscock	P A Davies
	3#	28	32	29	20	3#	35	1#	1#

# attendance only

### THE NOMINATIONS COMMITTEE

The Committee meets at least annually. Dr P M G Nolan is the Chairman of the Committee. Membership is not less than two non-executive Directors, one of whom must be the Chairman of the Committee. Attendance of Directors at meetings of the Nominations Committee during 2013 was as follows

#### Number of meetings one

Attended by	P M G Nolan – Chairman	R P Greville	G R M Pigache	P A Davies
	1	1	1	1

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

### THE REMUNERATION COMMITTEE

The Remuneration Committee has three scheduled meetings per year and meets additionally as circumstances require. Membership is not less than two non-executive Directors. Dr P M G Nolan acted as Chairman of the Remuneration Committee throughout 2013.

Attendance of Directors at meetings of the Remuneration Committee during 2013 was as follows

#### Number of meetings eight

Attended by	P M G Nolan – Chairman	A J H Ewer	R P Greville	G R M Pigache	N T Hiscock	P A Davies
	8	7#	8	8	6	8

# attendance only

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

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

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

## 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 have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). 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 year.

In preparing the parent company financial statements, the Directors are required to

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

In preparing the Group financial statements, International Accounting Standard (IAS) 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 IFRSs 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 shown on the Company's website. Legislation in the UK 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 IFRSs 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 view 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 they face, 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.

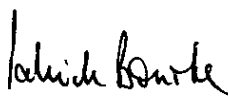
By order of the Board



**A J H Ewer**

DIRECTOR

25 March 2014



**P O D Bourke**

DIRECTOR

25 March 2014



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF JOHN LAING PLC

### OPINION ON FINANCIAL STATEMENTS OF JOHN LAING PLC

In our opinion

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 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 United Kingdom Generally Accepted Accounting Practice and
- the financial statements have been prepared in accordance with the requirements of the Companies Act

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Accounting Policies and the related notes 1 to 31 for the Group Financial Statements and the related notes 1 to 12 for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### GOING CONCERN

We have reviewed the Directors' statement contained on page 57 that the Group is a going concern. We confirm that

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate and
- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources during the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
<p><b>Valuation of PPP and renewable energy investments</b></p> <p>The valuation of these investments is a significant judgement area and is underpinned by a number of key assumptions and estimates.</p> <p>These judgements include forecast cash flows (including the ability of the Group to achieve value enhancements), discount rates and macro-economic assumptions such as future inflation and tax rates.</p>	<ul style="list-style-type: none"> <li>• We reviewed and challenged the cash flows incorporated into a sample of project financial models focusing on key changes during the period.</li> <li>• We obtained evidence to substantiate other key assumptions including project discount rate(s), the ability to achieve value enhancements and macro-economic assumptions such as forecast tax and inflation rates.</li> <li>• We benchmarked management's secondary discount rates against secondary market transactions including disposals that the Group has entered into in the current and previous periods.</li> </ul> <p>Please see note 13 of the Group financial statements.</p>
<p><b>Adoption of IFRS10 Investment Entities</b></p> <p>The appropriateness of the application of the new standard is a judgement based on whether the Group meets the definition of an investment entity. As an investment entity the Group measures its interest in project subsidiaries, joint ventures and associates at fair value rather than consolidating or equity accounting.</p>	<ul style="list-style-type: none"> <li>• We challenged management's assessment that the Group meets the definition of an investment entity against the criteria set out in Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) by reviewing the Group's business model and how management reports performance internally.</li> <li>• We checked that the prior period restatement had been calculated and disclosed correctly.</li> </ul> <p>Please see the accounting policies of the Group Financial Statements.</p>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF JOHN LAING PLC

Risk	How the scope of our audit responded to the risk
<p><b>The valuation of the defined benefit pension schemes</b></p> <p>The Group has two defined benefit pension schemes which had a combined liability of £196.8m at 31 December 2013. The valuation of the liability is subject to a number of judgements including (i) discount rates, (ii) inflation rates and (iii) mortality assumptions.</p> <p>There is also a judgement that the Group may not be able to recover a surplus under the scheme rules and consequently may be subject to a minimum funding requirement under IFRIC14.</p>	<ul style="list-style-type: none"> <li>• In conjunction with internal actuarial specialists, we challenged and benchmarked management's key assumptions including the discount rate, mortality assumptions and inflation rates.</li> <li>• We audited the scheme assets via agreement to external confirmations from the custodian.</li> <li>• We checked the nature of the Group's funding commitments to the schemes, reviewed the scheme rules, external legal advice and the actuarial schedule of contributions.</li> </ul> <p>Please see note 21 of the Group Financial Statements.</p>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above and we do not express an opinion on these individual matters.

**OUR APPLICATION OF MATERIALITY**

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

We determined materiality for the Group to be £12 million which is below 3% of shareholder's equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit 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 scope focused primarily on the fair value of those PPP and renewable energy investments which are significant to the Group. Audit work was performed on investments in scope which comprised 93% of the total valuation of project companies. Other investments were subject to review procedures. We engaged with the component auditors of joint ventures (which are not audited by the Group engagement team) who undertook specific scope audit procedures.

Our audit work on those components which provide asset management services and are consolidated was executed at levels of materiality applicable to each component which in all instances was lower than Group materiality.

**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements is prepared is consistent with the financial statements.

**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
- certain disclosures of directors' remuneration specified by law are not made, 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF JOHN LAING PLC

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Ross Howard FCA (Senior statutory auditor)**

FOR AND ON BEHALF OF DELOITTE LLP  
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR  
LONDON, UNITED KINGDOM  
25 March 2014

## GROUP INCOME STATEMENT

for the year ended 31 December 2013

	Notes	2013 £ million	Restated* 2012 £ million
<b>Continuing operations</b>			
Interest income	2	31 2	27 8
Dividend income	3	12 1	16 4
Net gains on investments at fair value through profit or loss	13	95 1	44 6
Other income		85 2	113 3
<b>Operating income</b>	1	223 6	202 1
Cost of sales		(37 9)	(44 8)
<b>Gross profit</b>		185 7	157 3
Administrative expenses		(63 4)	(67 5)
Other gains and losses	6	21 8	10 7
<b>Profit from operations</b>	4	144 1	100 5
Finance costs	7	(18 3)	(19 6)
<b>Profit before tax</b>		125 8	80 9
Tax	8	6 7	2 8
<b>Profit for the year from continuing operations</b>		132 5	83 7
<b>Discontinued operations</b>			
Loss for the year from discontinued operations (after tax)	9	(1 3)	(2 1)
<b>Profit for the year</b>		131 2	81 6
Attributable to			
Owner of the Company		131 1	81 6
Non-controlling interest		0 1	-
		131 2	81 6

\* All comparative information, including relevant notes, has been restated as set out in the basis of preparation on page 54

Overview

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## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Translation reserve £ million	2013 Accumulated profits/(losses) £ million	Total £ million	Translation reserve £ million	Restated* 2012 Accumulated profit/(loss) £ million	Total £ million
<b>Profit for the year</b>	-	131.2	131.2	-	81.6	81.6
Exchange difference on translation of overseas operations	0.1	-	0.1	(0.1)	-	(0.1)
Actuarial loss on post retirement obligations	-	(31.2)	(31.2)	-	(45.3)	(45.3)
Other comprehensive income/(expense) for the year	0.1	(31.2)	(31.1)	(0.1)	(45.3)	(45.4)
<b>Total comprehensive income/(expense) for the year</b>	0.1	100.0	100.1	(0.1)	36.3	36.2

\* All comparative information including relevant notes has been restated as set out in the basis of preparation on page 54

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

## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

## Group Statement of Changes in Equity in 2013

	Notes	Share capital £ million	Revaluation reserve £ million	Translation reserve £ million	Accumulated profit/(loss) £ million	Total £ million	Non-controlling interest £ million	Total equity £ million
Balance at 1 January 2013 (as previously reported)		97.9	153.4	(22.4)	81.9	310.8	4.5	315.3
Impact of restatement		-	65.9	25.7	24.7	116.3	(4.5)	111.8
<b>Restated balance at 1 January 2013*</b>		<b>97.9</b>	<b>219.3</b>	<b>3.3</b>	<b>106.6</b>	<b>427.1</b>	<b>-</b>	<b>427.1</b>
Profit for the year		-	-	-	131.1	131.1	0.1	131.2
Other comprehensive income/(expense) for the year		-	-	0.1	(31.2)	(31.1)	-	(31.1)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>0.1</b>	<b>99.9</b>	<b>100.0</b>	<b>0.1</b>	<b>100.1</b>
Transfer on disposal of interests in investments		-	(49.3)	(1.3)	50.6	-	-	-
Transfer on revaluation of investments	13	-	95.1	-	(95.1)	-	-	-
Dividends paid	10	-	-	-	(0.3)	(0.3)	-	(0.3)
<b>Balance at 31 December 2013</b>		<b>97.9</b>	<b>265.1</b>	<b>2.1</b>	<b>161.7</b>	<b>526.8</b>	<b>0.1</b>	<b>526.9</b>
Amounts recognised directly in equity relating to assets classified as held for sale		-	19.2	-	-	19.2	-	-

## Group Statement of Changes in Equity in 2012

	Notes	Share capital £ million	Capital reserve £ million	Revaluation reserve £ million	Translation reserve £ million	Accumulated profit/(loss) £ million	Total £ million	Non-controlling interest £ million	Total equity £ million
Balance at 1 January 2012 (as previously reported)		97.9	23.1	170.0	(39.1)	22.4	274.3	2.4	276.7
Impact of restatement		-	-	52.5	42.5	21.9	116.9	(2.4)	114.5
<b>Restated balance at 1 January 2012*</b>		<b>97.9</b>	<b>23.1</b>	<b>222.5</b>	<b>3.4</b>	<b>44.3</b>	<b>391.2</b>	<b>-</b>	<b>391.2</b>
Profit for the year		-	-	-	-	81.6	81.6	-	81.6
Other comprehensive expense for the year		-	-	-	(0.1)	(45.3)	(45.4)	-	(45.4)
<b>Total comprehensive (expense)/income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>36.3</b>	<b>36.2</b>	<b>-</b>	<b>36.2</b>
Transfer on disposal of interests in investments		-	-	(47.8)	-	47.8	-	-	-
Transfer on revaluation of investments	13	-	-	44.6	-	(44.6)	-	-	-
Realisation of capital reserve on contribution to pension fund deficit	24	-	(23.1)	-	-	23.1	-	-	-
Dividends paid	10	-	-	-	-	(0.3)	(0.3)	-	(0.3)
<b>Restated balance at 31 December 2012*</b>		<b>97.9</b>	<b>-</b>	<b>219.3</b>	<b>3.3</b>	<b>106.6</b>	<b>427.1</b>	<b>-</b>	<b>427.1</b>
Amounts recognised directly in equity relating to assets classified as held for sale		-	-	4.3	-	-	4.3	-	-

\* All comparative information including relevant notes has been restated as set out in the basis of preparation on page 54

## GROUP BALANCE SHEET

as at 31 December 2013

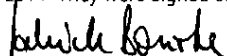
	Notes	2013 € million	Restated 2012 € million	Restated 1 January 2012 € million
<b>Non-current assets</b>				
Intangible assets	11	13	29	34
Plant and equipment	12	22	38	09
Investments at fair value through profit or loss	13	565.9	568.7	518.3
Deferred tax assets	20	15	19	19
Trade and other receivables	14	41	08	19
		<b>575.0</b>	<b>578.1</b>	<b>526.4</b>
<b>Current assets</b>				
Inventories – work in progress		–	0.2	0.1
Trade and other receivables	14	18.3	19.3	15.3
Current tax assets		4.0	3.3	2.2
Other financial assets	15	9.4	11.8	1.7
Derivative financial instruments	19	0.5	–	–
Cash and cash equivalents	15	46.4	57.6	53.9
		<b>78.6</b>	<b>92.2</b>	<b>73.2</b>
Assets held for sale and discontinued operations	9	119.5	11.9	26.0
<b>Total assets</b>		<b>773.1</b>	<b>682.2</b>	<b>625.6</b>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings		6.0	–	–
Trade and other payables	16	22.7	45.4	43.7
Provisions	22	–	1.9	11.9
Derivative financial instruments	19	0.1	0.2	–
Current tax liabilities		1.1	4.1	3.9
		<b>29.9</b>	<b>51.6</b>	<b>59.5</b>
Liabilities directly associated with assets classified as held for sale and discontinued operations	9	9.8	10.5	6.8
<b>Net current assets</b>		<b>158.4</b>	<b>42.0</b>	<b>32.9</b>
<b>Non-current liabilities</b>				
Retirement benefit obligations	21	204.4	189.8	161.0
Provisions	22	2.1	3.2	7.1
		<b>206.5</b>	<b>193.0</b>	<b>168.1</b>
<b>Total liabilities</b>		<b>246.2</b>	<b>255.1</b>	<b>234.4</b>
<b>Net assets</b>		<b>526.9</b>	<b>427.1</b>	<b>391.2</b>
<b>Equity</b>				
Share capital	23	97.9	97.9	97.9
Capital reserve	24	–	–	23.1
Revaluation reserve		265.1	219.3	222.5
Translation reserve		2.1	3.3	3.4
Accumulated profits		161.7	106.6	44.3
– retirement benefit obligations		(204.4)	(189.8)	(161.0)
– other reserves		366.1	296.4	205.3
<b>Equity attributable to owner of the Company</b>		<b>526.8</b>	<b>427.1</b>	<b>391.2</b>
<b>Non-controlling interest</b>		<b>0.1</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>526.9</b>	<b>427.1</b>	<b>391.2</b>

\* All comparative information including relevant notes has been restated as set out in the basis of preparation on page 54

The financial statements of John Laing plc registered number 1345670, on pages 49 to 95 were approved by the Board of Directors and authorised for issue on 25 March 2014. They were signed on its behalf by



A J H Ewer  
DIRECTOR  
25 March 2014



P O D Bourke  
DIRECTOR  
25 March 2014

## GROUP CASH FLOW STATEMENT

for the year ended 31 December 2013

	Notes	2013 £ million	Restated* 2012 £ million
<b>Net cash (outflow)/inflow from operating activities</b>	25	<b>(15 8)</b>	<b>5 3</b>
<b>Investing activities</b>			
Reduction/(increase) in other financial assets		<b>5 2</b>	(10 8)
Proceeds from disposal of subsidiaries net of cash and disposal costs	6	<b>9 3</b>	-
Proceeds from the sale of investments net of disposal costs	6	<b>110 3</b>	136 7
Proceeds from loan repayments from project companies	13	<b>5 5</b>	5 4
Purchase of computer software		-	(0 4)
Purchase of plant and equipment		<b>(0 1)</b>	(4 5)
Investment in/acquisition of project companies		<b>(117 2)</b>	(119 6)
<b>Net cash from investing activities</b>		<b>13 0</b>	<b>6 8</b>
<b>Financing activities</b>			
Dividends paid		<b>(0 3)</b>	(0 3)
Interest paid		<b>(17 2)</b>	(7 8)
Proceeds from borrowings		<b>6 8</b>	-
<b>Net cash used in financing activities</b>		<b>(10 7)</b>	<b>(8 1)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13 5)</b>	<b>4 0</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>59 4</b>	<b>55 3</b>
Effect of foreign exchange rate changes		<b>0 5</b>	0 1
<b>Cash and cash equivalents at end of year</b>	26	<b>46 4</b>	<b>59 4</b>

\* All comparative information including relevant notes has been restated as set out in the basis of preparation on page 54



## ACCOUNTING POLICIES

for the year ended 31 December 2013

### BASIS OF PREPARATION

The Group has adopted accounting policies that are compliant with IFRS in so far as they have been codified and endorsed by EU member states and therefore these accounts comply with Article 4 of the EU IAS regulation

The financial statements have been prepared on the historical cost basis except for the revaluation of investments in project companies and financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below

On 31 October 2012 the IASB published Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) providing an exception to the consolidation requirements in IFRS 10 for investment entities. These Amendments are effective for annual periods beginning on or after 1 January 2014. Following EU endorsement in November 2013, early adoption of the Amendments is permitted. The Group has determined that it qualifies as an investment entity and has chosen to adopt early the Amendments in the financial statements for the year ended 31 December 2013. Comparative information for 2012 has been restated to reflect this change in accounting policy. See note (a) in the accounting policies below.

Project companies in which the Group invests are described as non-recourse, i.e. providers of debt to such project companies have no recourse to John Laing companies as investors in such projects. Other John Laing group companies, which are all subsidiaries including operating companies and/or companies in which corporate borrowings and cash balances reside are described as recourse.

Certain value enhancements were identified in 2013 in respect of the Group's investment in the IEP (Phase 1) project. In the opinion of the Directors, the circumstances relating to these value enhancements existed at 31 December 2012. Accordingly, comparative information for 2012 has been restated which has resulted in an increase in the fair value movement on investments in the Group Income Statement and investments at fair value through profit or loss on the Group Balance Sheet by £18.7 million.

The impact of adopting Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) comprises the deconsolidation of assets, liabilities, income and expenses of subsidiary project companies which were previously consolidated on a line by line basis. Under the Amendments, all investment in project companies, including those which are subsidiaries, are now accounted for at fair value in accordance with IAS 39 Financial Instruments: Recognition and measurement, with changes to fair value recognised in profit or loss.

The following table summarises the key adjustments made to the Group Balance Sheet on implementation of the new accounting policy and the restatement described above.

Group Balance Sheet	As reported Balance at 1 January 2012	Restatement	Restated Balance at 1 January 2012	As reported Balance at 31 December 2012	Restatement	Restated Balance at 31 December 2012
Intangible assets	38.2	(34.8)	3.4	55.8	(52.9)	2.9
Plant and equipment	0.9	-	0.9	39.1	(35.3)	3.8
Investments at fair value through profit or loss	413.6	104.7	518.3	393.1	175.6	568.7
Financial assets – available for sale	728.1	(728.1)	-	865.4	(865.4)	-
Deferred tax assets	-	1.9	1.9	-	1.9	1.9
Inventories	0.1	-	0.1	0.2	-	0.2
Derivative financial instruments	-	-	-	0.2	(0.2)	-
Trade and other receivables	60.4	(43.2)	17.2	70.9	(50.8)	20.1
Current tax assets	2.3	(0.1)	2.2	3.0	0.3	3.3
Other financial assets	21.2	(19.5)	1.7	44.2	(32.4)	11.8
Cash and cash equivalents	89.6	(35.7)	53.9	109.1	(51.5)	57.6
Asset held for sale and discontinued operations	121.7	(95.7)	26.0	11.9	-	11.9
<b>Total assets</b>	<b>1,476.1</b>	<b>(850.5)</b>	<b>625.6</b>	<b>1,592.9</b>	<b>(910.7)</b>	<b>682.2</b>
Interest-bearing loans and borrowings	(727.8)	727.8	-	(886.8)	886.8	-
Trade and other payables	(83.7)	40.0	(43.7)	(83.3)	37.9	(45.4)
Retirement benefit obligations	(161.0)	-	(161.0)	(189.8)	-	(189.8)
Current tax liabilities	(4.3)	0.4	(3.9)	(4.1)	-	(4.1)
Deferred tax liabilities	(0.4)	0.4	-	(6.1)	6.1	-
Derivative financial instruments	(75.9)	75.9	-	(83.6)	83.4	(0.2)
Provisions	(25.9)	6.9	(19.0)	(11.5)	6.4	(5.1)
Liabilities directly associated with assets classified as held for sale and discontinued operations	(120.4)	113.6	(6.8)	(12.4)	1.9	(10.5)
<b>Total liabilities</b>	<b>(1,199.4)</b>	<b>965.0</b>	<b>(234.4)</b>	<b>(1,277.6)</b>	<b>1,022.5</b>	<b>(255.1)</b>
<b>Net assets</b>	<b>276.7</b>	<b>114.5</b>	<b>391.2</b>	<b>315.3</b>	<b>111.8</b>	<b>427.1</b>
<b>Retained earnings</b>	<b>22.4</b>	<b>21.9</b>	<b>44.3</b>	<b>81.9</b>	<b>24.7</b>	<b>106.6</b>

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### BASIS OF PREPARATION (CONTINUED)

The effect on the Group Income Statement was as follows

Group Income Statement	As reported Results for the year ended 31 December 2012	Restatement	Restated Results for the year ended 31 December 2012
<b>Continuing operations</b>			
Interest income	77.3	(49.5)	27.8
Dividend income	16.3	0.1	16.4
Net gains on investments at fair value through profit or loss	26.1	18.5	44.6
Other income	313.8	(200.5)	113.3
<b>Operating income</b>	<b>433.5</b>	<b>(231.4)</b>	<b>202.1</b>
Cost of sales	(237.6)	192.8	(44.8)
<b>Gross profit</b>	<b>195.9</b>	<b>(38.6)</b>	<b>157.3</b>
Administrative expenses	(69.7)	2.2	(67.5)
Other gains	15.7	(5.0)	10.7
<b>Profit from operations</b>	<b>141.9</b>	<b>(41.4)</b>	<b>100.5</b>
Finance costs	(76.3)	56.7	(19.6)
<b>Profit before tax</b>	<b>65.6</b>	<b>15.3</b>	<b>80.9</b>
Tax	2.2	0.6	2.8
<b>Profit for the year from continuing operations</b>	<b>67.8</b>	<b>15.9</b>	<b>83.7</b>
Loss for the year from discontinued operations (after tax)	(2.1)	-	(2.1)
<b>Profit for the year</b>	<b>65.7</b>	<b>15.9</b>	<b>81.6</b>

### ADOPTION OF NEW AND REVISED STANDARDS

With the exception of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), the adoption of the following new and revised standards, amendments and interpretations has not led to any material changes in the Group's accounting policies nor has it had any material impact on these financial statements:

Standard/amendment/interpretation

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (2011)

IAS 27 Separate Financial Statements (2011)

IAS 28 Investments in Associates and Joint Ventures (2011)

Amendments to IFRS 7 (December 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to IFRS 1 (March 2012) Government Loans

Annual Improvements 2009-2011 Cycle

Consolidated Financial Statements Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance

The Amendments to IFRS 10, IFRS 12 and IAS 27 (October 2012) Investment Entities are not effective in the European Union until annual periods beginning on or after 1 January 2014. However, as described above, the Company has elected to adopt early these Amendments in these financial statements.

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue and relevant, but not yet effective (and in some cases had not yet been adopted by the EU)

Standard/amendment/interpretation

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IFRS 9 (November 2009, revised December 2011) Financial Instruments  
 Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)  
 Amendments to IAS 32 (December 2011) Financial Instruments – Presentation  
 Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)  
 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments – Recognition and Measurement)  
 Annual Improvements 2010-2012 Cycle  
 Annual Improvements 2011-2013 Cycle  
 IFRIC 21 Levies

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With the exception of IFRS 9, the Directors do not anticipate that the adoption of these standards or interpretations in future periods will have a material impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1 January 2014. The adoption of IFRS 9, when it becomes mandatory, will have an impact on the measurement, classification and disclosures of financial instruments.

#### (a) Application of investment entity guidance

Following EU endorsement of Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) in November 2013, the Group has considered whether it meets the definition of an investment entity in order to adopt these Amendments early. Under this guidance, an investment entity is considered to be an entity which:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- measures and evaluates the performance of substantially all its investments on a fair value basis

In assessing whether it meets the definition of an investment entity, an entity must consider whether it has the following typical characteristics:

- more than one investment
- more than one investor
- investors that are not related parties of the entity, and
- ownership interests in the form of equity or similar interests

The Group has concluded that it meets the definition of an investment entity with a transitional date of 1 January 2013. Prior periods have been restated on the same basis. The Group has also adopted the amendments to IFRS 12 and IAS 27 which are applicable to an investment entity. Following adoption of these standards, the Group, as an investment entity, measures all investments in project companies (including subsidiary project companies which it controls and joint ventures and associates) at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and measurement (to be replaced by IFRS 9 Financial Instruments when it becomes effective). A summary of the main changes of adopting the Amendments is set out on page 54.

The fair value of investments in subsidiary project companies, joint ventures and associates is calculated by discounting the future cash flows of the underlying projects at an appropriate discount rate. The discount rates used are based on market discount rates for similar assets adjusted for an appropriate premium to reflect project specific risk and the phase of the project. The discount rates that have been applied to investments at 31 December 2013 were in the range of 7.5% to 11.0% (2012 – 6.8% to 13.0%).

The Group also holds an investment in John Laing Infrastructure Fund Limited (JLIF) with the value of the Group's investment determined by its closing share price at the balance sheet date.

The Group continues to consolidate those subsidiaries which provide services to the Group's investment activities. These are companies within the recourse part of the Group including Laing Investments Management Services Limited, John Laing Capital Management Limited and John Laing Services Limited. The Group also consolidated its subsidiary, John Laing Integrated Services Limited (JLIS), until the date of its disposal on 18 October 2013.

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

#### (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.

As set out in the Financial Review section of the Strategic Report on pages 25 to 28, in arriving at their conclusion, the Directors took into account the Group's policy towards liquidity and cash flow management and the availability of £305 million of bank facilities which are committed to February 2017. The Directors are of the opinion that, based on the Group's forecasts and projections and taking account of expected bidding activity and operational performance, the Group will be able to operate within its bank facilities and comply with the financial covenants therein for the foreseeable future.

In determining that the Group is a going concern, certain risks and uncertainties, some of which arise or increase as a result of the economic environment in some of the Group's markets, have been considered. The Directors believe that the Group is adequately placed to manage these risks. The most important risks and uncertainties identified and considered by the Directors are set out in the Principal Risks and Risk Management section on pages 29 to 31. In addition, the Group's policies for management of exposure to financial risks, including liquidity, foreign exchange, credit and interest rate risks are set out in note 18.

#### (c) Revenue recognition

The Group earns revenue from various sources including:

Primary and secondary investment:

- Investment income from its investment portfolio, and
- Recovery of bid costs (primary investment only)

Asset management services:

- Revenue from the provision of asset management services to the Group's investment portfolio, and
- Revenue from the provision of asset management services to external parties

The Group also earned revenue from facilities management services through its wholly owned subsidiary JLIS, until JLIS was sold on 18 October 2013.

Revenue recognition is determined by reference to the following policies:

##### (i) Investment income

Investment income comprises the following:

- Dividend income from investments in project companies and other investments at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when approved and paid by the project company.
- Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued by reference to the principal outstanding and the applicable interest rate.
- Gains or losses on investments at fair value through profit or loss excluding the movements shown as dividend and interest income above.

##### (ii) Revenue from asset management services

Revenue from asset management services is recognised as services are provided in accordance with IAS 18 Revenue.

##### (iii) Facilities management services

Until the sale of JLIS, revenue from long-term facilities management contracts was accounted for in accordance with IAS 18 Revenue. Revenues and profits recognised were determined by reference to services provided in the period.

##### (iv) Bid costs

Bid costs are charged to the Group Income Statement until such time as the Group is virtually certain that it will recover the costs. Virtual certainty is generally achieved when an agreement is in place demonstrating that costs are fully recoverable even in the event of cancellation of a project. From the point of virtual certainty, bid costs are held in the Group Balance Sheet as a debtor prior to achieving financial close. On the project in question, on financial close (finalisation of project and financing agreements) the Group recovers bid costs by charging a fee to the relevant project company.

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

#### (c) Revenue recognition (continued)

##### (v) Other

Revenue excludes the value of intra-group transactions and VAT and includes revenue derived from the provision of services to project companies by Group recourse companies

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

#### (d) Financial instruments

##### (i) 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

##### (ii) Financial assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The financial assets that the Group holds are classified as FVTPL and loans and receivables.

- Investments in project companies and JLIF are designated upon initial recognition as financial assets at FVTPL. The Group's policy is to fair value both the equity and subordinated debt investments in project subsidiaries, joint ventures and associates together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value using discounted cash flow methodology, with changes recognised within operating income in the Group Income Statement.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and other financial assets in the Group Balance Sheet.

##### (iii) Impairment of financial assets

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

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

#### (d) Financial instruments (continued)

##### (iv) 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.

##### (v) Financial liabilities

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

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

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

##### (vi) Derivative financial instruments

The Group treats forward foreign exchange contracts and currency swap deals it enters into as FVTPL derivative financial instruments. Changes in the fair value of these instruments are taken to the Group Income Statement.

#### (e) Provisions

Provisions for restructuring costs, legal claims and environmental restoration 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 in settlement is determined by considering the class of the obligations as a whole.

#### (f) Finance costs

Finance costs, which include set up costs for the revolving credit facility and letter of credit fees, are recognised in the Group Income Statement over the credit facility term or in the year in which they are incurred, respectively.

#### (g) 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. The Group's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the balance sheet date.

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

#### (g) Taxation (continued)

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in project companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The measurement of deferred tax liabilities on project companies reflects the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 against 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.

#### (h) Foreign currencies

The individual financial statements of each Group subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each Group subsidiary are expressed in pounds sterling, the functional currency of the Company and the presentation currency for the Group financial statements.

Exchange differences arising in the ordinary course of trading are reflected in the Group Income Statement, those arising on translation of net results of foreign operations are transferred to the Group's translation reserve in the Group Balance Sheet. On disposal of foreign operations, such translation differences are reclassified to the Group Income Statement in the period in which the disposal has occurred.

For the purposes of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Monetary assets and liabilities expressed in foreign currency 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, except for long-term shareholder loans which form part of net investment in a foreign operation and where any difference arising on the retranslation of these amounts is taken to the translation reserve in the Group Balance Sheet. In the event of disposal of a foreign investment, this reserve is reclassified to the Group Income Statement as part of the profit or loss on disposal.

#### (i) Non-current assets held for sale and discontinued operations

Where a disposal group represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, it is treated as a discontinued operation. The post-tax profit or loss of this discontinued operation together with the gain or loss recognised on its disposal is shown as a single amount on the face of the Group Income Statement, with all prior periods being presented on this basis.

Non-current assets classified as held for sale and discontinued operations are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount is recoverable through a sale rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition and the sale is completed within one year of the date of its classification.

## ACCOUNTING POLICIES

for the year ended 31 December 2013

### ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

#### (j) Intangible assets

Computer software classified as an intangible asset is amortised over three to five years on a straight line basis

#### (k) Property, plant and equipment

Plant and equipment including fixtures and fittings and computer equipment are stated at cost less accumulated depreciation and any impairment loss

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives using the straight line method on the following bases

Computer equipment	3 to 5 years
Office equipment	3 to 5 years

#### (l) 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 and the John Laing Pension Plan, which are closed to future accrual. The Group also provides post-retirement medical benefits to certain former employees.

Payments to defined contribution pension arrangements are charged as an expense as they fall due.

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

The retirement benefit obligations recognised in the Group Balance Sheet represent the present value of (i) defined benefit scheme obligations as adjusted for unrecognised past service costs and 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 reductions in future contributions to the schemes; and (ii) unfunded post-retirement medical benefits.

Net interest expense or income is recognised within finance costs.

#### (m) Cash and cash equivalents

Cash and cash equivalents in the Group Balance Sheet comprise cash at bank and in hand and short term deposits with original maturities of three months or less. For the purposes of the Group Cash Flow Statement, cash and cash equivalents comprise cash and short term deposits as defined above, net of bank overdrafts.

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

#### (n) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

#### (o) 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.



## ACCOUNTING POLICIES

for the year ended 31 December 2013

### CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates made and the underlying assumptions on which they are based are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Determining whether the Group qualifies as an investment entity

The Group has assessed whether it falls within the criteria of an investment entity under Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) as follows:

- (a) the Group is wholly owned by Henderson Infrastructure Holdco Limited on behalf of two funds: Henderson PFI Secondary Fund LP and Henderson PFI Secondary Fund II LP, which in turn have a number of investors;
- (b) the Group's strategy is to invest in and manage infrastructure assets. It invests in PPP project companies and renewable energy projects with the sole purposes of investment income and capital appreciation. 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 to project companies are small in comparison to the Group's overall investment-based returns;
- (c) the Group measures all of its investments in PPP project companies and renewable energy projects on a fair value basis. Information on the fair value of investments forms part of monthly management reports reviewed by the Board of Directors.

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

Unconsolidated project company subsidiaries are part of the non-recourse business. Based on the 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.

#### Fair value of investments in project companies

The Group's investments in project companies are carried at fair value through profit or loss, based on the portfolio valuation methodology as disclosed on page 22. The key assumptions underpinning the valuation of project companies are discount rates, the amount and timing of future cash flows and the ability of the Group to realise value enhancements in such project companies. In determining discount rates, regard is had to secondary market data, specific risks inherent in each project and the evidence of recent transactions. The carrying amount of interests in project companies would be different if the discount rates used in the discounted cash flow analysis were to change. Future value enhancements are based on evidence of actual enhancements that the Group has obtained on other projects plus detailed review of future cash flows.

#### Pension and other post-retirement liability accounting

The combined accounting deficit in the Group's defined benefit pension and post-retirement medical schemes at 31 December 2013 was £204.4 million (2012 – £189.8 million). The value of the pension deficit is highly dependent on assumptions for price inflation, discount rate and longevity experience. The sensitivity of the pension liabilities to changes in these assumptions is illustrated in note 21. In determining the Group's defined benefit pension liability, consideration is also given to whether there is a minimum funding requirement under IFRIC 14 which is in excess of the IAS 19 liability. If the minimum funding requirement is higher, an additional liability would need to be recognised. Under the trust deed and rules of JLPF, the Group has an ultimate unconditional right to any surplus, accordingly the excess of the minimum funding requirement over the IAS 19 liability has not been recognised as an additional liability.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 1 OPERATING SEGMENTS

The Group has adopted IFRS 8 Operating Segments for the financial year ended 31 December 2013. Information is reported to the Group's Board (the chief operating decision maker under IFRS 8) for the purposes of resource allocation and assessment of segment performance based on the category of activities undertaken within the Group. The principal categories of activity and thus the reportable segments under IFRS 8 are Primary Investment, Secondary Investment and Asset Management.

The results included within each of the reportable segments comprise:

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

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

**Asset Management** – fee income and associated costs from investment management services in respect of both the Primary and Secondary Investment portfolios and in respect of JLIF's portfolio; fee income and associated costs from project management services and, up to 18 October 2013, fee income and associated costs from facilities management services.

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

The following is an analysis of the Group's operating income and profit before tax for the years ended 31 December 2013 and 2012.

	Operating income						Profit before tax	
	Year ended 31 December 2013			Year ended 31 December 2012			Year ended 31 December 2013	Year ended 31 December 2012
	External £ million	Inter- segment £ million	Total £ million	External £ million	Inter- segment £ million	Total £ million	Total £ million	Total £ million
<b>Primary Investment</b>	<b>57.2</b>	<b>–</b>	<b>57.2</b>	<b>80.1</b>	<b>–</b>	<b>80.1</b>	<b>20.9</b>	<b>41.9</b>
<b>Secondary Investment</b>	<b>93.8</b>	<b>–</b>	<b>93.8</b>	<b>33.8</b>	<b>–</b>	<b>33.8</b>	<b>80.8</b>	<b>23.2</b>
<b>Asset Management</b>								
– Facilities management services	47.0	5.2	52.2	62.0	6.7	68.7	3.2	14.3
– Other	25.0	8.2	33.2	25.4	6.5	31.9	8.8	11.0
<b>– Total</b>	<b>72.0</b>	<b>13.4</b>	<b>85.4</b>	<b>87.4</b>	<b>13.2</b>	<b>100.6</b>	<b>12.0</b>	<b>25.3</b>
<b>Reportable segments</b>	<b>223.0</b>	<b>13.4</b>	<b>236.4</b>	<b>201.3</b>	<b>13.2</b>	<b>214.5</b>	<b>113.7</b>	<b>90.4</b>
Profit on disposal of JLIS	–	–	–	–	–	–	21.2	–
Post retirement charges	–	–	–	–	–	–	(8.8)	(8.0)
Costs relating to discontinued operations	–	–	–	–	–	–	(1.2)	(2.6)
<b>As reported to the Board</b>	<b>223.0</b>	<b>13.4</b>	<b>236.4</b>	<b>201.3</b>	<b>13.2</b>	<b>214.5</b>	<b>124.9</b>	<b>79.8</b>
Deduct: inter-segment and intra-group sales	–	(13.4)	(13.4)	–	(13.2)	(13.2)	–	–
Other	0.6	–	0.6	0.8	–	0.8	(0.3)	(0.6)
<b>As reported in the Group Financial Statements</b>	<b>223.6</b>	<b>–</b>	<b>223.6</b>	<b>202.1</b>	<b>–</b>	<b>202.1</b>	<b>124.6</b>	<b>79.2</b>

Being:

Profit before tax from continuing operations	125.8	80.9
Loss before tax from discontinued operations (note 9)	(1.2)	(1.7)
	<b>124.6</b>	<b>79.2</b>

For the year ended 31 December 2013, more than 10% of operating income was derived from one project, A1 Gdansk Poland (2012 – IEP (Phase 1)).

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 1 OPERATING SEGMENTS (CONTINUED)

The Group's portfolio of investments is made up of primary and secondary investments. The Primary Investment portfolio includes projects which have recently reached financial close and/or are in the construction phase. The Secondary Investment portfolio includes operational projects, most of which were originally primary investments of the Group.

	31 December 2013 £ million	31 December 2012 £ million
<b>Segment assets</b>		
Primary Investment	300.7	219.1
Secondary Investment	383.7	355.6
Other	0.4	1.2
Total investments at fair value through profit or loss (including assets held for sale - see note 13)	684.8	575.9
Retirement benefit obligations	(204.4)	(189.8)
Other net assets	46.5	41.0
<b>Group net assets</b>	<b>526.9</b>	<b>427.1</b>

## 2 INTEREST INCOME

	2013 £ million	2012 £ million
Interest on bank deposits	0.2	0.2
Interest received from investments	31.0	27.6
<b>Total interest income</b>	<b>31.2</b>	<b>27.8</b>

## 3 DIVIDEND INCOME

	2013 £ million	2012 £ million
Dividends from investments	12.1	16.4
	<b>12.1</b>	<b>16.4</b>

## 4 PROFIT FROM OPERATIONS

	2013 £ million	2012 £ million
Profit from operations has been arrived at after charging		
<b>Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts</b>	-	-
<b>Fees payable to the Company's auditor and its associates for other services to the Group</b>		
- the audit of the Company's subsidiaries	(0.3)	(0.3)
<b>Total audit fees</b>	<b>(0.3)</b>	<b>(0.3)</b>
- other services	(0.9)	(0.1)
<b>Total non-audit fees</b>	<b>(0.9)</b>	<b>(0.1)</b>
Payments under operating leases		
- rentals of land and buildings	(2.0)	(3.2)
Net foreign exchange loss	(0.2)	(0.7)
Depreciation of plant and equipment	(1.2)	(1.1)
Amortisation of intangible assets	(1.6)	(0.9)

The fees payable to the Company's auditor for the audit of the Company's annual accounts were £27,109 (2012 - £15,862). The fees payable to the Company's auditor for other services comprised £32,575 for audit related assurance services (2012 - £50,000), £nil for other assurance services (2012 - £61,309), £nil for iXBRL services (2012 - £16,390), £512,000 in relation to the disposal of JLIS (2012 - £nil) and £405,000 in relation to the launch of JLEN (2012 - £nil).

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 5 DIRECTORS AND EMPLOYEES

	2013 £ million	2012 £ million
<b>All Directors</b>		
Directors' emoluments		
Cash basis	30	30
Award basis	32	32
<b>Highest paid Director</b>		
Director's emoluments		
Cash basis	11	11
Award basis	09	11

Two Directors (2012 – two) are deferred members of JLPF, a defined benefit pension scheme. With effect from 1 April 2011, this scheme closed to future accrual.

As a deferred member of JLPF, the highest paid Director is not accruing any further pension benefits other than as a result of inflation. The accrued annual pension to which he was entitled on retirement at the year end was £76,842 (2012 – £74,730).

**Remuneration of key management personnel**

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2013 £ million	2012 £ million
<b>Cash basis</b>		
Short-term employee benefits	20	20
Post-employment benefits	03	03
Cash payments under long-term incentive plans	07	07
	<b>30</b>	<b>30</b>
<b>Award basis</b>		
Short-term employee benefits	21	20
Post-employment benefits	03	03
Maximum award under long-term incentive plans	08	09
	<b>32</b>	<b>32</b>

In addition to the above amounts, £0.1 million (2012 – £0.1 million) was paid to Nalon Management Services Limited, of which P.M.G. Nolan (Chairman of John Laing plc) is a director.

	2013 £ million	2012 £ million
<b>Employee costs comprise</b>		
Salaries	40.2	44.1
Social security costs	4.2	4.8
Pension charge		
– defined benefit schemes (see note 21)	1.7	1.1
– defined contribution scheme	2.4	2.6
	<b>48.5</b>	<b>52.6</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 5 DIRECTORS AND EMPLOYEES (CONTINUED)

Annual average employee numbers (including Directors)

	2013 No	2012 No
Staff	1,485	1,286
UK	1,456	1,249
Overseas	29	37
<b>Activity</b>		
Bidding activities, asset management and Group	262	284
Facilities management	1,223	1,002
	1,485	1,286

Excluding employees of JLIS which was sold on 18 October 2013, average annual employee numbers were 262 in 2013 (2012 – 284)

## 6 OTHER GAINS AND LOSSES

	2013 £ million	2012 £ million
Profit on disposals	21.2	1.3
Change in fair value of derivative instruments outstanding at year end and classified as fair value through profit or loss	0.6	(0.2)
Provision on onerous contract	-	9.6
<b>Other gains and losses</b>	<b>21.8</b>	<b>10.7</b>

During the year ended 31 December 2013, the Group disposed of shares and subordinated debt in five PPP project companies plus part of its shareholding in Rail Investments (Great Western) Limited. Sale proceeds were £110.7 million in cash including proceeds for sale of the Group's shareholding in a joint venture holding company. The fair value of assets disposed of was £110.1 million with the movements in fair value to the date of disposal included within net gains on investments at fair value through profit or loss in the Group Income Statement. The Group also disposed of Woodcroft Insurance Company Limited (Woodcroft), its captive insurance subsidiary on 28 August 2013 and JLIS, its facilities management business, on 18 October 2013.

During the year ended 31 December 2012, the Group disposed of shares and subordinated debt in five PPP project companies. Sale proceeds were £92.9 million in cash, including £0.3 million received in January 2013. Included within sales proceeds was an amount of £3.2 million for the settlement of outstanding interest at the date of sale. The fair value of assets disposed of was £89.0 million at the date of disposal. The Group also received deferred consideration of £0.6 million in 2012 from the sale of Equipe Regeneration Limited in 2010.

Project	Date of completion	Original holding in shares and subordinated debt %	Holding disposed of %	Retained holding %
Details of investments in project companies sold are as follows				
<b>Sold to John Laing Infrastructure Fund Limited</b>				
Healthcare Support (North Staffs) Limited	20 December 2013			
Shares		75.0	75.0	-
Subordinated debt		75.0	75.0	-
Mezzanine debt		42.17	42.17	-
Infusion KVH General Partnership	28 November 2013	50.0	50.0	-
Barnsley BSF	14 October 2013			
Barnsley SPV One Limited		40.0	40.0	-
Barnsley SPV Two Limited		40.0	40.0	-
Barnsley SPV Three Limited		40.0	40.0	-
<b>Sold to other parties</b>				
Inteq Services (Holdings) Limited	10 June 2013	50.0	50.0	-
Airtrain Holdings Limited	27 March 2013	6.05	6.05	-
Rail Investments (Great Western) Limited	31 January 2013	100.0	20.0	80.0

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 6 OTHER GAINS AND LOSSES (CONTINUED)

The net assets at the date of disposal were

	JLIS and Woodcroft £ million	Investments at fair value through profit or loss £ million	Total disposed of in 2013 £ million
Plant and equipment	0.5	-	0.5
Deferred tax asset	0.2	-	0.2
Inventories – work in progress	0.8	-	0.8
Trade and other receivables	9.5	-	9.5
Cash and cash equivalents	7.8	-	7.8
Investment in project companies at fair value through profit or loss	-	110.1	110.1
Interest-bearing loans and borrowings	(0.8)	-	(0.8)
Trade and other payables	(16.7)	-	(16.7)
Current tax liabilities	(2.1)	-	(2.1)
Provisions	(2.9)	-	(2.9)
<b>Net (liabilities)/assets disposed of</b>	<b>(3.7)</b>	<b>110.1</b>	<b>106.4</b>
<b>Cash consideration</b>	<b>18.3</b>	<b>110.7</b>	<b>129.0</b>
Disposal costs	(1.2)	(0.6)	(1.8)
<b>Gain on disposals</b>	<b>20.8</b>	<b>-</b>	<b>20.8</b>
<b>Continuing operations</b>	<b>21.2</b>	<b>-</b>	<b>21.2</b>
<b>Discontinued operations</b>	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>
	<b>20.8</b>	<b>-</b>	<b>20.8</b>
<b>Reconciliation to net cash inflow</b>			
Consideration	18.3	110.7	129.0
less cash and other financial assets in subsidiaries disposed of	(7.8)	-	(7.8)
less disposal costs	(1.2)	(0.4)	(1.6)
<b>Net cash inflow arising on disposals</b>	<b>9.3</b>	<b>110.3</b>	<b>119.6</b>

## 7 FINANCE COSTS

	2013 £ million	2012 £ million
Interest on bank overdrafts and loans	9.1	8.2
Pension and post-retirement medical benefit net interest cost (see note 21)	7.5	7.2
Unwinding of discount on provisions (see note 22)	0.1	0.2
Amortisation of debt issue costs	1.6	4.0
<b>Total finance costs</b>	<b>18.3</b>	<b>19.6</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 8 TAX

The tax credit for the year comprises

	2013 £ million	2012 £ million
Current tax		
UK corporation tax credit – current year	2 2	0 2
UK corporation tax credit – prior years	3 0	2 6
Foreign tax credit	1 7	–
	<b>6 9</b>	<b>2 8</b>
Deferred tax charge	(0 2)	–
<b>Tax credit on continuing operations</b>	<b>6 7</b>	<b>2 8</b>

The tax credit for the year can be reconciled to the profit in the Group Income Statement as follows

	2013 £ million	2012 £ million
<b>Profit before tax on continuing operations</b>	<b>125 8</b>	<b>80 9</b>
Tax at the UK corporation tax rate of 23.25% (2012 – 24.5%)	(29 2)	(19 8)
Tax effect of dividend income not taxable	2 8	4 0
Tax effect of profits on disposal that are not taxable	5 3	0 4
Tax effect of expenses and other similar items that are not deductible	–	(0 2)
Adjustments in respect of prior years	6 2	4 8
Non-taxable movement on fair value of investments	17 1	9 3
Change in previously unrecognised deferred tax assets	5 8	4 7
Other movements	(1 3)	(0 4)
<b>Total tax credit on continuing operations for the year</b>	<b>6 7</b>	<b>2 8</b>

For the year ended 31 December 2013 a blended rate of 23.25% has been applied due to the change in the UK corporation tax rate from 24% to 23% with effect from 1 April 2013. For the year ended 31 December 2012, a blended rate of 24.5% was applied.

The changes to the main rate of corporation tax for UK companies announced in the March 2013 Budget were substantively enacted for financial reporting purposes on 2 July 2013. The main changes in corporation tax rates that will have accounting implications for deferred tax are as follows:

- The main rate of corporation tax will reduce from 23% to 21% from 1 April 2014
- The main rate of corporation tax will further reduce to 20% from 1 April 2015

The Group expects that the majority of deferred tax assets will be realised and the majority of deferred tax liabilities will be settled after 1 April 2015 and therefore the Group has measured its deferred tax assets and liabilities at 31 December 2013 at 20%.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 9 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

## Discontinued operations

Certain of the Group's assets and liabilities which relate to legacy property and construction businesses are classified as discontinued. The remaining assets and liabilities relate to the settlement of warranties given at the time of sale.

The results of discontinued operations by sector which have been included in the Group Income Statement were as follows:

	2013			2012		
	Construction £ million	Homes £ million	Total £ million	Construction £ million	Homes £ million	Total £ million
Revenue	-	-	-	0.1	-	0.1
Cost of sales	(0.4)	-	(0.4)	(3.1)	-	(3.1)
<b>Gross loss from discontinued operations</b>	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>	<b>(3.0)</b>	<b>-</b>	<b>(3.0)</b>
Other operating income	0.5	-	0.5	1.8	-	1.8
Administrative (expenses)/credit	(1.0)	0.3	(0.7)	(0.1)	(0.1)	(0.2)
Other losses	(0.4)	-	(0.4)	-	-	-
<b>(Loss)/profit from discontinued operations</b>	<b>(1.3)</b>	<b>0.3</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>(0.1)</b>	<b>(1.4)</b>
Investment income	-	-	-	0.1	-	0.1
Finance costs	(0.2)	-	(0.2)	(0.4)	-	(0.4)
<b>(Loss)/profit before tax from discontinued operations</b>	<b>(1.5)</b>	<b>0.3</b>	<b>(1.2)</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>(1.7)</b>
Tax charge on discontinued operations	(0.1)	-	(0.1)	(0.4)	-	(0.4)
<b>Net (loss)/profit attributable to discontinued operations</b>	<b>(1.6)</b>	<b>0.3</b>	<b>(1.3)</b>	<b>(2.0)</b>	<b>(0.1)</b>	<b>(2.1)</b>

During the year, the Group sold Woodcroft Insurance Company Limited, its captive insurance subsidiary, for proceeds of £0.8 million which generated a loss on disposal of £0.4 million.

At 31 December 2013, there were assets of £0.6 million (2012 - £4.7 million) including cash and cash equivalents of £nil (2012 - £1.8 million) and liabilities of £9.8 million (2012 - £10.5 million) including long-term provisions of £9.2 million (2012 - £9.8 million) relating to discontinued operations.

During the year ended 31 December 2013, net cash outflow from operating activities included £0.5 million (2012 - inflow £0.6 million) in respect of discontinued operations which also used £1.9 million (2012 - generated £1.8 million) in investing activities. There were no cashflows in financing activities in relation to discontinued operations.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 9 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

**Assets held for sale**

At 31 December 2013 the Group was at an advanced stage for the proposed disposal of investments in seven project companies and the investments at fair value of the offered price of £116.7 million have been classified as assets held for sale.

As at 25 March 2014, it was expected that six of these investments would be sold to JLEN following admission to listing on 31 March 2014 and that the remaining investment would be sold later in the year.

In December 2012 the Group exercised its put option to sell its investment in Dhule Palesner Tollway Limited (the NH3 road project in India). The sale is yet to complete but the investment at fair value of the agreed price of £2.2 million (2012 – £2.6 million) is classified as an asset held for sale.

In 2012, shortly after financial close of the project, the Group agreed terms with an institutional co-investor to sell 6% of its 30% shareholding in IEP (Phase 1). The sale completed on 31 January 2013 for sale proceeds of £0.4 million. The sale proceeds reflected a nominal fee for arranging the investment commitment which the co-investor took on from the Group and did not reflect the fair value of the investment to the co-investor. At 31 December 2012, 6% of the 30% shareholding at fair value of £0.4 million was classified as an asset held for sale. The other 24% of the shareholding was included within investments at fair value through profit or loss.

In December 2012 the Group received an offer to sell its interest in Brisbane Airlink and, whilst the sale had not completed at 31 December 2012, the Directors had made the decision that the investment would be sold. The investment at fair value of the offered price of £4.2 million was classified as an asset held for sale at 31 December 2012. The sale completed on 27 March 2013.

The major classes of assets and liabilities classified as held for sale and discontinued operations are as follows:

	31 December 2013 £ million	31 December 2012 £ million
<b>Current assets</b>		
Investments at fair value through profit or loss	118.9	7.2
Cash and cash equivalents	-	1.8
Other financial assets	-	2.9
Trade and other receivables	0.6	-
<b>Assets held for sale and discontinued operations</b>	<b>119.5</b>	<b>11.9</b>
<b>Current liabilities</b>		
Provisions	9.2	9.8
Tax liabilities	0.6	0.5
Trade and other payables	-	0.2
<b>Liabilities directly associated with assets classified as held for sale and discontinued operations</b>	<b>9.8</b>	<b>10.5</b>
<b>Net assets classified as held for sale and discontinued operations</b>	<b>109.7</b>	<b>1.4</b>

## 10 DIVIDENDS

	2013 £ million	2012 £ million
Equity shares		
- interim dividends proposed and paid of 0.077 pence per ordinary share (2012 – 0.077 pence)	0.3	0.3

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 11 INTANGIBLE ASSETS

	Computer software £ million
<b>Original cost</b>	
Balance at 1 January 2012	5.7
Additions	0.4
At 31 December 2012	6.1
Balance at 1 January 2013	6.1
Disposals	(2.8)
<b>At 31 December 2013</b>	<b>3.3</b>
<b>Accumulated amortisation</b>	
Balance at 1 January 2012	(2.3)
Charge for the year	(0.9)
At 31 December 2012	(3.2)
Balance at 1 January 2013	(3.2)
Charge for the year	(1.6)
Disposals	2.8
<b>At 31 December 2013</b>	<b>(2.0)</b>
<b>Carrying amount at 31 December 2013</b>	<b>1.3</b>
Carrying amount at 31 December 2012	2.9

## 12 PLANT AND EQUIPMENT

	Plant and machinery £ million	Computer equipment £ million	Office equipment £ million	Total £ million
<b>Original cost</b>				
At 1 January 2012	0.1	1.6	3.0	4.7
Additions	0.5	1.6	1.9	4.0
Disposals	-	(0.1)	(2.0)	(2.1)
At 31 December 2012	0.6	3.1	2.9	6.6
At 1 January 2013	0.6	3.1	2.9	6.6
Additions	-	-	0.1	0.1
Disposals	(0.6)	(0.3)	(0.3)	(1.2)
<b>At 31 December 2013</b>	<b>-</b>	<b>2.8</b>	<b>2.7</b>	<b>5.5</b>
<b>Accumulated depreciation</b>				
At 1 January 2012	(0.1)	(1.0)	(2.7)	(3.8)
Charge for the year	(0.1)	(0.6)	(0.4)	(1.1)
Disposals	-	0.1	2.0	2.1
At 31 December 2012	(0.2)	(1.5)	(1.1)	(2.8)
At 1 January 2013	(0.2)	(1.5)	(1.1)	(2.8)
Charge for the year	(0.1)	(0.7)	(0.4)	(1.2)
Disposals	0.3	0.3	0.1	0.7
<b>At 31 December 2013</b>	<b>-</b>	<b>(1.9)</b>	<b>(1.4)</b>	<b>(3.3)</b>
<b>Carrying amount at 31 December 2013</b>	<b>-</b>	<b>0.9</b>	<b>1.3</b>	<b>2.2</b>
Carrying amount at 31 December 2012	0.4	1.6	1.8	3.8

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013		2012	
	Project companies £ million	Investment in JLIF £ million	Total £ million	Total £ million
At 1 January	538.7	37.2	575.9	541.3
Loan repayments	(5.5)	-	(5.5)	(5.4)
Investment in equity and loans	118.5	-	118.5	121.1
Movement in accrued interest	10.8	-	10.8	11.4
Disposals	(110.1)	-	(110.1)	(133.8)
Upstream loan	0.1	-	0.1	(3.3)
Exchange movements on loans *	(0.1)	-	(0.1)	(1.0)
Fair value movement *	92.7	2.5	95.2	45.6
<b>At 31 December</b>	<b>645.1</b>	<b>39.7</b>	<b>684.8</b>	<b>575.9</b>
Continuing	526.2	39.7	565.9	568.7
Assets held for sale (see note 9)	118.9	-	118.9	7.2

\* Total fair value movement in the year £95.1 million (2012 – £44.6 million)

During the year the Group sold its interest in five project companies (see note 6 for further details)

There were no changes in the Group's investment in JLIF in 2013. However, after taking into account JLIF's issue of new shares in 2013, the Group's equity interest in JLIF reduced to 4.5% (2012 – 6.7%). The market value of the investment in JLIF at 31 December 2013 was £39.7 million (2012 – £37.2 million).

## 14 TRADE AND OTHER RECEIVABLES

	31 December 2013 £ million	31 December 2012 £ million
<b>Current assets</b>		
Trade receivables	8.1	8.3
Other taxation	0.2	0.2
Other receivables	8.3	4.3
Prepayments and accrued income	1.7	6.5
	<b>18.3</b>	<b>19.3</b>
<b>Non-current assets</b>		
Other receivables and accrued income	4.1	0.8

In the opinion of the Directors the fair value of trade and other receivables is equal to the carrying value.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 14 TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies

	31 December 2013 £ million	31 December 2012 £ million
Sterling	20.0	17.9
Canadian dollar	0.4	0.5
US dollar	0.2	0.1
Australian dollar	1.5	0.4
Euro	0.3	1.2
	<b>22.4</b>	<b>20.1</b>

Included in the Group's trade receivables are debtors with a carrying value of £0.2 million (2012 – £3.1 million) which were overdue at the reporting date. The Group has not provided for these debtors as there has not been a significant change in their credit quality since the amounts became overdue and they are still considered fully recoverable. The Group does not hold any collateral against these balances.

Ageing of overdue but not impaired trade receivables

	31 December 2013 £ million	31 December 2012 £ million
Up to 60 days	0.2	2.2
60-90 days	–	0.4
Over 90 days	–	0.5
Total	<b>0.2</b>	<b>3.1</b>

Included in the Group's trade receivables are debtors with a carrying value of £nil (2012 – £0.2 million) which were impaired at the reporting date.

## 15 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	31 December 2013 £ million	31 December 2012 £ million
<b>Current</b>		
Cash and cash equivalents	46.4	57.6
Other financial assets	9.4	11.8
	<b>55.8</b>	<b>69.4</b>

The balances shown above do not include cash balances held in discontinued operations which are disclosed in note 9.

Other financial assets comprise restricted cash held in deposit accounts which the Group cannot readily access.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 16 TRADE AND OTHER PAYABLES

	31 December 2013 £ million	31 December 2012 £ million
Current liabilities		
Trade payables	13.1	22.6
Other taxation	0.8	2.4
Accruals	8.4	13.5
Other payables	-	0.1
Deferred income	0.4	6.8
	<b>22.7</b>	<b>45.4</b>

## 17 FINANCIAL INSTRUMENTS

## a) Financial instruments by category

Continuing operations	Loans and receivables £ million	Assets at fair value through profit or loss £ million	Derivatives that do not qualify for hedge accounting £ million	Financial liabilities at amortised cost £ million	31 December 2013 Total £ million
<b>Fair value measurement method</b>	<b>n/a</b>	<b>Level 1/3*</b>	<b>Level 2</b>	<b>n/a</b>	
<b>2013</b>					
<b>Non-current assets</b>					
Investments at fair value through profit or loss*	-	565.9	-	-	565.9
Trade and other receivables	-	-	-	-	-
<b>Current assets</b>					
Trade and other receivables	16.2	-	-	-	16.2
Other financial assets	9.4	-	-	-	9.4
Derivative financial instruments	-	-	0.5	-	0.5
Cash and cash equivalents	46.4	-	-	-	46.4
<b>Total financial assets</b>	<b>72.0</b>	<b>565.9</b>	<b>0.5</b>	<b>-</b>	<b>638.4</b>
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	-	-	-	(6.0)	(6.0)
Trade and other payables	-	-	-	(21.5)	(21.5)
Derivative financial instruments	-	-	(0.1)	-	(0.1)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(27.5)</b>	<b>(27.6)</b>
<b>Net financial instruments</b>	<b>72.0</b>	<b>565.9</b>	<b>0.4</b>	<b>(27.5)</b>	<b>610.8</b>

The above table provides an analysis of financial instruments that are measured subsequent to their initial recognition at fair value

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between Levels 1 and 2 during the year. Transfers out of Level 3 relating to the disposal of investments are disclosed in note 13.

- \* The assets at fair value through profit or loss are split between Level 1 (JLIF, which is a listed investment fair valued at £39.7 million (2012 - £37.2 million)) using quoted market prices and Level 3 investments in project companies fair valued at £526.2 million (2012 - £531.5 million)

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 17 FINANCIAL INSTRUMENTS (CONTINUED)

## a) Financial instruments by category (continued)

## 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 fair value through profit or loss is given in note 13

The carrying amounts of financial assets and financial liabilities in these financial statements reflect their fair values

Continuing operations	Loans and receivables £ million	Assets at fair value through profit or loss £ million	Derivatives that do not qualify for hedge accounting £ million	Financial liabilities at amortised cost £ million	31 December 2012 Total £ million
Fair value measurement method	n/a	Level 1/3	Level 2	n/a	
<b>2012</b>					
<b>Non-current assets</b>					
Investment at fair value through profit or loss	-	568.7	-	-	568.7
Trade and other receivables	-	-	-	-	-
<b>Current assets</b>					
Trade and other receivables	19.1	-	-	-	19.1
Other financial assets	11.8	-	-	-	11.8
Cash and cash equivalents	57.6	-	-	-	57.6
<b>Total financial assets</b>	88.5	568.7	-	-	657.2
<b>Current liabilities</b>					
Trade and other payables	-	-	-	(36.2)	(36.2)
Derivative financial instruments	-	-	(0.2)	-	(0.2)
<b>Total financial liabilities</b>	-	-	(0.2)	(36.2)	(36.4)
<b>Net financial instruments</b>	88.5	568.7	(0.2)	(36.2)	620.8

## b) Foreign currency and interest rate profile of financial assets

Currency	Continuing operations 31 December 2013 Financial assets			Continuing operations 31 December 2012 Financial assets		
	Floating rate £ million	Non-interest bearing £ million	Total £ million	Floating rate £ million	Non-interest bearing £ million	Total £ million
Sterling	52.2	16.0	68.2	51.4	21.3	72.7
Euro	0.1	1.4	1.5	0.6	2.2	2.8
Canadian dollar	-	0.7	0.7	0.5	0.6	1.1
US dollar	-	0.3	0.3	-	0.3	0.3
Australian dollar	-	1.7	1.7	-	1.0	1.0
New Zealand dollar	-	0.1	0.1	10.3	0.1	10.4
Other	-	-	-	-	0.2	0.2
<b>Total</b>	<b>52.3</b>	<b>20.2</b>	<b>72.5</b>	<b>62.8</b>	<b>25.7</b>	<b>88.5</b>

Foreign currency risk on investments at fair value through profit or loss is disclosed in note 18. There is no direct interest rate risk on investments at fair value through profit or loss.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 17 FINANCIAL INSTRUMENTS (CONTINUED)

## c) Foreign currency and interest rate profile of financial liabilities

The Group financial liabilities at 31 December 2013 were £27.6 million (2012 – £36.4 million) of which £6.0 million (2012 – nil) related to short-term cash borrowings

Currency	Continuing operations 31 December 2013 Financial liabilities			Continuing operations 31 December 2012 Financial liabilities	
	Fixed rate £ million	Non-interest bearing £ million	Total £ million	Non interest bearing £ million	Total £ million
Sterling	6.0	15.6	21.6	32.8	32.8
Euro	–	3.8	3.8	1.5	1.5
Australian dollar	–	2.1	2.1	1.1	1.1
Canadian dollar	–	0.1	0.1	0.4	0.4
US dollar	–	–	–	0.6	0.6
<b>Total</b>	<b>6.0</b>	<b>21.6</b>	<b>27.6</b>	<b>36.4</b>	<b>36.4</b>

## 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, inflation risk), credit risk, price risk, 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 2013 the Group held investments in 12 overseas projects. The Group's foreign currency exchange rate risk policy is not to hedge on an individual project basis but to determine and manage the total Group exposure to individual currencies. The Group's exposure to exchange rate risk on its investments is disclosed in note 17.

In addition, the Group policy on managing foreign currency exchange rate risk is to cover significant transactional exposures arising from receipts and payments in foreign currencies, where appropriate and cost effective. There were eight forward currency contracts open as at 31 December 2013 (2012 – two).

As at 31 December 2013 the Group's most significant foreign currency exposure was to the Euro.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

## Market risk – foreign currency exchange rate risk (continued)

Foreign currency exposure of investments at fair value through profit or loss

	31 December 2013		31 December 2012	
	Project companies £ million	Investment in JLIF £ million	Total £ million	Total £ million
Sterling	333.6	39.7	373.3	423.9
Euro	142.5	-	142.5	90.4
Australian dollar	19.0	-	19.0	15.1
Canadian dollar	-	-	-	13.9
US dollar	24.8	-	24.8	20.0
New Zealand dollar	6.3	-	6.3	5.4
	526.2	39.7	565.9	568.7

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date were as follows

	Assets		Liabilities	
	31 December 2013 £ million	31 December 2012 £ million	31 December 2013 £ million	31 December 2012 £ million
Canadian dollar	0.7	1.1	(0.1)	(0.4)
Euro	1.5	2.8	(3.8)	(1.5)
Czech koruna	-	0.1	-	-
New Zealand dollar	0.1	10.4	-	-
US dollar	0.3	0.3	-	(0.6)
Australian dollar	1.7	1.0	(2.1)	(1.1)
Other	-	0.1	-	-
	4.3	15.8	(6.0)	(3.6)

The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against relevant foreign currencies. The sensitivity analysis covers outstanding foreign currency denominated monetary items. A negative number below indicates a decrease in profit from operations where the relevant currency weakens by 10% against Sterling (and a positive number indicates an increase in profit from operations). For a 10% strengthening of the relevant currency against Sterling, there would be an equal and opposite impact on profit from operations, and the negative balances below would be positive (and vice versa).

	2013 £ million	2012 £ million
Canadian dollar	(0.1)	(0.1)
Euro	0.2	(0.1)
New Zealand dollar	-	(1.0)
	0.1	(1.2)

The Group's sensitivity to foreign currency exchange rate movements, excluding investments at fair value through profit or loss separately disclosed above, is mainly due to net liabilities held in Euro. The marginal decrease in sensitivity during the year is mainly due to lower monetary assets held in New Zealand dollars.

Investments in project companies are fair valued based on the spot rate at the balance sheet date. As at 31 December 2013, a 10% weakening of the relevant currency against Sterling would increase the value of investments at fair value through profit or loss by £17.5 million. A 10% strengthening of the relevant currency against Sterling would reduce the value by £21.4 million.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

## Market risk – interest rate risk

The Group's interest rate risk arises due to fluctuations in interest rates which impact on the value of returns from floating rate deposits and expose the Group to variability in interest payment cash flows on variable rate borrowings

The exposure of the Group's financial assets to interest rate risk is as follows

	31 December 2013				31 December 2012			
	Interest bearing		Non-interest bearing £ million	Total £ million	Interest bearing		Non interest bearing £ million	Total £ million
	Floating rate £ million	Fixed rate £ million			Floating rate £ million	Fixed rate £ million		
<b>Financial assets</b>								
Investments at fair value through profit or loss	-	-	565.9	565.9	-	-	568.7	568.7
Derivative financial instruments	-	-	0.5	0.5	-	-	-	-
Trade and other receivables	-	-	16.2	16.2	-	-	19.1	19.1
Other financial assets	9.4	-	-	9.4	11.8	-	-	11.8
Cash and cash equivalents	46.4	-	-	46.4	51.0	-	6.6	57.6
<b>Financial asset exposure to interest rate risk</b>	<b>55.8</b>	<b>-</b>	<b>582.6</b>	<b>638.4</b>	<b>62.8</b>	<b>-</b>	<b>594.4</b>	<b>657.2</b>

An analysis of the movement between opening and closing balances of investments at fair value through profit or loss is given in note 13. The investments are valued on a discounted cash flow basis. The weighted average discount rate was 9.3% (2012 – 8.6%). For investment in project companies, changing the discount rate used to value the underlying instruments would alter their fair value. As at 31 December 2013 a 1% increase in the discount rate would reduce the fair value by £52.4 million (2012 – £56.8 million) and a 1% reduction in the discount rate would increase the fair value by £61.3 million (2012 – £67.6 million).

The exposure of the Group's financial liabilities to interest rate risk is as follows

	31 December 2013				31 December 2012			
	Interest bearing		Non-interest bearing £ million	Total £ million	Interest bearing		Non interest bearing £ million	Total £ million
	Floating rate £ million	Fixed rate £ million			Floating rate £ million	Fixed rate £ million		
Interest-bearing loans and borrowings	-	6.0	-	6.0	-	-	-	-
Trade and other payables	-	-	21.5	21.5	-	-	36.2	36.2
Derivative financial instruments	-	-	0.1	0.1	-	-	0.2	0.2
<b>Financial liability exposure to interest rate risk</b>	<b>-</b>	<b>6.0</b>	<b>21.6</b>	<b>27.6</b>	<b>-</b>	<b>-</b>	<b>36.4</b>	<b>36.4</b>

The sensitivity analysis below has been determined based on a 1% increase in interest rates prevailing at 31 December 2013 and a decrease to 0%. For all floating rate assets and liabilities, the analysis has been prepared assuming the balances have been outstanding for the whole year though, in practice, those balances are subject to fluctuations due to regular settlement and replacement.

	2013 Profit before tax £ million	2012 Profit before tax £ million
Increase by 1%	0.6	0.6
Decrease by 1% (or a minimum of 0% interest rate)	(0.3)	(0.2)

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

**Market risk – inflation risk**

The Group has limited direct exposure to inflation risk but the fair value of investments is determined by future revenue and costs which are linked to inflation. This results in the fair value of investments being sensitive to inflation which is often mitigated by the project company entering into inflation swaps.

**Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from a combination of the value and term to settlement of balances due and payable with 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 majority 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 for example, via the collection of tolls. As a result, these projects tend not to be exposed to significant credit risk which impacts on the fair value of the Group's investments.

**Price risk**

The Group has limited direct exposure to price risk, with the exception of the share price of JLIF which is valued at the closing market price. In addition, the fair value of many project companies in which the Group invests 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 holds investments in renewable energy projects whose fair value may vary according to forward energy prices. At 31 December 2013, this risk was not significant because a substantial proportion of renewable energy projects were held at valuations agreed with a future purchaser.

**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. Managing liquidity risk is helped by the predictability in both value and timing of cash flows to and from project companies in which the Group invests.

**Maturity of financial assets**

The maturity profile of the Group's financial assets is as follows:

	Continuing operations 31 December 2013			Continuing operations 31 December 2012		
	Less than one year £ million	Greater than one year £ million	Total £ million	Less than one year £ million	Greater than one year £ million	Total £ million
Derivative financial instruments	0.5	–	0.5	–	–	–
Trade and other receivables	16.2	–	16.2	19.1	–	19.1
Other financial assets	9.4	–	9.4	11.8	–	11.8
Cash and cash equivalents	46.4	–	46.4	57.6	–	57.6
<b>Financial assets (excluding investments at fair value through profit or loss)</b>	<b>72.5</b>	<b>–</b>	<b>72.5</b>	<b>88.5</b>	<b>–</b>	<b>88.5</b>

Other than certain trade and other receivables as detailed in note 14, none of the financial assets is either overdue or impaired.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

## Maturity of financial assets (continued)

The maturity profile of the Group's financial liabilities is as follows

	31 December 2013 Total £ million	31 December 2012 Total £ million
In one year or less or on demand	(27.6)	(36.4)
In more than one year but less than two years	-	-
In more than two years but less than five years	-	-
In more than five years	-	-
Total	(27.6)	(36.4)

The following table details the remaining contractual maturity of the Group's financial liabilities. The table reflects the 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	In more than one year but less than two years £ million	In more than two years but less than five years £ million	In more than five years £ million	Total £ million
<b>31 December 2013</b>						
Fixed interest rate instruments – loans and borrowings	5.1	(6.0)	-	-	-	(6.0)
Non-interest bearing instruments*	n/a	(21.6)	-	-	-	(21.6)
		(27.6)	-	-	-	(27.6)
	Weighted average effective interest rate %	In one year or less £ million	In more than one year but less than two years £ million	In more than two years but less than five years £ million	In more than five years £ million	Total £ million
<b>31 December 2012</b>						
Non-interest bearing instruments*	n/a	(36.4)	-	-	-	(36.4)
		(36.4)	-	-	-	(36.4)

\* Non-interest bearing instruments relate to trade and other payables and derivative financial instruments.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

## Maturity of financial assets (continued)

The following table details the remaining contractual maturity of the Group's net derivative financial instruments. The table reflects the undiscounted net cash flows relating to derivative instruments that settle on a net basis.

	Weighted average effective interest rate %	In one year or less £ million	In more than one year but less than two years £ million	In more than two years but less than five years £ million	In more than five years £ million	Total £ million
<b>31 December 2013</b>						
Forward exchange contracts	n/a	0.4	-	-	-	0.4
		0.4	-	-	-	0.4
<b>31 December 2012</b>						
Forward exchange contracts	n/a	(0.2)	-	-	-	(0.2)
		(0.2)	-	-	-	(0.2)

## Capital risk

The Group seeks to adopt efficient financing structures that enable it to manage capital effectively to achieve the Group's objectives without putting shareholder value at 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 has requirements for both borrowings and letters of credit, which at 31 December 2013 were met by a £305.0 million syndicated committed revolving credit facility (2012 – a combination of a £305.0 million syndicated committed revolving credit facility, two bilateral committed facilities for loans, letters of credit and financial guarantees of £19.6 million and an uncommitted overdraft facility repayable on demand of £5.0 million). The committed facilities are summarised below.

	2013				2012			
	Total facility £ million	Loans drawn £ million	Letters of credit drawn £ million	Total undrawn £ million	Total facility £ million	Loans drawn £ million	Letters of credit drawn £ million	Total undrawn £ million
Syndicated committed revolving credit facility (with letter of credit option)	305.0	6.0	159.9	139.1	305.0	-	175.4	129.6
Bilateral letter of credit and financial guarantee facilities	-	-	-	-	19.6	-	11.9	7.7
	305.0	6.0	159.9	139.1	324.6	-	187.3	137.3

A committed revolving credit facility of £285.0 million was entered into on 20 February 2013, which increased to £305.0 million on 29 October 2013, and can be used either for drawing down loans capped at any one time to £150 million or for issuing letters of credit. The total facility of £305.0 million expires on 20 February 2017.

Of the letters of credit drawn, £158.8 million (2012 – £181.8 million) back future capital and loan commitments and £1.1 million (2012 – £5.5 million) relate to performance and bid bonds.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 19 FAIR VALUE OF DERIVATIVES

	31 December 2013 £ million	31 December 2012 £ million
<b>Derivatives</b>		
<b>Current assets</b>		
Foreign exchange derivative instruments	0.5	-
<b>Current liabilities</b>		
Foreign exchange derivative instruments	(0.1)	(0.2)
<b>Total fair value of derivatives</b>	<b>0.4</b>	<b>(0.2)</b>

The derivatives have been fair valued in accordance with the Group's accounting policies.

During 2013, fair value movements relating to swaps outside hedging relationships of £0.6 million (2012 – £0.2 million) were recognised in the Group Income Statement. As at 31 December 2013, there were no designated hedges held by the Group.

In accordance with its foreign exchange hedging policy, at 31 December 2013 the Group had entered into eight forward foreign exchange contracts. Of these, two constituted a 50% hedge of expected Euro denominated currency proceeds from the expected future sale of an asset. A further two represented a hedge against 50% of Euro currency investment exposure. The remaining four contracts covered margin risk on the Group's potential exposure to cash borrowings. These contracts have a rolling maturity of up to three months. None of the contracts were designated as hedges under IAS 39. Changes in the fair value of each contract at 31 December 2013 were recognised in the Group Income Statement.

## 20 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements therein for the year ended 31 December 2013 and 31 December 2012.

	Deferred tax on the fair value of joint ventures and associates £ million	Other deductible temporary differences and tax losses recognised £ million	Total £ million
Opening asset at 1 January 2012	-	1.9	1.9
(Charge)/credit to income – prior year	(18.3)	20.5	2.2
Charge to income – current year	-	(2.2)	(2.2)
Opening (liability)/asset at 1 January 2013	(18.3)	20.2	1.9
Charge to income – prior year	-	(0.1)	(0.1)
(Charge)/credit to income – current year	(5.8)	5.7	(0.1)
Arising on disposals and other movements	-	(0.2)	(0.2)
<b>Closing (liability)/asset at 31 December 2013</b>	<b>(24.1)</b>	<b>25.6</b>	<b>1.5</b>

## Netting of deferred tax balances

	2013 £ million	2012 £ million
Deferred tax assets	25.6	20.2
Deferred tax liabilities	(24.1)	(18.3)
Net deferred tax on continuing operations disclosed on the Group Balance Sheet	<b>1.5</b>	<b>1.9</b>

A deferred tax asset of £24.1 million (2012 – £18.3 million) has been recognised on £120.4 million of carried forward tax losses. This asset has been offset against a deferred tax liability of £24.1 million (2012 – £18.3 million) relating to £120.4 million (2012 – £79.5 million) of future interest receivable from investments held at fair value.

The Group has unrecognised tax losses of £39.2 million (2012 – £68.8 million) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses. Under present tax legislation, these losses may be carried forward indefinitely.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 21 RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations

	31 December 2013 £ million	31 December 2012 £ million
Pension plans	(196.8)	(182.6)
Post retirement medical benefits	(7.6)	(7.2)
<b>Retirement benefit obligations</b>	<b>(204.4)</b>	<b>(189.8)</b>

#### a) Pension schemes

John Laing operates two defined benefit pension schemes in the UK (the Schemes) – The John Laing Pension Fund (the Fund) and The John Laing Pension Plan (the Plan). The Fund was closed to future accrual from 1 April 2011. Neither Scheme has any active members, only deferred members and pensioners. The assets of both Schemes are held in separate trustee-administered funds.

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.

#### The Fund

An actuarial valuation of the Fund was carried out as at 31 March 2013 by a qualified independent actuary, Towers Watson. At that date, the Fund was 75% funded on the technical provision funding basis. This valuation took into account the Continuous Mortality Investigation Bureau projections of mortality. The next triennial actuarial valuation of the Fund is due as at 31 March 2016.

During 2013, John Laing made deficit reduction contributions of £25.2 million (2012 – £23.4 million) in cash. In 2011, deficit reduction contributions included PPP assets to the value of £5.9 million. The Company has guaranteed to fund any cumulative shortfall in forecast project yield payments from these PPP assets up until 2017, but considers it unlikely that a net shortfall will arise. This guarantee is consistent with similar guarantees provided in respect of contributions made in the form of shares in PPP assets in prior periods. Under the schedule of contributions, the deficit reduction contribution for 2014 will be £26.1 million and will increase by 3.55% per annum thereafter to 2023, unless agreed otherwise by the Company and the Fund's corporate Trustee, until the deficit has been eliminated.

The liability at 31 December 2013 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 2013. At its last actuarial valuation as at 31 March 2011, the Plan had assets of £12.1 million and liabilities of £10.1 million, resulting in an actuarial surplus of £2.0 million. The next triennial actuarial valuation of the Plan is due as at 31 March 2014.

An analysis of members at 31 December 2013 is shown below:

	Deferred	Pensioners	Total
The Fund	5,094	3,673	8,767
The Plan	134	306	440

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## a) Pension schemes (continued)

The weighted average financial assumptions used in the valuation of the Fund and the Plan under IAS 19 at 31 December were

	2013 %	2012 %	2011 %
Discount rate	4.50	4.40	5.00
Rate of increase in non-GMP pensions in payment	3.05	2.70	2.95
Rate of increase in non-GMP pensions in deferment	2.30	1.80	2.00
Inflation - RPI	3.30	2.80	2.95
Inflation - CPI	2.30	2.00	2.00

The value of the Fund deficit is highly dependent upon these assumptions and may vary significantly from year to year. The impact of possible future changes to some of the assumptions is shown below (without taking into account any inter-relationship between the assumptions). In practice there would be inter-relationships between the assumptions. The analysis has been prepared in conjunction with the Group's actuary and has been prepared consistently period on period.

	(Increase)/decrease in pension liabilities at 31 December 2013 before deferred tax	
	Increase in assumption £ million	Decrease in assumption £ million
0.25% on discount rate	34.2	(36.1)
0.25% on inflation rate	(26.2)	25.1
1 year post retirement longevity	(29.4)	29.2

*Mortality*

Mortality assumptions at 31 December 2013 were based on the following tables published by the Continuous Mortality Investigation Bureau:

- SAPS normal year of birth tables for staff members with CMI 2013 projections with a long term trend rate of 1% per annum
- SAPS light year of birth tables for executive members with CMI 2013 projections with a long term trend rate of 1% per annum

Mortality assumptions at 31 December 2012 were based on the following tables published by the Continuous Mortality Investigation Bureau:

- Mortality before retirement - AM00 and AF00 ultimate mortality table for men and women respectively
- Mortality after retirement - SAPS normal year of birth tables with medium cohort projections and a minimum improvement of 1% per annum in future longevity of staff members
- Mortality after retirement - SAPS light year of birth tables with medium cohort projections and a minimum improvement of 1% per annum in future longevity of executive members

The table below summarises the weighted average life expectancy implied by the mortality assumptions used

	2013 Years	2012 Years	2011 Years
Life expectancy - for an active/deferred member reaching age 65			
Males	22.9	22.3	22.3
Females	25.4	25.1	25.1
Life expectancy - for a 65 year old pensioner			
Males	21.9	21.3	21.2
Females	24.3	24.1	24.0

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## a) Pension schemes (continued)

The major categories, fair values and percentages of assets held by the Schemes at 31 December were as follows

	2013		2012	
	£ million	%	£ million	%
<b>Bond and other debt instruments</b>				
UK corporate bonds	104.4		154.5	
UK government gilts	63.2		4.6	
UK government gilts – index linked	126.2		126.6	
	<b>293.8</b>	<b>38.5</b>	<b>285.7</b>	<b>39.6</b>
<b>Equity instruments</b>				
UK listed equities	108.2		69.3	
European listed equities	19.3		12.4	
US listed equities	38.8		26.1	
International listed equities	50.1		31.7	
	<b>216.4</b>	<b>28.3</b>	<b>139.5</b>	<b>19.3</b>
<b>Arriva bulk annuity buy in agreement</b>	<b>207.2</b>	<b>27.1</b>	<b>201.0</b>	<b>27.9</b>
<b>Property</b>				
Retail property	2.3		21.3	
Commercial property	5.6		14.8	
Industrial property	6.2		17.3	
	<b>14.1</b>	<b>1.8</b>	<b>53.4</b>	<b>7.4</b>
<b>Derivatives</b>				
Inflation swaps	2.9		(3.8)	
	<b>2.9</b>	<b>0.4</b>	<b>(3.8)</b>	<b>(0.5)</b>
<b>Cash and equivalents</b>	<b>13.2</b>	<b>1.7</b>	<b>16.2</b>	<b>2.2</b>
<b>UK PPP assets</b>	<b>17.0</b>	<b>2.2</b>	<b>29.7</b>	<b>4.1</b>
<b>Total market value of assets</b>	<b>764.6</b>	<b>100.0</b>	<b>721.7</b>	<b>100.0</b>
Present value of Schemes' liabilities	(958.0)		(900.4)	
<b>Deficit in the Schemes</b>	<b>(193.4)</b>		<b>(178.7)</b>	
Less unrecoverable surplus in the Plan	(3.4)		(3.9)	
<b>Net pension liability</b>	<b>(196.8)</b>		<b>(182.6)</b>	

Virtually all equity and debt instruments have quoted prices in active markets (Level 1). Derivatives can be classified as Level 2 instruments and property and PPP assets as Level 3 instruments. It is the policy of the Fund to use inflation swaps to hedge its exposure to inflation risk. The Trustee invests in return seeking assets, such as equity and PPP, whilst balancing the risks of inflation and interest rate movements through the annuity buy-in agreement, inflation swaps and interest rate hedging.

In February 2009, the Fund Trustee entered into a bulk annuity buy-in agreement with Aviva to mitigate the Fund's exposure to changes in liabilities. At 31 December 2013, the underlying insurance policy was valued at £207.2 million (2012 – £201.0 million) being very substantially equal to the IAS 19 valuation of the related liabilities.

## Analysis of amounts charged to operating profit

	2013 £ million	2012 £ million
Current service cost*	(1.7)	(1.1)

\* The Schemes no longer have any active members. Therefore, under the projected unit method of valuation the current service cost for the Fund will increase as a percentage of pensionable payroll as the members approach retirement. The current service cost has been included within administrative expenses.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## a) Pension schemes (continued)

*Analysis of amounts charged to finance costs*

	2013 £ million	2012 £ million
Interest on Schemes' assets	31.6	34.2
Interest on Schemes' liabilities	(38.8)	(41.1)
<b>Net charge to finance costs</b>	<b>(7.2)</b>	<b>(6.9)</b>

*Analysis of amount recognised in Group Statement of Comprehensive Income*

	2013 £ million	2012 £ million
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	30.1	12.3
Experience (loss)/gain arising on Schemes' liabilities	(30.7)	0.3
Changes in demographic assumptions underlying the present value of the Schemes' liabilities	(5.1)	-
Changes in financial assumptions underlying the present value of the Schemes' liabilities	(25.6)	(57.7)
Decrease in unrecoverable surplus	0.6	0.3
<b>Actuarial loss recognised in Group Statement of Comprehensive Income</b>	<b>(30.7)</b>	<b>(44.8)</b>
Movement in deferred tax asset	-	-
<b>Actuarial loss recognised in Group Statement of Comprehensive Income</b>	<b>(30.7)</b>	<b>(44.8)</b>

*Changes in present value of defined benefit obligations*

	2013 £ million	2012 £ million
Opening defined benefit obligation	(900.4)	(841.2)
Current service cost	(1.7)	(1.1)
Interest cost	(38.8)	(41.1)
Experience (loss)/gain on Schemes' liabilities	(30.7)	0.3
Changes in demographic assumptions underlying the present value of the Schemes' liabilities	(5.1)	-
Changes in financial assumptions underlying the present value of the Schemes' liabilities	(25.6)	(57.7)
Benefits paid	44.3	40.4
<b>Closing defined benefit obligation</b>	<b>(958.0)</b>	<b>(900.4)</b>

The weighted average life of the Fund at the end of the reporting period is 16 years (2012 – 19 years based on actuarial valuation at 31 March 2010)

*Changes in the fair value of Schemes' assets*

	2013 £ million	2012 £ million
Opening fair value of Schemes' assets	721.7	691.2
Interest on Schemes' assets	31.6	34.2
Return on Schemes' assets (excluding amounts included in interest on Schemes' assets above)	30.1	12.3
Contributions by employer	25.5	24.4
Benefits paid	(44.3)	(40.4)
<b>Closing fair value of Schemes' assets</b>	<b>764.6</b>	<b>721.7</b>

*Analysis of the movement in the deficit during the year*

	2013 £ million	2012 £ million
Opening deficit	(178.7)	(150.0)
Current service cost	(1.7)	(1.1)
Other finance cost	(7.2)	(6.9)
Contributions	25.5	24.4
Actuarial loss *	(31.3)	(45.1)
<b>Deficit in Schemes at 31 December</b>	<b>(193.4)</b>	<b>(178.7)</b>
Less unrecoverable surplus in Plan	(3.4)	(3.9)
<b>Pension deficit at 31 December</b>	<b>(196.8)</b>	<b>(182.6)</b>

\* excluding the increase in unrecoverable surplus in the Plan

The cumulative amount of loss recognised in the Group Statement of Changes in Equity is £361.3 million (2012 – £330.6 million)

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## a) Pension schemes (continued)

*History of the weighted average experience gains and losses*

	2013	2012
<b>Difference between actual and expected returns on assets</b>		
Amount (£ million)	30 1	12 3
% of Schemes' assets	3 9	1 7
<b>Experience (loss)/gain on Schemes' liabilities</b>		
Amount (£ million)	(30 7)	0 3
% of present value of Schemes' liabilities	3 2	-
<b>Total amount recognised in the Group Statement of Comprehensive Income (excluding deferred tax)</b>		
Amount (£ million)	(30 7)	(44 8)
% of present value of Schemes' liabilities	3 2	5 0

Amounts for the current and previous four years are as follows

	2013 £ million	2012 £ million	2011 £ million	2010 £ million	2009 £ million
Present value of Schemes' liabilities	(958 0)	(900 4)	(841 2)	(824 6)	(804 4)
Market value of Schemes' assets	764 6	721 7	691 2	658 9	612 7
Deficit (after unrecoverable surplus in Plan)	(196 8)	(182 6)	(154 2)	(169 0)	(195 0)
Experience (loss)/gain on Schemes' liabilities	(30 7)	0 3	(8 2)	8 5	(0 4)
% of present value of Schemes' liabilities	3 2%	-	0 8%	1 0%	-
Experience gain/(loss) on Schemes' assets	30 1	12 3	10 8	26 8	(5 9)
% of Schemes' assets	3 9%	1 7%	1 6%	4 1%	1 0%

## b) Post retirement medical benefits

The Company provides post retirement medical insurance benefits to 65 past 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 scheme actuary, Towers Watson, and has been included in the Group Balance Sheet under retirement benefit obligations as follows:

	2013 £ million	2012 £ million
Post retirement medical liability at 1 January	(7 2)	(6 8)
Other finance costs	(0 3)	(0 3)
Contributions	0 4	0 4
Actuarial loss recognised in the Group Statement of Comprehensive Income	(0 5)	(0 5)
<b>Post retirement medical liability at 31 December</b>	<b>(7 6)</b>	<b>(7 2)</b>

The annual rate of increase in the per capita cost of medical benefits was assumed to be 4.5% in 2013. It is expected to increase in 2014 and thereafter at 5.7% per annum.

Medical cost inflation has a significant effect on the liability reported for this scheme. A 1% change in assumed medical cost inflation would result in the following costs and liability:

	1% increase £ million	1% decrease £ million
Post retirement medical liability	(8 4)	(6 9)
Aggregate of the service and finance cost	(0 3)	(0 3)

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 22 PROVISIONS

	At 1 January 2013 £ million	Unwinding of discount £ million	On disposal of subsidiaries £ million	Charge/ (credit) to Group Income Statement £ million	Utilised £ million	At 31 December 2013 £ million
Retained liabilities	9.8	0.2	(1.6)	1.2	(0.4)	9.2
Onerous contracts	3.0	-	(1.3)	(1.5)	(0.1)	0.1
Employee related liabilities	0.1	-	-	-	-	0.1
Onerous property leases	2.0	0.1	-	-	(0.2)	1.9
<b>Total provisions</b>	<b>14.9</b>	<b>0.3</b>	<b>(2.9)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>11.3</b>
Classified as						
Continuing operations	5.1					2.1
Discontinued operations (see note 9)	9.8					9.2
<b>Provisions on continuing operations are analysed as</b>						
Non-current provisions	3.2					2.1
Current provisions	1.9					-
	5.1					2.1

Provisions for retained liabilities relate to disposed businesses, £9.2 million of which relates to the sale of Laing Construction in 2001 (2012 – £8.1 million). These amounts are assessed regularly on a contract by contract basis and are expected to be utilised over the next few years. At 31 December 2012 there was an additional provision of £1.5 million which has reduced to £nil at 31 December 2013 following the disposal of the captive insurance business.

At 31 December 2012 a provision in respect of an onerous property lease of £1.9 million was classified as a current liability as it was management's intention that this liability would be settled in 2013. This provision has now been classified as a non-current liability as it is unlikely to be settled in 2014.

## 23 SHARE CAPITAL

	2013 No	2012 No
<b>Authorised</b>		
Ordinary shares of £0.25 each	470,605,252	470,605,252
	£ million	£ million
<b>Allotted, called up and fully paid</b>		
391,742,514 ordinary shares of £0.25 each	97.9	97.9

The Company has one class of ordinary shares which carry no right to fixed income.

## 24 CAPITAL RESERVE

At an extraordinary general meeting of the Company held on 29 January 2007, shareholders approved a resolution to reduce the Company's share premium account by £124.1 million and create a special capital reserve. This was approved by the High Court on 14 February 2007. In 2012, an amount of £23.1 million was transferred to distributable reserves out of the special capital reserve. As a result the balance on the special capital reserve reduced to zero at 31 December 2012.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 25 NOTES TO THE GROUP CASH FLOW STATEMENT

	2013 £ million	2012 £ million
<b>Profit before tax</b>	<b>125.8</b>	<b>80.9</b>
<b>Adjustments for</b>		
Finance costs	18.3	19.6
Discontinued operations cash flows	0.7	0.6
Unrealised profit arising on changes in fair value of investments in project companies (note 13)	(95.1)	(44.6)
Other gains and losses (note 6)	(21.8)	(10.7)
Depreciation of plant and equipment	1.2	1.1
Amortisation of intangible assets	1.6	0.9
Contribution to pension fund	(25.5)	(24.6)
Decrease in provisions	(1.8)	(0.3)
<b>Operating cash flows before movements in working capital</b>	<b>3.4</b>	<b>22.9</b>
Increase in trade and other receivables	(23.6)	(15.3)
Decrease in trade and other payables	(0.8)	(4.0)
<b>Cash (outflow)/inflow from operations</b>	<b>(21.0)</b>	<b>3.6</b>
Income taxes received	5.2	1.7
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(15.8)</b>	<b>5.3</b>

## 26 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE GROUP CASH FLOW STATEMENT

	2013 £ million	2012 £ million
Cash and cash equivalents in the Group Balance Sheet	46.4	57.6
Cash and cash equivalents in assets held for sale and discontinued operations (note 9)	-	1.8
<b>Cash and cash equivalents in the Group Cash Flow Statement</b>	<b>46.4</b>	<b>59.4</b>

## 27 GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND OTHER COMMITMENTS

At 31 December 2013 the Company was a guarantor under the Group's £305 million committed revolving credit facility dated 20 February 2013 as amended on 29 October 2013. At 31 December 2013 the total amount utilised under this facility was £165.9 million (2012 – £187.3 million).

The Group has future equity and loan commitments of £166.7 million (2012 – £192.1 million) in PPP projects that are backed by letters of credit of £158.8 million and collateralised cash of £7.9 million.

As stated in note 21 a) the Company provides guarantees in respect of PPP assets transferred to JLPF in settlement of annual contribution obligations.

The Group has given guarantees to lenders of a normal trading nature including performance bonds, some of which may be payable on demand.

Claims arise in the normal course of trading which in some cases involve or may involve litigation. Full provision has been made in these accounts for all amounts which the Directors consider will become payable on account of such claims.

As at 31 December 2013 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013		2012	
	Land and buildings £ million	Other £ million	Total £ million	Total £ million
Within one year	1.6	0.1	1.7	1.4
In the second to fifth years inclusive	5.6	-	5.6	4.6
After five years	9.2	-	9.2	16.1
	<b>16.4</b>	<b>0.1</b>	<b>16.5</b>	<b>22.1</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 28 TRANSACTIONS WITH RELATED PARTIES

#### Group

Details of transactions between the Group and other related parties are disclosed below

#### Trading transactions

During the year the Group entered into the following trading transactions with project companies

	2013 € million	2012 € million
Services income *	12.2	42.2
Finance income	31.0	47.2
Dividend income	10.0	12.2
Amounts owed by project companies	40.6	26.7
Amounts owed to project companies	(1.5)	(1.9)

\* services income is generated from project companies through facilities management contracts, management services agreements and recoveries of bid costs on financial close

In prior years, the Group has transferred ownership of a proportion of certain interests in PPP assets to JLPF as partial consideration for agreed deficit reduction contributions. More details are set out in note 21. As part of the transfer, the Company has guaranteed to pay any distribution shortfall to JLPF for the next four years.

#### Loans to and from related parties

	2013 € million	2012 € million
Subordinated debt loans to project companies	290.1	236.0
Loans from joint ventures and associates	(3.2)	(3.3)
Mezzanine loan from JLPF to project company	-	(9.4)

The above loans are provided by and to the Group at market rates of interest and are repayable in accordance with the terms of the loan agreements.

### 29 EVENTS AFTER BALANCE SHEET DATE

On 15 January 2014 the Group reached financial close on the NGR project in Australia.

On 6 February 2014 the Group completed the acquisition of a further 12% interest in City Greenwich Lewisham Rail Link plc, increasing the Group's stake in this project to 52%.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 30 DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS

The Group has investments in project companies recorded in the Group Balance Sheet at fair value through profit or loss. The majority of these project companies operate service concession arrangements in the Social Infrastructure, Transport and Environmental and utilities sectors. The concessions vary as to the extent of their obligations but typically require the construction and operation of an asset during the concession period. The concessions may require the acquisition or replacement of an existing asset or the construction of a new asset. The operation of the assets may include the provision of major maintenance and facilities management services such as cleaning, catering and caretaking. Typically at the end of concession periods the assets are returned to the concession owner; however, on two of the projects held at 31 December 2013 the project company has a right to retain the concession asset.

The rights of the concession owner and concession operator are stated within the project agreements. The rights of the concession owner include provisions to terminate the concession for poor performance of the contract by the operator or in the event of force majeure. The rights of the operator to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the operator to fulfil its requirements.

Sector	Company name	Project name	% owned	Short description of concession arrangement	Period of concession		No. years	Obligations to property, plant and equipment
					Start date	End date		
Social Infrastructure Hospitals	Alder Hey (Special Purpose Vehicle) Limited	Alder Hey Children's Hospital	40%	Design, build, finance and operate new hospital in Liverpool	01/07/2015	30/06/2045	30	Construction of new hospital costing £167 million
	Healthcare Support (Erdington) Limited	North Birmingham Mental Health Hospitals	100%	Design, build, finance and operate mental health facilities in Birmingham	15/08/2000	31/03/2037	37	Refurbishment and construction at the All Saints & Highcroft Hospital costing £12 million
	SA Health Partnership Nominees Pty Ltd	New Royal Adelaide Hospital	17.3%	Design, build, finance and operate new hospital in Adelaide South Australia	06/11/2011	05/06/2046	35	Construction of new hospital costing AUD \$1,850 million
Justice and Emergency Services	Services Support (BTP) Limited	BTP (British Transport Police)	54.17%	Design, build, finance and operate one office and operate a further six BTP premises	26/03/1999	28/02/2022	23	Construction costing £2 million
	Services Support (Cleveland) Limited	Cleveland Firearms	27.08%	Design, build, finance and operate firearms training facility in Cleveland	18/04/2000	31/03/2026	26	Construction costing £6 million
	Services Support (SEL) Limited	Metropolitan Police SEL	25%	Design, build, finance and operate four police stations in South East London	26/10/2001	16/01/2029	27	Construction costing £80 million
	Securefuture Wiri Limited	Wiri Prison	30%	Design, build, finance and operate a 960 place prison at Wiri South Auckland	11/09/2012	17/05/2040	28	Construction costing NZD \$270 million
Defence	Defence Support (St Athan) Limited	DARA Red Dragon	100%	Design, build and finance aircraft maintenance facilities at RAF St Athan	01/08/2003	17/12/2019	16	Construction costing £89 million
Regeneration	Inspirail Oldham Limited	Oldham Social Housing	95%	Refurbish, finance and operate social housing in Oldham	30/11/2011	30/11/2036	25	Construction costing £68.1 million
	Regenter Excellent Homes for Life Limited	Kirklees Social Housing	80%	Refurbish, finance and operate social housing in Kirklees	20/12/2011	30/09/2034	23	Construction costing £66.2 million
	Regenter Myatts Field North Ltd	Lambeth Social Housing	50%	Build and refurbish, finance and operate social housing in Lambeth	04/05/2012	04/05/2037	25	Construction costing £72.6 million
Netherlands	Duo2 B V	Groningen Tax Office	40%	Design, build, finance, maintenance and operation of new buildings on behalf of the State Buildings Office in the Netherlands	26/09/2008	14/03/2031	22	Total expenditure of €133 million

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## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 30 DISCLOSURE – SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Sector	Company name	Project name	% owned	Short description of concession arrangement	Period of concession		No years	Obligations to property, plant and equipment
					Start date	End date		
Transport Roads	CountyRoute (A130) plc	A130	100%	Design build finance and operate the A130 bypass linking the A12 and A127 in Essex	01/02/2000	31/01/2030	30	New build at a cost of £76 million
	Gdansk Transport Company SA	A1 Gdansk Poland	29.69%	Design build finance and operate the A1 Motorway in Poland in two phases	31/08/2004	24/08/2039	35	New build at a cost of €651 million for phase 1 and €900 million for phase 2
	Severn River Crossing Plc	Severn River Crossing	35%	Design build finance and operate a second crossing over the Severn River plus operate and maintain existing crossing	26/04/1992	No later than 26/04/2022	The earlier of 30 years or until a pre-determined level of revenue achieved	Cost approximately £320 million
	MAK Mecsek Autopalya Koncessziós Zrt	M6 Hungary	30%	Design construction refurbishment operation maintenance and financing of 48 km section of M6 expressway and 32 km of M60 expressway	01/04/2010	31/10/2037	28	Build and maintain new expressways at a cost of €886 million
	UK Highways A55 Limited	A55	50%	Design build finance and operate the A55 a trunk road running across the island of Anglesey	16/12/1998	15/12/2028	30	Build new trunk road and maintain existing Menai and Britannia bridges at a cost of £102 million
	A1 Mobile GmbH & Co KG	A1 Germany	42.5%	Construct and operate the A1 Autobahn between Bremen and Hamburg in Germany	04/08/2008	31/08/2038	30	New build at a cost of €417.1 million
	A-Lanes A15 B V	A15 Netherlands	28%	Design build finance and maintain the A15 highway south of Rotterdam (about 40 km)	09/12/2010	30/06/2035	25	Extension of road at Construction value of €727 million Maintenance for 20 years costing in total €204 million (real)
	Dhule Palesner Tollway Limited	NH3 Road India	36%	Design engineering finance construction development operation and maintenance of a 9.6 km four-lane highway from Maharashtra-Madhya Pradesh Border to Dhule section of the National Highway 3	04/01/2010	03/01/2028	18	Build and maintain highway at a cost of NR 1,415 Cr (£200 million)
Rail	City Greenwich Lewisham Rail Link plc	City Greenwich Lewisham (DLR)	40%	Construction and operation of infrastructure on Lewisham extension of the Docklands Light Railway (DLR)	01/10/1996	31/03/2021	25	Build 4.2 km extension of the DLR from Isle of Dogs to Lewisham including boring of tunnels beneath the Thames at a cost of £205 million
	Aylesbury Vale Parkway Limited	Aylesbury Vale Parkway	50%	Construction and operation of the Aylesbury Vale Parkway Station	17/08/2007	13/12/2028	21	Construction costing £15.5 million (of which £11.0 million Council-funded) and maintenance over 20 years

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 30 DISCLOSURE - SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Sector	Company name	Project name	% owned	Short description of concession arrangement	Period of concession		No years	Obligations to property, plant and equipment
					Start date	End date		
<b>Rail (continued)</b>	John Laing Rail Infrastructure Limited	Coleshill Parkway	100%	Construction and operation of the Coleshill Parkway Station	10/03/2006	18/08/2027	21	Construction costing £7.1 million (of which £5 million Council-funded) and maintenance over 20 years
	Denver Transit Partners LLC	Denver FasTracks	45%	Design build finance maintenance and operation of passenger rail systems in Denver Colorado	12/08/2010	31/12/2044	34	Construction costing US\$1.27 billion consisting of 35 miles of commuter train lines including a commuter rail maintenance facility and rail cars
	Agility Trains West Ltd	IEP (Phase 1)	24% (Initially 30% with commitment to sell 6% (Sale of 6% was completed on 31 January 2013))	Delivery and maintenance of intercity train services on the Great Western Main Line (UK) using a fleet of new Super Express Trains and maintenance facilities	25/05/2012	28/11/2044	33	Construction costing £1.820 billion over 6 years and maintenance costing £65 million per annum over 27.5 years
<b>Street Lighting</b>	Surrey Lighting Services Limited	Surrey SL	50%	Installation and maintenance of street lighting	27/11/2009	28/02/2035	25	Replacement column programme costing £78.6 million
	Croydon and Lewisham Lighting Services Limited	Croydon & Lewisham SL	50%	Installation and maintenance of street lighting	19/04/2011	31/07/2036	25	Replacement column programme costing £74.2 million
<b>Environmental Utilities</b>	Coastal Clearwater Limited	Kinnegar	50%	Design build finance and operate an upgrade to a waste treatment plant in Belfast	30/04/1999	30/04/2024	25	Upgrade at a cost of £12 million
<b>Waste</b>	INEOS Runcorn (TPS) Limited	Manchester Waste TPS Co	37.43%	Design build finance and operate a waste CHP plant in Runcorn	08/04/2009	07/04/2034	25	New waste CHP plant construction costing £233 million
	Viridor Laing (Greater Manchester) Limited	Manchester Waste VL Co	50%	Design build and commission 42 facilities comprising waste processing and recycling services in the Greater Manchester area	08/04/2009	07/04/2034	25	New waste processing facilities with construction costing £401 million
	ELWA Limited	East London Waste	80%	Operate the process for household waste in four London boroughs (Redbridge, Barking and Dagenham, Havering and Newham)	01/12/2002	01/12/2027	25	Waste processing facilities with construction cost of £110 million
	Shanks Dumfries and Galloway Limited	Dumfries and Galloway Waste	80%	Manage waste treatment and disposal in Dumfries and Galloway	01/11/2004	01/11/2029	25	Waste processing facilities with construction cost of £34 million

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## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 31 PRINCIPAL INVESTMENTS AND GROUP SERVICES COMPANIES

## Investments

## United Kingdom

**Agility Trains West Ltd**

Ordinary shares of £1 (24%)  
Delivery of intercity train services  
Financial year end 31 March

**Alder Hey (Special Purpose Vehicle) Limited**

Ordinary shares of £1 (40%)  
PPP accommodation operator

**Amber Solar Parks Limited\*\***

Renewable energy developer

**Aylesbury Vale Parkway Limited**

Ordinary shares of £1 (50%)  
Development and operation of rail infrastructure assets

**Bilthorpe Wind Farm Limited\*\***

Renewable energy developer

**Burton Wold Extension Limited\*\***

Renewable energy developer

**Branden Solar Parks Limited\*\***

Renewable energy developer

**Carscreugh Renewable Energy Park Limited**

Renewable energy developer

**City Greenwich Lewisham Rail Link plc**

Ordinary shares of £1 (40%)  
Light rail concession operator

**Coastal Clearwater Limited**

Ordinary shares of £1 (50%)  
PPP wastewater treatment plant operator in Northern Ireland  
Financial year end 31 March

**CountyRoute (A130) Plc\*\***

Road concession operator

**Croydon and Lewisham Lighting Services Limited**

Ordinary shares of £1 (50%)  
Street lighting concession operator

**Croydon PSDH Holdco Limited\***

Holding company for property development company

**Croydon PSDH Holdco 2 Limited\***

Holding company for property development company

**CCURV LLP**

Limited Liability Partnership (50%)  
Property development

**Dreaghmhor Wind Farm Limited\*\***

Renewable energy developer

**Defence Support (St Athan) Limited\*\***

PPP accommodation operator

**ELWA Limited\*\***

Ordinary shares of £1 (80%)  
PPP waste management operator  
Financial year end 31 March

**Forum Cambridge LLP**

Limited Liability Partnership (50%)  
Project development

**Hall Farm Wind Farm Limited\*\***

Renewable energy developer

**Healthcare Support (Erdington) Limited\*\***

PPP accommodation operator

**INEOS Runcorn (TPS) Limited**

Ordinary shares of £1 (37.43%)  
PPP waste management operator

**Inspirail Oldham Limited\*\***

Ordinary shares of £1 (95%)  
PPP accommodation operator

**John Laing (Croydon Development Company) LLP\*\***

Holding company for property development company

**John Laing Infrastructure Limited\***

Holding company for roads investments

**John Laing Investments Limited\*\***

Holding company for investments

**John Laing Investments Overseas Holdings Limited\***

Holding company for overseas investments

**John Laing Projects & Developments Limited\***

Property management company

**John Laing Projects & Developments (Holdings) Limited\***

Holding company for rail related assets and property developments

**John Laing Projects & Developments (Croydon) Limited\***

Holding company for Croydon property developments

**John Laing Rail Infrastructure Limited\*\***

Development and operation of rail infrastructure assets

**John Laing Social Infrastructure Limited\***

Holding company for accommodation investments

**Laing/Gladedale (Hastings) Limited**

Ordinary shares of £1 (50%)  
Property development company

**Laing/Gladedale (St Saviours) Limited**

Ordinary shares of £1 (50%)  
Property development company

**Laing Investment Company Limited\***

Property development company

**Regenter Excellent Homes for Life Limited\*\***

Ordinary shares of £1 (80%)  
PPP accommodation operator

**Regenter Myatts Field North Limited**

Ordinary shares of £1 (50%)  
PPP accommodation operator

**Services Support (BTP) Limited**

Ordinary shares of £1 (54.17%)  
PPP accommodation operator

**Services Support (Cleveland) Limited**

Ordinary shares of £1 (27.08%)  
PPP accommodation operator

**Services Support (SEL) Limited**

Ordinary shares of £1 (25%)  
PPP accommodation operator

**Savern River Crossing Plc**

Ordinary shares of £1 (35%)  
Toll bridge concessionaire

**Shanks Dumfries and Galloway Limited\*\***

Ordinary shares of £1 (80%)  
PPP waste management operator  
Financial year end 31 March

**Surrey Lighting Services Limited**

Ordinary shares of £1 (50%)  
Street lighting concession operator

**UK Highways A55 Limited**

Ordinary shares of £1 (50%)  
Road concession operator  
Financial year end 31 March

**UK Highways Limited**

Ordinary shares of £1 (25 pence paid up) (50%)  
Management of road concession operator  
Financial year end 31 March

**Viridor Laing (Greater Manchester) Limited**

Ordinary shares of £1 (50%)  
PPP waste management operator

**Wear Point Wind Limited\*\***

Ordinary shares of £1  
Renewable energy developer

**Wind Assets LLP\*\***

Renewable energy developer

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 31 PRINCIPAL INVESTMENTS AND GROUP SERVICES COMPANIES (CONTINUED)

## Investments

## Overseas

**A1 Mobil GmbH & Co KG**

Shares of €1 (42.5%)  
Road concession operator – operating  
in Germany

**A-Lanes A15 B V**

Shares of €1 (28%)  
PPP road concession operator – operating  
in the Netherlands

**Denver Transit Partners LLC**

Limited Liability Corporation (45%)  
PPP rail concession operator – operating  
in the USA

**Dhule Palesner Tollway Limited**

Ordinary shares of 10 rupees each (36%)  
Road concession operator – operating  
in India

**Duo2 B V**

Shares of €1 (40%)  
PPP accommodation operator – operating  
in the Netherlands

**Gdansk Transport Company SA**

B series shares PLN10 each (29.69%)  
C series shares PLN10 each (29.69%)  
Road concession operator – operating  
in Poland

**MAK Mecsek Autopalya Koncessziós Zrt**

Ordinary shares HUF25 000 (30%)  
Road concession operator – operating  
in Hungary

**SA Health Partnership Nominees Pty Limited**

Shares of AUD 1 (17.26%)  
Hospital concession operator – operating  
in Australia

**Securefuture Wiri Limited**

Shares of NZD 1 (30%)  
PPP accommodation operator – operating  
in New Zealand

**SPC Management Services B V**

Shares of €1 (33.33%)  
Management services to projects  
in the Netherlands

**Rammeldalsberget Vindkraft AB\*\***

Renewable energy developer in Sweden

**Svartvallsberget SPW AB\*\***

Renewable energy developer in Sweden

## Listed investments

**John Laing Infrastructure Fund Limited**

Ordinary shares of 0.01 pence (4.5%)  
Registered in Guernsey

## Group Services Companies

**John Laing Services Limited\*\***

Management of retained construction  
liabilities

**John Laing Capital Management Limited\*\***

Investment management company

**Laing Investments Management Services (Australia) Limited\***

Management staff and administrative services  
– operating in Australia

**Laing Property Limited\*\***

Holding company for property developments

**Laing Investments Management Services Limited\***

Management staff and administrative services

**Laing Investments Management Services (Canada) Limited\***

Management staff and administrative services  
– operating in Canada

**Laing Investments Management Services (Singapore) Limited\***

Management staff and administrative services

**Laing Investments Management Services (Netherlands) Limited\***

Management staff and administrative services  
– operating in the Netherlands

**John Laing (USA) Limited\***

Management staff and administrative services  
– operating in the USA

Except where indicated, all companies are wholly owned, have 31 December year ends, are incorporated in Great Britain and registered in England and Wales or Scotland, and operate mainly in the country of incorporation.

\* shares owned directly by the Company

\* subsidiaries that are consolidated under IFRS 10

\*\* subsidiaries that are not consolidated under IFRS 10

## COMPANY BALANCE SHEET

as at 31 December 2013

	Notes	2013 € million	2012 € million
<b>Fixed assets</b>			
Interests in subsidiary undertakings	3	736.6	620.9
<b>Current assets</b>			
Debtors: due within one year	4	105.4	91.4
due after one year	4	4.1	0.8
Cash at bank and in hand		43.5	51.0
		<b>153.0</b>	143.2
Interest-bearing loans and borrowings		6.0	–
<b>Creditors</b> : amounts falling due within one year	5	27.4	24.1
		<b>119.6</b>	119.1
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<b>856.2</b>	740.0
<b>Creditors</b> : amounts falling due after more than one year	6	129.3	128.4
<b>Provisions for liabilities</b>			
Interests in subsidiary undertaking	8	200.1	184.5
<b>Net assets</b>	11	<b>526.8</b>	427.1
<b>Capital and reserves</b>			
Called up share capital	9	97.9	97.9
Revaluation reserve	10	385.9	284.6
Profit and loss account	10	43.0	44.6
<b>Shareholder's funds</b>		<b>526.8</b>	427.1

The financial statements of John Laing plc (registered number 1345670), were approved by the Board of Directors and authorised for issue on 25 March 2014 and were signed on its behalf by



A J H Ewer  
DIRECTOR  
25 March 2014



P O D Bourke  
DIRECTOR  
25 March 2014

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

### 1 ACCOUNTING POLICIES

#### a) Basis of preparation

The financial statements of the Company are presented separately as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below.

#### b) Investments

Investments in subsidiaries, joint ventures and associates are reflected in the financial statements at fair value which, in the case of PPP project companies and other investments, is the portfolio valuation. For other companies, the net book value equates to fair value.

### 2 PROFIT FOR THE YEAR

In accordance with Section 408 of the Companies Act 2006, no separate profit and loss account has been presented for the Company. For the year ended 31 December 2013, the Company reported a profit of £24.4 million (2012 – £6.9 million). The Directors authorised payment of interim dividends of £0.3 million (2012 – £0.3 million) during the year.

### 3 INTERESTS IN SUBSIDIARY UNDERTAKINGS

	Investments £ million
<b>Original cost</b>	
At 1 January 2013	236.0
Disposals	(4.4)
<b>At 31 December 2013</b>	<b>231.6</b>
<b>Provisions made against investments</b>	
At 1 January 2013	(84.2)
Movements in the year	3.2
<b>At 31 December 2013</b>	<b>(81.0)</b>
<b>Revaluation</b>	
At 1 January 2013	469.1
Movement in the year	116.9
<b>At 31 December 2013</b>	<b>586.0</b>
<b>Valuation *</b>	
<b>At 31 December 2013</b>	<b>736.6</b>
At 31 December 2012	620.9

\* total of original cost, provisions made against investments and revaluation

Short-term trading balances with subsidiaries are included in the Company Balance Sheet in debtors or creditors as appropriate.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 4 DEBTORS

	31 December 2013 £ million	31 December 2012 £ million
<b>Due within one year</b>		
Amounts owed by subsidiary undertakings	99.5	88.0
Other debtors	-	3.1
Other taxation	4.0	-
Prepayments and accrued income	1.9	0.3
	<b>105.4</b>	<b>91.4</b>
<b>Due after one year</b>		
Prepayments and accrued income	4.1	0.8

The amounts owed by subsidiary undertakings in the current and prior year are repayable in line with agreed repayment schedules. Interest is charged at arm's length interest rates, 3.5% above bank base rate.

## 5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2013 £ million	31 December 2012 £ million
Amounts owed to Group undertakings	18.5	13.8
Other taxation and social security	0.1	0.1
Accruals and deferred income	8.8	10.2
	<b>27.4</b>	<b>24.1</b>

## 6 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2013 £ million	31 December 2012 £ million
Amounts owed to Group undertakings	129.3	128.4
	<b>129.3</b>	<b>128.4</b>

Interest is charged by Group undertakings on loans at 3.5% above bank base rate.

## 7 ANALYSIS OF CREDITORS

	31 December 2013 £ million	31 December 2012 £ million
<b>Maturity</b>		
Due within one year	27.4	24.1
Due after more than five years	129.3	128.4
	<b>156.7</b>	<b>152.5</b>

## 8 PROVISION FOR LIABILITIES

	At 1 January 2013 £ million	Revaluation amount £ million	At 31 December 2013 £ million
Investment in subsidiary undertaking*	184.5	15.6	200.1

\* relates to the Company's investment in John Laing Services Limited which holds the deficit in JLPF

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2013

## 9 CALLED UP SHARE CAPITAL

	31 December 2013 No	31 December 2012 No
<b>Authorised</b>		
Ordinary Shares of £0.25 each	470,605,252	470,605,252
	£ million	£ million
<b>Allotted, called up and fully paid</b>		
391,742,514 Ordinary Shares of £0.25 each	97.9	97.9

## 10 MOVEMENT IN RESERVES

	Revaluation reserve* £ million	Profit and loss account £ million	Total £ million
At 1 January 2013	284.6	44.6	329.2
Retained profit for the year	-	23.9	23.9
Unrealised gain on the revaluation of investments	101.3	-	101.3
Contribution to pension fund	-	(25.5)	(25.5)
<b>At 31 December 2013</b>	<b>385.9</b>	<b>43.0</b>	<b>428.9</b>

\* the revaluation reserve is stated net of unrealised losses of £200.1 million at 31 December 2013 (2012 – £184.5 million) relating to the revaluation of subsidiaries

## 11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER S FUNDS

	Share capital £ million	2013 Reserves £ million	Total £ million	2012 Total £ million
Profit for the financial year	-	24.2	24.2	6.9
Dividends paid on Ordinary Shares	-	(0.3)	(0.3)	(0.3)
Retained profit for the financial year	-	23.9	23.9	6.6
Unrealised profit on the revaluation of investments	-	101.3	101.3	49.8
Contribution to pension fund	-	(25.5)	(25.5)	(24.5)
Net increase in shareholder s funds	-	99.7	99.7	31.9
Opening shareholder s funds	97.9	329.2	427.1	395.2
<b>Closing shareholder s funds</b>	<b>97.9</b>	<b>428.9</b>	<b>526.8</b>	<b>427.1</b>

## 12 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is Henderson Infrastructure Holdco Limited, a company incorporated in Great Britain. The largest group in which the Company's results are consolidated is that of its ultimate parent and controlling entity, Henderson Infrastructure Holdco (Jersey) Limited, a company incorporated in Jersey, Channel Islands.

## DIRECTORS AND ADVISORS

### EXECUTIVE DIRECTORS

Adrian Ewer FCA  
Chief Executive (until 25 March 2014)

Olivier Brousse EP, ENPC  
Chief Executive

Patrick O D Bourke MA ACA  
Group Finance Director

Derek Potts MA ACA  
Executive Director Primary Investment

Chris Waples CDir FIoD  
Executive Director, Asset Management

### NON-EXECUTIVE DIRECTORS

Phil Nolan Bsc PHD MBA  
Chairman

Priscilla Davies BCom ACA

Toby Hiscock MA (Oxon) FCA

Roger Greville BAgEcon, MCom(Econ)

Guy Pigache BSc

### COMPANY SECRETARY AND REGISTERED OFFICE

Carolyn Cattermole LLB  
1 Kingsway  
London WC2B 6AN

### AUDITORS

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London EC4A 3BZ

### PRINCIPAL GROUP BANKS

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1 Churchill Place  
London E14 5HP

Royal Bank of Scotland  
280 Bishopsgate  
London EC2M 4RB

HSBC Bank plc  
60 Queen Victoria Street  
London EC4N 4TR

Australia and New Zealand Banking Group Limited  
40 Bank Street  
Canary Wharf  
London E14 5EJ

Bank of Tokyo-Mitsubishi  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AN

Sumitomo Mitsui Banking Corporation  
99 Queen Victoria Street  
London EC4V 4EH

### INDEPENDENT VALUERS

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